

**CAMMELL LAIRD SHIPREPAIRERS
& SHIPBUILDERS LIMITED**

Annual Report and Financial Statements

For the 10 month period ended

31 March 2013

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CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

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CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J R Syvret
J Kennedy
M J Moran
S Underwood
M Whitworth
H McKenzie

SECRETARY

J R Syvret

REGISTERED OFFICE

Cammell Laird Shipyard
Campbeltown Road
Birkenhead
Merseyside
CH41 9BP

SOLICITORS

Hill Dickinson LLP
1 St Pauls Square
Old Hall Street
Liverpool

BANKERS

Barclays Bank plc
Manchester City Office
Manchester
M60 2AU

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Liverpool
United Kingdom

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company and the Group for the ten month period ended 31 March 2013

The Company changed its accounting reference date from 31 May to 31 March during the current period, hence the results are for a ten month period

PRINCIPAL ACTIVITIES

The principle activity of the Group and Company during the period was the provision of Engineering and Marine Services to Ship Owners and Operators and the Renewable Energy Markets

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

This financial period has seen further substantial growth with turnover rising from £95,225,000 for the year ended 31 May 2012 to £115,932,000 for the ten month period ended 31 March 2013. This has been achieved as a direct result of the Company's growing reputation for delivering a cost effective quality service to the ship owners and operators in the ship repair, conversion and military market place, with a significant benefit also from the Renewable Energy base now established and fully operational on site. This resulted in a profit for the period after tax of £7,858,000 (year ended 31 May 2012 £7,638,000)

Gross Margin has decreased to 17.2% for the ten month period ended 31 March 2013 (year ended 31 May 2012 22.6%). The decrease in margin is a result of a change in the mix of the projects performed, although this was within the directors expectations

Net assets were £12,400,000 at 31 March 2013 (31 May 2012 £15,228,000). Whilst the Group recognised a profit of £7,858,000 for the period, the net asset position has reduced due to the approval of dividends of £10,686,000 (year ended 31 May 2012 £4,963,000)

In June 2008, the Company was pleased to sign "Through Life Support Contracts" for eleven of the Royal Fleet Auxiliary's ("RFA") sixteen vessels, on a rolling five year basis. This was as a result of an extensive tendering process within the RFA, a department of the UK Ministry of Defence ("MoD"). The contract is working well with positive feedback received from the customer. The Company is pleased to disclose that this contract has recently been extended for a further five years to June 2018.

Highlights of the year were the successful completion of the major refits of RFA Fort Austin, Black Rover, Orangeleaf, Diligence and Fort Victoria, which was carried out in Dubai. Within the commercial market, successful major contracts were completed with RWE, Irish Ferries, Seatruck Ferries, Isle of Man Steam Packet Company, Caledonian MacBrayne, Northlink Ferries, Svitzer and Smit. We are currently building two new vessels for Western Ferries and completed a conversion for Orkney Council.

In January 2010, the Company was awarded the contract to build sections of the Queen Elizabeth Aircraft Carrier. In March 2013 the "CB02" units were completed on time and to budget and were transported successfully to the assembly yard at Rosyth. Unit "CB04" was completed in November 2012 and March 2013. The Company has recently been awarded the project to build sections for the Prince of Wales Aircraft Carrier which will take place between June 2013 and September 2015.

During 2013 the offshore Renewable Marine base site was being used to support off-shore windfarm construction.

As a result of the Company's continued growth in turnover, we have continued to invest in key personnel and improved IT and management systems in order that we are well positioned to manage the current and future business successfully. The Company intends to enter the heavy engineering sector and will target bespoke offshore, marine, and renewable energy markets. With the Company's highly skilled range of engineers, it is expected that these trades' personnel will be able to migrate across the varying business sectors providing stability whilst de-risking core activities and markets.

As part of its commitment to the local community, the Company donated approximately £80,000 to local projects along with investing time and resource to schools and colleges in the area.

