

Registered Number 4211637

Northwestern Shiprepairers and Shipbuilders
Limited
Report and accounts
for the year ended 31 May 2006

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Northwestern Shiprepairers and Shipbuilders Limited

Report and accounts for the year ended 31 May 2006

Contents

| | |
|--|----|
| Directors and advisers for the year ended 31 May 2006 | 1 |
| Directors' report for the year ended 31 May 2006 | 2 |
| Independent auditors' report to the members of Northwestern Shiprepairers and Shipbuilders Limited | 5 |
| Profit and loss account for the year ended 31 May 2006 | 7 |
| Balance sheet as at 31 May 2006 | 9 |
| Cash flow statement for the year ended 31 May 2006 | 10 |
| Accounting policies | 11 |
| Notes to the financial statements for the year ended 31 May 2006 | 13 |

Northwestern Shiprepairers and Shipbuilders Limited

Directors and Advisers for the year ended 31 May 2006

Directors

J R Syvret
J Kennedy
M J Moran
P A Jones

Secretary

J R Syvret

Registered Office

Cammell Laird Shipyard
Campbeltown Road
Birkenhead
Merseyside
CH41 9BP

Auditors

PricewaterhouseCoopers LLP
8 Princes Parade
St. Nicholas Place
Liverpool
L3 1QJ

Bankers

Barclays
Manchester City Office
Manchester
M60 2AU

Northwestern Shiprepairers and Shipbuilders Limited

Directors' report for the year ended 31 May 2006

The directors present their report and the audited financial statements of the Company ("NSL") for the year ended 31 May 2006.

Principal activities

The principal activity of the Company during the year was ship repair.

Review of business and future developments

This financial year has been very difficult for the Company as a lot of management time has been focused on the sites and infrastructure available long term. Sales traditionally generated by the Company, in many instances have been undertaken, for commercial reasons, by its subsidiaries. However the Management believes that now, since the year end, having gained control of these strategically important assets, the Company is in a position to gain market share in military and conversion markets previously not available, thus providing a platform for long-term growth.

Future Trading : The companies levels of trading has remained stable over the last 3 financial years at circa £20m, however the acquisition of Birkenhead Shiprepair Yard Limited, and the subsequent moving into the Cammell Laird shipyard, has given the Company the infrastructure to be able to grow the business. To date this has been evident in the 2006/7 sales, and with a firm order book. The growth experienced has been in both the commercial and military markets, with the Company now starting to refocus on the conversion market as well.

Business Risks

The main business risks relating to the Company are categorised as follows :

Personnel : There is both a local and national shortage for skilled tradesmen and management. Whilst the Company has been able to manage the growth achieved to date, this is becoming increasingly more difficult. In addition, a large percentage of the white and blue collar workforce are at near retirement age and it is becoming increasingly difficult to replace them with people of similar experience and qualifications, therefore the Company has been recruiting from overseas and is currently recruiting apprentices.

Commercial : For larger value projects NSL negotiates stage payments, but due to lack of credit insurance, the risk remains of bad debts for NSL's smaller customers.

Supply Base : NSL utilises a large number of local sub-contractors and suppliers. As significant challenge for the business is for the supply chain base to grow in line with the business.

Trading : The level of trading with the MoD and commercial customers has fluctuated over the last few years. NSL's growth has been achieved through significant contracts.

Market : NSL operates in a competitive market place with nearly all its contracts awarded after commercial tender. The requirements of the tender include price but are also based on Management Structure, Risk Management, Health & Safety and Security plans.

Legal : As at 31st May 2006, NSL was in legal dispute with A&P Group. This issue has now been resolved.

Northwestern Shiprepairers and Shipbuilders Limited

Commercial Contracts : Procedures and policies are continuously reviewed to reduce any potential contract risk. Performance bonds are sometimes issued in accordance with contractual terms.

The Company remains totally committed to the Health and Safety of all employees, contractors and visitors and to date has an excellent record in respect of reportable incidents. Our Employee Liability insurance supplier has assisted NSL with independent advice to identify potential areas of concern in relation to Health & Safety and facilities to enable the development of mitigating actions.

NSL operates from approved ISPS yards and is independently accredited by BVQI to ISO9001 standard.

NSL is committed to working with employees for the benefits of both the Company and its workers and to this extent enjoys a partnership with Amicus and GMBU. In addition NSL is working with Liverpool Chamber of Commerce and Laird Foundation to improve employee skill levels.

Results and dividends

The Company's profit for the financial year before taxation is £1,471,000 (2005: £1,235,000). The Company's profit after taxation is £1,198,000 (2005: £358,000 loss). Dividends recognised as an expense during the year amounted to £641,000 which excludes proposed dividends that have yet to be approved by the balance sheet date. The directors recommend the payment of a dividend of £958,000. The retained profit for the financial year of £557,000 will be transferred to reserves.

Directors and their interests

The directors who held office during the year are given below:

| | |
|------------|-------------------|
| J R Syvret | Managing Director |
| J Kennedy | Director |
| M J Moran | Director |
| P A Jones | Non-executive |

The interests of the directors of the Company in the shares of the Company were:

| | Interests in ordinary A shares of 1 pence each | |
|------------|---|----------------|
| | 31 May 2006 | 31 May 2005 |
| J R Syvret | 10,134 | 9,600 |
| J Kennedy | 1,583 | 1,500 |
| M J Moran | 1,583 | 1,500 |
| P A Jones | - | - |

There are no outstanding share options at 31 May 2006

Post Balance Sheet Events

The Company has been notified of an intention to bring legal action for alleged breach of covenant over access to certain of the Company's operating facilities. Since the year end the dispute has been resolved by the Company making a total cash payment of approximately £2.0m including legal costs.

Northwestern Shiprepairers and Shipbuilders Limited

Statement of directors' responsibilities

Company law requires the directors to prepare the financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors


Each director at the date of the approval of the financial statements has confirmed:

- a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are not aware; and
- b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board



J R Syvret
Managing Director
26 March 2007

Northwestern Shiprepairers and Shipbuilders Limited

Independent auditors' report to the members of Northwestern Shiprepairers and Shipbuilders Limited

We have audited the financial statements of Northwestern Shiprepairers and Shipbuilders Limited for the year ended 31 May 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, the note of historical cost profits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the directors report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Northwestern Shiprepairers and Shipbuilders Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Handwritten signature: PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Liverpool
26 March 2007

Northwestern Shiprepairers and Shipbuilders Limited

Profit and loss account for the year ended 31 May 2006

| | Note | 2006 | 2005 |
|---|------|--------------|-------------------|
| | | £'000 | Restated £'000 |
| Turnover | 1 | 18,791 | 21,506 |
| Cost of sales | 4 | (13,814) | (17,508) |
| Gross profit | | 4,977 | 3,998 |
| Write off in relation to acquisition of A& P Birkenhead | | - | (1,213) |
| Other administrative expenses | | (3,587) | (2,814) |
| Total administration expenses | 4 | (3,587) | (4,027) |
| Operating profit/(loss) | | 1,390 | (29) |
| Net interest receivable | 5 | 81 | 51 |
| Profit on ordinary activities before taxation | 6 | 1,471 | 22 |
| Tax charge on profit on ordinary activities | 7 | (273) | (380) |
| Profit/(loss) on ordinary for the financial year | 17 | 1,198 | (358) |

Statement of recognised gains and losses

| | 2006 | 2005 |
|------------------------------------|-------|-------------------|
| | £'000 | Restated £'000 |
| Profit/(loss) for the year | 1,198 | (358) |
| Proceeds on issue of share capital | - | 1,130 |
| Balance at 31 May 2006 | 1,198 | 772 |

All items dealt with in arriving at operating profit/(loss) above relate to continuing operations.

Northwestern Shiprepairers and Shipbuilders Limited

Note of historical cost profits and losses

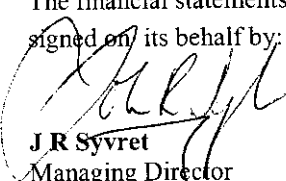
| | 2006 | 2005 |
|---|-------|----------|
| | | Restated |
| | £'000 | £'000 |
| Profit on ordinary activities before taxation | 1,471 | 22 |
| Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount | 37 | 37 |
| Historical cost profit on ordinary activities before taxation | 1,508 | 59 |
| Historical cost profit/(loss) for the year after taxation and dividends | 594 | (796) |