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

DIRECTORS' REPORT (continued)

KEY PERFORMANCE INDICATORS

The directors monitor the progress of the overall Group strategy and the individual strategic elements by reference to certain financial and non-financial key performance indicators ("KPIs")

| | 10 month period ended 2013 | Year ended 2012 |
|---|-------------------------------------|-----------------------|
| Turnover (£'000) | 115,932 | 95,225 |
| Gross profit margin as a percentage of turnover | 17.2% | 22.6% |
| Man hours sold (hours) | 1,463,768 | 1,409,885 |
| Supply chain purchases (£'000) | 72,040 | 51,652 |

FUTURE TRADING

The Company achieved substantial sales growth of 21.75% in the ten month period ended 31 March 2013 due to the reasons as explained previously. The business is expected to continue to make progress in its core activities over the next 12 months. This includes the two new builds for Western Ferries, the ongoing RFA Contract and the Prince of Wales Aircraft Carrier sections. The Company changed its name to Cammell Laird Shiprepairers & Shipbuilders Limited in November 2008, which has helped to raise the profile in the International off-shore and modular construction markets. It is considered at some stage in the future the company may choose to create a wholly owned subsidiary to facilitate growth in the Nuclear Engineering sector. In November 2012 it was announced that the "Through Life Support Contracts" in place since 2008 with the MoD RFA, had been extended for a further five years, and hence the Company is focused on meeting its associated key performance indicators in addition to delivering value for money projects, on time and to the highest quality.

PRINCIPAL BUSINESS RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks

Personnel: There is both a local and national shortage of 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 workforces are at near retirement age and it is becoming increasingly difficult to replace them with people of similar experience and qualifications. The Company has therefore established an apprentice training scheme at the adjacent Maritime & Engineering College North West and intends to train sufficient numbers of apprentices to meet its committed commercial obligations and future business aspirations.

Credit risk: For larger value projects the Company negotiates stage payments to neutralise cash flow. For medium size projects the Company requires payment that at least covers direct costs prior to the departure of the ship. Due to lack of credit insurance, there remains a risk on smaller value projects of bad debts. This is managed via tight credit control procedures plus constant monitoring of the customer base.

Price risk: For commercial repair activity, the Company negotiates prices on a contract by contract basis, and as such continually monitors and reflects changes in labour and material prices. For MoD contracts, prices are agreed on a contract by contract basis with prices subject to annual inflation adjustments.

Liquidity risk: The Company does not have any commercial borrowings and only enters into major contracts which have at least cash neutral payment terms. These are based on agreed payment plans for significant contracts. The Company continually looks at debtor and creditor days to manage working capital. Long term projects are financed via stage payments, with balances paid on completion of contracts.

Interest rate cash flow risk: Due to the net positive cash position, and with no outstanding borrowings, the Company is largely protected from movements of interest rates.

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

DIRECTORS' REPORT (continued)

PRINCIPAL BUSINESS RISKS AND UNCERTAINTIES (continued)

Supply base: A significant challenge for the business is for the supply chain base to grow in line with the business, this is mitigated by utilising a broad range of contractors and suppliers

Market: The Company 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 and safety and security plans. The Directors of the company continuously focus on all of these aspects in the day to day running of the business

Health and Safety: 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 the Company with independent advice to identify potential areas of concern in relation to health and safety and facilities to enable the development of mitigating actions

Other: The Company operates from approved International Ship and Port Security (ISPS) yards and is independently accredited by Bureau Veritas (BV) to BS-EN ISO9001-2008 (Quality), BS-EN 14001-2004 (Environmental) and OHSAS 18001-2007 (Safety) Management Systems

The Company 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/Unite and GMBU. In addition the Company is working with Liverpool Chamber of Commerce and Mersey Maritime to improve employee skill levels

EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the Company as a whole

DIRECTORS

The directors who held office during the period and up to the date of signing the financial statements are disclosed on page 1

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

| | Interests in ordinary B shares of 1p each | |
|------------|--|---------------------|
| | 31 March 2013 £ | 30 May 2012 £ |
| J R Syvret | 5,066 | 10,134 |
| J Kennedy | 791 | 1,583 |
| M J Moran | 791 | 1,583 |