Northwestern Shiprepairers and Shipbuilders Limited

Balance sheet as at 31 May 2006

| | Note | 2006 £'000 | 2005 Restated £'000 |
|---|------|---------------|---------------------------|
| Fixed assets | | | |
| Tangible assets | 10 | 641 | 714 |
| | | 641 | 714 |
| Current assets | | | |
| Stocks | 11 | 298 | 718 |
| Debtors | 12 | 2,590 | 2,571 |
| Cash at bank and in hand | | 3,477 | 2,593 |
| | | 6,365 | 5,882 |
| Creditors: amounts falling due within one year | 13 | (4,238) | (4,350) |
| Net current assets | | 2,127 | 1,532 |
| Total assets less current liabilities | | 2,768 | 2,246 |
| Creditors: amounts falling due after more than one year | 14 | - | (1) |
| Provisions | 15 | - | (34) |
| Net assets | | 2,768 | 2,211 |
| Capital and reserves | | | |
| Called up share capital | 16 | - | - |
| Share premium | 17 | 450 | 450 |
| Revaluation reserve | 17 | 183 | 220 |
| Profit and loss account | 17 | 2,135 | 1,541 |
| Total shareholders' funds | 19 | 2,768 | 2,211 |

The financial statements on pages 7 to 22 were approved by the board of directors on 26 March 2007 and were signed on its behalf by:


J R Syvret
Managing Director

Northwestern Shiprepairers and Shipbuilders Limited

Cash flow statement for the year ended 31 May 2006

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Cash flow statement | | |
| Net cash inflow from operating activities | 1,945 | 1,247 |
| Returns on investments and servicing of finance | | |
| - Interest received | 81 | 71 |
| - Interest paid | - | (20) |
| Net cash inflow from returns on investments and servicing of finance | 81 | 51 |
| Taxation | (407) | (237) |
| Capital expenditure | | |
| Purchase of tangible fixed assets | (100) | (119) |
| Disposal of tangible fixed assets | 6 | 9 |
| Net cash outflow for capital expenditure | (94) | (110) |
| Equity dividends paid | (641) | (475) |
| Net cash inflow before financing | 884 | 476 |
| Financing | | |
| Proceeds from issue of share capital | - | 1,130 |
| Capital element of hire purchase repayments | - | (2) |
| Net cash outflow from financing | - | (2) |
| Increase in cash | 884 | 1,604 |

Reconciliation of operating profit/(loss) to cash inflow from operating activities

| | | |
|--|--------------|--------------|
| Operating profit/(loss) | 1,390 | (29) |
| Depreciation charges | 167 | 165 |
| Decrease in stocks | 420 | 388 |
| Decrease/(increase) in debtors | 149 | (1,088) |
| (Decrease)/increase in creditors | (181) | 1,811 |
| Net cash inflow from operating activities | 1,945 | 1,247 |

Northwestern Shiprepairers and Shipbuilders Limited

Accounting policies

The financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of certain tangible fixed assets and in accordance with applicable accounting standards. A summary of the more important accounting policies that have been consistently applied (except as detailed below) has been set out below.

Changes in accounting policies

The company has adopted FRS 17, 'Retirement benefits', FRS 21, 'Events after the balance sheet date', FRS 25, 'Financial instruments: disclosure and presentation', in these financial statements. FRS 17 and FRS 25 have had no significant impact on the financial statements. The adoption of FRS 21 represents a change in accounting policy and the comparative figures have been restated accordingly. The effect of the change in accounting policy was to recognise the final proposed dividend for the year ended 31 May 2005 of £641,000 in the current year. The final proposed dividend of £958,000 for the current year will be recognised in the following year as it has yet to be approved.

Turnover

Turnover represents income earned from ship repair provided to third parties, excluding VAT and completed prior to the year end. Turnover also includes the proportion of the sales value of long-term contracts based on their state of completion at the balance sheet date. Turnover is recognised on long term contracts as the project progresses, on short term contracts revenue is recognised when the contract is completed.

Tangible fixed assets

Tangible fixed assets are stated at cost or at valuation, less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Certain tangible fixed assets are included at director's valuation. External valuations are to be carried out every five years and interim valuations are to be carried out in the third year following an external valuation.

Depreciation

Depreciation is calculated to write-off original cost or valuation, less the expected residual value of the assets, over their estimated useful lives on a straight line basis.