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

DIRECTORS' REPORT (continued)

DIVIDENDS

Dividends approved during the period amounted to £10,686,000 (2012 4,963,000) This excludes proposed dividends that have yet to be approved by 31 March 2013 of £4,555,000 (2012 5,756,250) and which have not been included as a liability in these financial statements

GOING CONCERN

As referred to in note 1 to the financial statements the directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis of accounting in preparing the annual financial statements

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to be reappointed as auditor A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Director on 25 July 2013

J R Syrett
Chief Executive Officer
25 July 2013



DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

We have audited the financial statements of Cammell Laird Shiprepairers & Shipbuilders Limited for the ten month period ended 31 March 2013 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheet, the Consolidated Cash Flow Statement, the Reconciliation of Operating Profit to the Cash Inflow from Operating Activities, the Statement of Accounting Policies and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 March 2013 and of the Group's profit for the 10 month period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

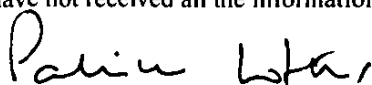
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Patrick Loftus BSc ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Liverpool, United Kingdom
25 July 2013

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT 10 month period ended 31 March 2013

| | | 10 month period ended 31 March 2013 £'000 | Year ended 31 May 2012 £'000 |
|--|-------|--|--|
| | Note | | |
| TURNOVER | 1 | 115,932 | 95,225 |
| Cost of sales | | (95,966) | (73,691) |
| GROSS PROFIT | | 19,966 | 21,534 |
| Administrative expenses | | (9,887) | (11,437) |
| OPERATING PROFIT | | 10,079 | 10,097 |
| Interest receivable and similar income | 5 | 370 | 285 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | 10,449 | 10,382 |
| Tax charge on profit on ordinary activities | 6 | (2,591) | (2,744) |
| Profit for the financial period/year | 17,19 | 7,858 | 7,638 |

The profit on ordinary activities before taxation derives entirely from continuing activities

The Group has no recognised gains and losses other than those included in the profits above, and therefore no separate Statement of Total Recognised Gains and Losses has been presented

The Company profit for the ten month period was £7,858,000 (2012 £7,638,000) The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Parent Company profit and loss account

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial period stated above and their historical cost equivalents

The accounting policies and accompanying notes on pages 12 to 22 are an integral part of these financial statements

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

CONSOLIDATED BALANCE SHEET As at 31 March 2013

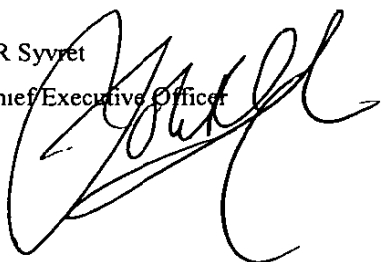
| | Note | 31 March 2013 £'000 | 31 May 2012 *(restated) £'000 |
|---|------|---------------------------|--|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 4,189 | 4,138 |
| CURRENT ASSETS | | | |
| Stock | 10 | 225 | 108 |
| Debtors amounts falling due within one year | 11 | 28,232 | 25,265 |
| Debtors amounts falling due after more than one year | 12 | 4,690 | 5,040 |
| TOTAL DEBTORS | | 33,147 | 30,413 |
| Cash at bank and in hand | 13 | 9,908 | 10,375 |
| CREDITORS: amounts falling due within one year | 14 | 43,055 (34,676) | 40,788 (29,533) |
| NET CURRENT ASSETS | | 8,379 | 11,255 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 12,568 | 15,393 |
| PROVISIONS FOR LIABILITIES | 15 | (168) | (165) |
| NET ASSETS | | 12,400 | 15,228 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | - | - |
| Share premium account | 17 | 450 | 450 |
| Profit and loss account | 17 | 11,950 | 14,778 |
| TOTAL SHAREHOLDERS' FUNDS | 19 | 12,400 | 15,228 |