The economic lives of the various assets are considered to be:

| | Years |
|------------------------|--------------|
| Plant and equipment | 3 – 20 |
| Leasehold improvements | 3 – 20 |
| Fixtures and fittings | 3 – 5 |
| Motor vehicles | 5 |

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value on a first in first out basis. Cost includes all direct expenditure and appropriate overhead expenditure incurred in bringing goods to their current state under normal operating conditions. Net realisable value is based on anticipated selling price less the cost of selling such goods. Profit on long-term contracts, principally in relation to the repair of ships, is recognised once the project's outcome can be assessed on the reasonable certainty. The profit is calculated by applying the percentage completion at the balance sheet date to the expected contract profit. Any losses envisaged on long-term contracts are provided as soon as they are foreseen regardless of the extent of completion.

Northwestern Shiprepairers and Shipbuilders Limited

Finance leases

Assets held under finance leases are included in tangible assets at cost and are depreciated over the shorter of the lease term or their useful life. Obligations relating to finance leases, net of finance charges in respect of future periods are included as appropriate under creditors due within or after one year. Finance charges are allocated to accounting periods over the lease term to reflect a constant rate of interest on the remaining balance of the obligation.

Operating leases

Rentals under operating leases are charged to the profit and loss account as incurred.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences between the company's taxable profits and its accounting profits arising from gains and losses in the tax assessments in periods different from those which they are recognised in the financial statements. The deferred tax assets and liabilities are not discounted.

Consolidation

The company has taken the exemption from the need to prepare consolidated financial statements in accordance with section 248 of the Companies Act 1985.

Related Party Transactions

The company has taken advantage of the exemption allowed under FRS 8, "Related Party Disclosures", not to disclose related party transactions with members of the group.

Northwestern Shiprepairers and Shipbuilders Limited

Notes to the financial statements for the year ended 31 May 2006

1 Turnover

Turnover consists entirely of sales made in the United Kingdom.

2 Directors' emoluments

| | 2006 | 2005 |
|--------------|-------|-------|
| | £'000 | £'000 |
| Remuneration | 199 | 192 |

| | 2006 | 2005 |
|-----------------------|-------|-------|
| | £'000 | £'000 |
| Highest paid director | | |
| Aggregate emoluments | 91 | 88 |

3 Employee information

The average number of persons (including executive directors) employed during the year was:

| | 2006 | 2005 |
|----------------|------|------|
| | No | No |
| Operations | 206 | 191 |
| Administration | 10 | 6 |
| | 216 | 197 |

| Staff costs | £'000 | £'000 |
|-----------------------|-------|-------|
| Wages | 6,313 | 5,536 |
| Social security costs | 674 | 598 |
| Total employee costs | 6,987 | 6,134 |

Northwestern Shiprepairers and Shipbuilders Limited

4 Operating costs

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Cost of sales | 13,814 | 17,508 |
| Write off in relation to acquisition of Birkenhead Shiprepair Yard Limited | - | 1,213 |
| Administrative expenses | 3,587 | 2,814 |
| Total operating costs | 17,401 | 21,535 |

5 Net interest receivable

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Interest receivable on short-term deposits and other investments | 81 | 71 |
| Interest payable on bank loans, overdrafts and other loans | - | (20) |
| | 81 | 51 |

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Depreciation for the year – owned assets | 167 | 165 |
| Operating leases – other | 446 | 540 |
| Machinery and equipment hire | 686 | 667 |
| Write off of intercompany debt | - | 1,130 |
| Costs associated with the acquisition of A&P Birkenhead Limited | - | 83 |
| Auditors remuneration – audit fees | 20 | 15 |

Northwestern Shiprepairers and Shipbuilders Limited

7 Taxation

| | 2006 £'000 | 2005 £'000 |
|---------------------------------------|---------------|---------------|
| Current tax | | |
| UK corporation tax charge | 458 | 392 |
| Adjustments in respect of prior years | (10) | 3 |
| | 448 | 395 |
| Deferred tax | | |
| Origination of timing differences | (176) | (15) |
| Adjustments in respect of prior years | 1 | - |
| | 175 | (15) |
| | 273 | 380 |

The tax charge for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before taxation | 1,471 | 22 |
| Profit on ordinary activities, multiplied by standard rate of corporation tax in the UK of 30% (2005:30%) | 441 | 7 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 14 | 6 |
| Exceptional item not deductible for tax purposes | - | 364 |
| Depreciation in excess of capital allowances | 3 | 15 |
| Adjustments in respect of prior periods | (10) | 3 |
| Current tax charge for the year | 448 | 395 |

The company has tax losses which will reduce the current tax charge in future years.

Northwestern Shiprepairers and Shipbuilders Limited

8 Dividends

| | 2006 | 2005 |
|--|-------|-------|
| | £'000 | £'000 |
| Dividends paid £21.32 per 1p share (2004:£1,583.33 per £1 share) | 641 | 475 |

The holders of 1,667 ordinary A shares and of 1,667 ordinary B shares have waived their right to receive a dividend. The directors have recommended total dividends of £958,000.

9 Investments

| | 2006 | 2005 |
|-----------------------------------|----------|----------|
| | £'000 | £'000 |
| 1 June 2005 | | - |
| Additions in year | 100 | 83 |
| Provision for diminution in value | (100) | (83) |
| At 31 May 2006 | - | - |

The company had the following investment at 31 May 2005 and 31 May 2006:

| Name of investment | Class of share capital held | Proportion held | Nature of business |
|--------------------------------|-----------------------------|-----------------|------------------------------------|
| Scott Lithgow Ltd | Ordinary | 100% | Ship repair and marine engineering |
| Birkenhead Shiprepair Yard Ltd | Ordinary | 100% | Ship repair and marine engineering |

The above undertakings are registered in England and Wales.

Northwestern Shiprepairers and Shipbuilders Limited

10 Tangible assets

| | Plant and equipment | Leasehold improvements | Fixtures and fittings | Motor vehicles | Total |
|---------------------------------|------------------------|---------------------------|--------------------------|-------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | |
| At 1 June 2005 | 440 | 529 | 80 | 95 | 1,144 |
| Additions | 2 | 71 | 1 | 26 | 100 |
| Disposals | - | - | - | (7) | (7) |
| At 31 May 2006 | 442 | 600 | 81 | 114 | 1,237 |
| Accumulated depreciation | | | | | |
| At 1 June 2005 | 182 | 165 | 54 | 29 | 430 |
| Charge for the year | 72 | 62 | 11 | 22 | 167 |
| Eliminated on disposal | - | - | - | (1) | (1) |
| At 31 May 2006 | 254 | 227 | 65 | 50 | 596 |
| Net book value | | | | | |
| At 31 May 2006 | 188 | 373 | 16 | 64 | 641 |
| At 31 May 2005 | 258 | 364 | 26 | 66 | 714 |

At 31 May 2006 (2005: £nil) there were no capital commitments contracted but not provided for in the accounts.

Certain fixed assets were revalued at 31 May 2002 and are included in the balance sheet at a net book value of £107,660. The directors performed an interim valuation at 31 May 2005. The cost at 31 May 2006, under historical costs rules, would be £262,672 (2005: £162,672) and the net book amount would be £8,751 (2005: £28,751).

Northwestern Shiprepairers and Shipbuilders Limited

11 Stocks

| | 2006 | 2005 |
|-------------------------------|-------|-------|
| | £'000 | £'000 |
| Raw materials and consumables | 32 | 30 |
| Work in progress | 266 | 688 |
| Total stocks | 298 | 718 |

12 Debtors

| | 2006 | 2005 |
|--------------------------------------|-------|-------|
| | £'000 | £'000 |
| Amounts falling due within one year: | | |
| Trade debtors | 1,404 | 2,069 |
| Amounts owed to group undertakings | 413 | - |
| Amounts owed by related party | 258 | 181 |
| Prepayments and accrued income | 256 | 111 |
| Other debtors | 91 | 210 |
| Deferred taxation (see note 15) | 168 | - |
| Total debtors | 2,590 | 2,571 |

13 Creditors: amounts falling due within one year

| | 2006 | 2005 |
|---|-------|-------------------|
| | £'000 | Restated £'000 |
| Trade creditors | 2,658 | 3,244 |
| Amounts owed to related party | 55 | 151 |
| Corporation tax | 441 | 407 |
| Other taxation and social security payable | 362 | 194 |
| Other creditors | - | 3 |
| Accruals and deferred income | 722 | 351 |
| Total creditors falling due within one year | 4,238 | 4,350 |

Northwestern Shiprepairers and Shipbuilders Limited

14 Creditors: amounts falling due after more than one year

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Other creditors | - | 1 |
| Total creditors falling due after more than one year | - | 1 |