*Refer to note 10, 11 and note 14

These financial statements of Cammell Laird Shiprepairers & Shipbuilders Limited, registered number 4211637, were approved by the Board of Directors and authorised for issue on 25 July 2013

Signed on behalf of the Board of Directors by

J R Syvret
Chief Executive Officer



CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

COMPANY BALANCE SHEET As at 31 March 2013

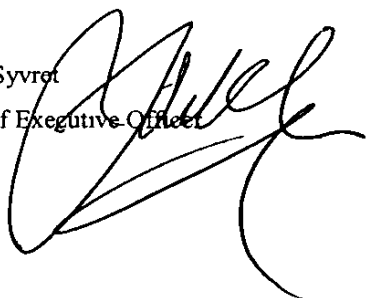
| | Note | 31 March 2013 £'000 | 31 May 2012 *(restated) £'000 |
|---|------|---------------------------|--|
| FIXED ASSETS | | | |
| Investments | 8 | - | - |
| Tangible assets | 9 | 4,189 | 4,138 |
| CURRENT ASSETS | | | |
| Stock | 10 | 225 | 108 |
| Debtors amounts falling due within one year | 11 | 28,608 | 25,310 |
| Debtors amounts falling due after more than one year | 12 | 4,690 | 5,040 |
| TOTAL DEBTORS | | 33,523 | 30,458 |
| Cash at bank and in hand | 13 | 9,524 | 10,189 |
| CREDITORS: amounts falling due within one year | 14 | 43,047 (34,668) | 40,647 (29,392) |
| NET CURRENT ASSETS | | 8,379 | 11,255 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 12,568 | 15,393 |
| PROVISIONS FOR LIABILITIES | 15 | (168) | (165) |
| NET ASSETS | | 12,400 | 15,228 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | - | - |
| Share premium account | 17 | 450 | 450 |
| Profit and loss account | 17 | 11,950 | 14,778 |
| TOTAL SHAREHOLDERS' FUNDS | 19 | 12,400 | 15,228 |

*Refer to note 10, 11 and note 14

These financial statements of Cammell Laird Shiprepairers & Shipbuilders Limited, registered number 4211637, were approved by the Board of Directors and authorised for issue on 25 July 2013

Signed on behalf of the Board of Directors by

J R Syvret
Chief Executive Officer



CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

CONSOLIDATED CASH FLOW STATEMENT 10 month period ended 31 March 2013

| | 10 month period ended 31 March 2013 £'000 | Year ended 31 May 2012 £'000 |
|--|--|--|
| Net cash inflow from operating activities | 10,297 | 12,390 |
| Returns on investments and servicing of finance | | |
| Interest received | 370 | 285 |
| Taxation | | |
| UK corporation tax paid | (3,838) | (1,763) |
| Capital expenditure | | |
| Purchase of tangible fixed assets | (521) | (646) |
| Equity dividends paid | (6,775) | (4,963) |
| (Decrease)/increase in cash | (467) | 5,303 |
| Reconciliation to net cash | | |
| Net cash at 1 June | 10,375 | 5,072 |
| (Decrease)/increase in net cash | (467) | 5,303 |
| Net cash at 31 March/31 May | 9,908 | 10,375 |

RECONCILIATION OF OPERATING PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES 10 month period ended 31 March 2013

| | 10 month period ended 31 March 2013 £'000 | Year ended 31 May 2012 £'000 |
|--|--|--|
| Operating profit | 10,079 | 10,097 |
| Depreciation charges | 470 | 511 |
| (Increase) in stocks | (117) | (7,508) |
| (Increase) in debtors | (2,617) | (7,280) |
| Increase in creditors | 2,482 | 16,570 |
| Net cash inflow from operating activities | 10,297 | 12,390 |

STATEMENT OF ACCOUNTING POLICIES

Period ended 31 March 2013

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. A summary of the principal Group accounting policies, which have been applied consistently throughout the current period and prior financial year, is set out below.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings drawn up to 31 March (2012: 31 May). The results of businesses acquired or disposed of are accounted for from or to the effective date of acquisition or disposal.