15 Deferred taxation

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| At 1 June | (34) | (49) |
| Transferred on acquisition | 27 | - |
| (Credited)/charged to profit and loss account | 175 | 15 |
| At 31 May (see note 12) | 168 | (34) |

The balance relates to:

| | | |
|--------------------------------------|-----|------|
| Accelerated capital allowances | (5) | (34) |
| Losses | 173 | - |
| Total deferred tax asset/(liability) | 168 | (34) |

16 Called-up share capital

| | 2006 £ | 2005 £ |
|--|-----------|-----------|
| Authorised: | | |
| 16,700 ordinary A shares of 1 penny each | 167 | 167 |
| 16,700 ordinary B shares of 1 penny each | 167 | 167 |
| Allotted, called-up and fully paid: | | |
| 16,700 ordinary A shares of 1 penny each | 167 | 167 |
| 16,700 ordinary B shares of 1 penny each | 167 | 167 |
| Total | 334 | 334 |

Northwestern Shiprepairers and Shipbuilders Limited

16 Share capital (continued)

On 27 May 2005, the company subdivided its existing issued ordinary A and B shares of £1 each into ordinary A and B shares of 1 penny each, increased the authorised share capital by the creation of an additional 1,667 ordinary A shares of 1 penny each and 1,667 ordinary B shares of 1 penny each.

On 27 May 2005, the company issued 1,667 ordinary A shares and 1,667 ordinary B shares in consideration of the acquisition of A&P Birkenhead Limited. The surplus on the issue of ordinary B shares of £1,129,984 was transferred to a merger reserve in accordance with s131 Companies Act 1985.

Dividends – Unless the holders of the majority of A ordinary shares and the holders of a majority of B ordinary shares agree an amount equal to 75% of the company's profit available for distribution in respect of each financial year shall be distributed by the company to the shareholders by way of a dividend.

Voting rights – A & B shares have equal voting rights. The holders of the majority of A ordinary shares and the holders of the majority of B ordinary shares must have voted in favour for a resolution to be passed.

Rights in winding up – the shareholders shall prove to the maximum extent permitted by law for all sums due or to fall due to them respectively from the Company and shall exercise all rights of set-off.

17 Reserves

| | Share premium account | Revaluation reserve | Profit and loss account |
|--------------------------|-----------------------------|------------------------|-------------------------------|
| | £'000 | £'000 | £'000 |
| At 1 June 2005 | 450 | 220 | 1,541 |
| Realised during the year | | (37) | 37 |
| Profit for the year | - | - | 1,198 |
| Dividends | | | 641 |
| At 31 May 2006 | 450 | 183 | 2,135 |

18 Financial commitments

At 31 May 2006 the company had annual commitments under operating leases expiring as follows:

| | 2006 | 2005 |
|---------------------------|-------|-------|
| | £'000 | £'000 |
| Land and buildings | | |
| Within 2 – 5 years | 625 | 540 |
| | 625 | 540 |

Northwestern Shiprepairers and Shipbuilders Limited

19 Reconciliation in equity shareholders funds

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Profit/(loss) for the year | 1,198 | (358) |
| Dividends paid | (641) | (475) |
| Merger reserve arising on acquisition of subsidiary | - | 1,130 |
| Equity shareholders' funds at 1 June (previously £1,570,000 before prior period adjustment of £641,000) | 2,211 | 1,914 |
| Equity shareholders' funds at 31 May | 2,768 | 2,211 |

20 Analysis of net cash

| | At 1 June 2005 £'000 | Cash flow £'000 | At 31 May 2006 £'000 |
|--------------------------|----------------------------|--------------------|----------------------------|
| Cash in hand and at bank | 2,593 | 884 | 3,477 |
| | 2,593 | 884 | 3,477 |

22 Related Party Transactions

The company is a joint venture between the directors and The Mersey Docks and Harbour Company

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Purchases from Mersey Docks (excluding VAT) | 537 | 811 |
| Sales to Mersey Docks (excluding VAT) | 1,975 | 1,008 |
| Debtor 31 May Mersey Docks | 258 | 181 |
| Creditor 31 May Mersey Docks | 55 | 151 |

Northwestern Shiprepairers and Shipbuilders Limited

23 Post Balance Sheet Events

The company has been notified of an intention to bring legal action for alleged breach of covenant over access to certain of the company's operating facilities. Since the year end the dispute has been resolved by the company making a total cash payment of approximately £2.0m including legal costs.