Going concern

In considering the appropriateness of the going concern basis of preparation, the directors have considered forecasts for the next twelve months from the date of signing the 2013 financial statements, which include detailed cash flow forecasts and working capital availability. After taking account of reasonably possible sensitivities for changes in trading performance, these forecasts still show that sufficient resources remain available to the business for the next twelve months.

The business activities, together with the factors likely to affect its future development, performance and positions are set out in the Directors' Report on pages 2 to 5.

After making enquiries, the directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date, turnover represents the value of the service provided to date based on a proportion of the total contract value. Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. 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.

Depreciation

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

The economic lives of the various assets are considered to be

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

Residual value is calculated on prices prevailing at the date of acquisition.

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

STATEMENT OF ACCOUNTING POLICIES

Period ended 31 March 2013

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Related Party Transactions

The company has taken advantage of the exemption in paragraph 3(c) of FRS 8, "Related Party Disclosures", not to disclose related party transactions with members of the group. This exemption only applies to transactions with the Company's direct subsidiaries. The ultimate holding company is Tokenhouse Limited, a company incorporated in the Isle of Man which is controlled by the Billown 1997 Settlement trust.

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

1. TURNOVER

The directors consider there is only one class of business and all turnover was generated in the UK

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

| | 10 month period ended 31 March 2013 £'000 | Year ended 31 May 2012 £'000 |
|---|--|--|
| Wages | 24,204 | 22,207 |
| Social security costs | 2,708 | 2,462 |
| Staff costs | 26,912 | 24,669 |
| Depreciation of tangible fixed assets - owned | 470 | 511 |
| Operating leases – other | 2,907 | 3,331 |
| Auditor's remuneration | | |
| Fees payable to the Group and Company's auditor for the audit of the Group and Company financial statements | 46 | 46 |
| Fees payable to the Group and Company's auditor for non-audit taxation services | - | 10 |
| | ===== | ===== |

3. DIRECTORS' REMUNERATION

| | 10 month period ended 31 March 2013 £'000 | Year ended 31 May 2012 £'000 |
|------------|--|--|
| Emoluments | 411 | 508 |
| | ===== | ===== |

There are no directors with benefits accruing under a company pension scheme. The highest paid director received emoluments of £234,000 (year ended 2012 £289,000) for the ten month period ended 31 March 2013.

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period ended 31 March 2013

4. EMPLOYEE INFORMATION

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

| | 10 month period ended 31 March 2013 Number | Year ended 31 May 2012 Number |
|----------------|---|---|
| Operations | 742 | 594 |
| Administration | 39 | 33 |
| | <u>781</u> | <u>627</u> |

5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 10 month period ended 31 March 2013 £'000 | Year ended 31 May 2012 £'000 |
|--|--|--|
| Interest receivable on bank deposits and other investments | <u>370</u> | <u>285</u> |

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 10 month period ended 31 March 2013 £'000 | Year ended 31 May 2012 £'000 |
|--|--|--|
| Current tax | | |
| UK corporation tax on profits of the period | 2,588 | 2,706 |
| Total current tax charge | <u>2,588</u> | <u>2,706</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (1) | 49 |
| Adjustments in respect of previous periods | 4 | (11) |
| Total deferred tax charge note (14) | <u>3</u> | <u>38</u> |
| Tax on profit on ordinary activities | <u>2,591</u> | <u>2,744</u> |

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Reconciliation of current tax charge

The tax charge for the period is higher (2012 higher) than the standard rate of corporation tax in the UK
The differences are explained below

| | 10 month period ended 31 March 2013 £'000 | Year ended 31 May 2012 £'000 |
|--|--|--|
| Profit on ordinary activities before taxation | 10,548 | 10,382 |
| Profit on ordinary activities, multiplied by standard rate of corporation tax in the UK of 24% (2012 25.67%) | 2,531 | 2,665 |
| Effects of | | |
| Expenses not deductible for tax purposes | 56 | 41 |
| Accelerated capital allowances/other timing differences | 1 | - |
| Current tax charge for the year | 2,588 | 2,706 |

On 20 March 2013, the UK government announced its intention to reduce the rate of corporation tax to 23% from 1 April 2013 with further reductions of 2% and 1% in 2014 and 2015 respectively. The reduction to 23% was substantively enacted before the balance sheet date. The further intended reductions have not been substantively enacted. The deferred tax balances as at 31 March 2013 have therefore been calculated at a rate of 23%, which has resulted in a credit to the profit and loss account of £4,000.

7. DIVIDENDS

Amounts recognised as distributions to equity holders in the period

| | 10 month period ended 31 March 2013 £'000 | Year ended 31 May 2012 £'000 |
|--|--|--|
| Final dividend for the year ended 31 May 2011 of £148.89 per share | - | 4,963 |
| Final dividend for the year ended 31 May 2012 of £171.86 per share | 5,729 | - |
| Interim dividend for the period ended 31 March 2013 of £42.03 per share | 1,401 | - |
| Interim dividend for the period ended 31 March 2013 of £106.68 per share | 3,556 | - |
| | 10,686 | 4,963 |

The directors have recommended a final dividend of £4,555,000 (£136.65 per share) that has yet to be approved as at 31 March 2013 and has not been included as a liability in these financial statements.

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

8. FIXED ASSET INVESTMENTS

The Company had the following investments all registered in England and Wales at 31 March 2013

| Name of investment | Class of share capital held | Proportion held | Nature of business |
|---|-----------------------------|-----------------|---------------------|
| Scott Lithgow Limited | Ordinary | 100% | Dormant |
| Birkenhead Shiprepair Yard Limited | Ordinary | 100% | Dormant |
| Neway Industrial and Environmental Services Limited | Ordinary | 100% | Industrial Cleaning |

9. TANGIBLE FIXED ASSETS

| Group | Plant and equipment £'000 | Leasehold improvements £'000 | Fixtures and fittings £'000 | Motor vehicles £'000 | Plant and equipment £'000 |
|---------------------------------|------------------------------|---------------------------------|--------------------------------|-------------------------|------------------------------|
| Cost | | | | | |
| At 1 June 2012 | 2,349 | 3,803 | 223 | 188 | 6,563 |
| Additions | 115 | 384 | - | 22 | 521 |
| At 31 March 2013 | 2,464 | 4,187 | 223 | 210 | 7,084 |
| Accumulated depreciation | | | | | |
| At 1 June 2012 | (1,036) | (1,022) | (199) | (168) | (2,425) |
| Charge for the period | (189) | (253) | (15) | (13) | (470) |
| At 31 March 2013 | (1,225) | (1,275) | (214) | (181) | (2,895) |
| Net book value | | | | | |
| At 31 March 2013 | 1,239 | 2,912 | 9 | 29 | 4,189 |
| At 31 March 2012 | 1,313 | 2,781 | 24 | 20 | 4,138 |
| Company | | | | | |
| | Plant and equipment £'000 | Leasehold improvements £'000 | Fixtures and fittings £'000 | Motor vehicles £'000 | Plant and equipment £'000 |
| Cost | | | | | |
| At 1 June 2012 | 2,349 | 3,803 | 223 | 188 | 6,563 |
| Additions | 115 | 384 | - | 22 | 521 |
| At 31 March 2013 | 2,464 | 4,187 | 223 | 210 | 7,084 |
| Accumulated depreciation | | | | | |
| At 1 June 2012 | (1,036) | (1,022) | (199) | (168) | (2,425) |
| Charge for the period | (189) | (253) | (15) | (13) | (470) |
| At 31 March 2013 | (1,225) | (1,275) | (214) | (181) | (2,895) |
| Net book value | | | | | |
| At 31 March 2013 | 1,239 | 2,912 | 9 | 29 | 4,189 |
| At 31 March 2012 | 1,313 | 2,781 | 24 | 20 | 4,138 |

At 31 March 2013 (2012 £nil) there were no capital commitments contracted but not provided for in the financial statements

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

10. STOCK

| | Group | | Company | |
|-------------------------------|-------|----------------------|---------|----------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | £'000 | *(restated) £'000 | £'000 | *(restated) £'000 |
| Raw materials and consumables | 225 | 108 | 225 | 108 |
| Total stocks | 225 | 108 | 225 | 108 |

*The directors have restated the prior year stock and debtor comparatives for the Group and Company by £13,638,000 and £13,622,000 respectively. The balance previously presented as 'work in progress' has now been presented within 'amounts recoverable on contracts' within debtors falling due within one year. This has been done to more accurately reflect the nature of the balance.

11. DEBTORS: Amounts falling due within one year

| | Group | | Company | |
|------------------------------------|--------|----------------------|---------|----------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | £'000 | *(restated) £'000 | £'000 | *(restated) £'000 |
| Trade debtors | 7,530 | 8,661 | 7,308 | 8,352 |
| Amounts recoverable on contracts | 17,354 | 13,638 | 17,310 | 13,622 |
| Amounts owed by Group undertakings | - | - | 526 | 333 |
| Amounts owed by related parties | 1,497 | 277 | 1,488 | 248 |
| Prepayments and accrued income | 1,433 | 687 | 1,434 | 717 |
| Other taxation and social security | 418 | 2,002 | 542 | 2,038 |
| Total debtors | 28,232 | 25,265 | 28,608 | 25,310 |

*Refer to note 10

12. DEBTORS: Amounts falling due after one year

| | Group | | Company | |
|----------------------------------|-------|-------|---------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts owed by related parties | 4,690 | 5,040 | 4,690 | 5,040 |
| Total debtors due after one year | 4,690 | 5,040 | 4,690 | 5,040 |

The amounts falling due after one year relate entirely to Atlantic & Peninsular Marine Services Limited. This company is a related party by virtue of it having common shareholders and directors with Cammell Laird Shiprepairers and Shipbuilders Limited. Interest is charged at 6% with the loan being repayable at the 5 year anniversary point.

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

13. CASH AT BANK AND IN HAND

| | Group | | Company | |
|--------------|--------------|---------------|--------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | £'000 | £'000 | £'000 | £'000 |
| Cash at bank | 9,908 | 10,375 | 9,524 | 10,189 |
| | <u>9,908</u> | <u>10,375</u> | <u>9,524</u> | <u>10,189</u> |

At 31 March 2013 £350,000 of the cash at bank and in hand balance was held on deposit and is not immediately available (31 May 2012 £nil)

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|--|---------------|----------------------|---------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | £'000 | *(restated) £'000 | £'000 | *(restated) £'000 |
| Payments received on account | 2,948 | - | 2,948 | - |
| Trade creditors | 16,826 | 19,136 | 16,738 | 18,903 |
| Amounts owed by Group undertakings | - | - | 137 | 160 |
| Amounts owed to related parties | 1,399 | 331 | 1,399 | 331 |
| Corporation tax | 1,671 | 2,924 | 1,671 | 2,924 |
| Other taxation and social security payable | 1,392 | 1,192 | 1,335 | 1,174 |
| Accruals and deferred income | 6,884 | 5,950 | 6,884 | 5,900 |
| Equity dividends payable | 3,556 | - | 3,556 | - |
| | <u>34,676</u> | <u>29,533</u> | <u>34,668</u> | <u>29,392</u> |

* The directors have restated the prior year creditors and provisions comparatives for the Group and Company. The balance previously presented as 'deferred tax liability' has now been presented within provisions. This has been done to more accurately reflect the nature of the balance.

15. PROVISIONS FOR LIABILITIES

Deferred taxation

| | Group | | Company | |
|------------------------------------|--------------|----------------------|--------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | £'000 | *(restated) £'000 | £'000 | *(restated) £'000 |
| At 1 June | (165) | (127) | (165) | (127) |
| Charged to profit and loss account | (3) | (38) | (3) | (38) |
| | <u>(168)</u> | <u>(165)</u> | <u>(168)</u> | <u>(165)</u> |
| The balance relates to | | | | |
| Accelerated capital allowances | (212) | (208) | (212) | (208) |
| Short term timing differences | 44 | 43 | 44 | 43 |
| | <u>(168)</u> | <u>(165)</u> | <u>(168)</u> | <u>(165)</u> |

*Refer to note 14

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

16. CALLED UP SHARE CAPITAL

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| | £ | £ | £ | £ |
| Allotted, called up and fully paid | | | | |
| 24,585 Ordinary A shares of 1p each | | | | |
| (2012 16,667 Ordinary A shares of 1p each) | 246 | 167 | 246 | 167 |
| 8,749 Ordinary B shares of 1p each (2012 | | | | |
| 16,667 Ordinary B shares of 1p each) | 88 | 167 | 88 | 167 |
| | <u>334</u> | <u>334</u> | <u>334</u> | <u>334</u> |

On 21 September 2012 7,918 Ordinary B shares were re-designated as Ordinary A shares

Dividends – Unless the holders of the majority of A ordinary shares and the holders of a majority of B ordinary shares disagree, an amount equal to 75% of the company's profit shall be made distributable 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

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

| Group | Share premium account £'000 | Profit and loss account £'000 |
|---------------------------------|--------------------------------|----------------------------------|
| At 1 June 2012 | 450 | 14,778 |
| Dividends paid on equity shares | - | (10,686) |
| Profit for the financial period | - | 7,858 |
| At 31 March 2013 | <u>450</u> | <u>11,950</u> |
| Company | Share premium account £'000 | Profit and loss account £'000 |
| At 1 June 2012 | 450 | 14,778 |
| Dividends paid on equity shares | - | (10,686) |
| Profit for the financial period | - | 7,858 |
| At 31 March 2013 | <u>450</u> | <u>11,950</u> |

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

18. FINANCIAL COMMITMENTS

At 31 March the Group and Company had annual commitments under non-cancellable operating leases as follows

| | Group | | Company | |
|---------------------------|---------------|---------------|---------------|---------------|
| | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| Land and buildings | | | | |
| Within 2-5 years | 1,989 | 1,989 | 1,989 | 1,989 |
| Greater than 5 years | 1,500 | 1,500 | 1,500 | 1,500 |
| At 31 March / 31 May | <u>3,489</u> | <u>3,489</u> | <u>3,489</u> | <u>3,489</u> |

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | Group | | Company | |
|---|-----------------|----------------|-----------------|----------------|
| | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| Profit for the financial period/year | 7,858 | 7,638 | 7,858 | 7,638 |
| Dividends paid on equity shares | <u>(10,686)</u> | <u>(4,963)</u> | <u>(10,686)</u> | <u>(4,963)</u> |
| Retained profit for the financial period/year | (2,828) | 2,675 | (2,828) | 2,675 |
| Opening shareholders' funds | <u>15,228</u> | <u>12,553</u> | <u>15,228</u> | <u>12,553</u> |
| Closing shareholders' funds | <u>12,400</u> | <u>15,228</u> | <u>12,400</u> | <u>15,228</u> |

20. ANALYSIS OF NET CASH

| | At 1 June 2012 £'000 | Cash flow £'000 | At 31 March 2013 £'000 |
|--------------------------|----------------------------|--------------------|------------------------------|
| Cash at bank and in hand | <u>10,375</u> | <u>(467)</u> | <u>9,908</u> |

CAMMELL LAIRD SHIPREPAIRERS & SHIPBUILDERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2013

21. RELATED PARTY TRANSACTIONS

During the period, the following transactions were entered into in the ordinary course of business with parties, related due to common control

| Group | Sales of goods or services | | Purchases of goods or services | | Amounts owed by related parties | | Amounts owed to related parties | |
|--|--------------------------------|-----------------|--------------------------------|-----------------|---------------------------------|--------------|---------------------------------|-------------|
| | 10 month period ended 31 March | Year ended 2012 | 10 month period ended 31 March | Year ended 2012 | 31 March 2013 | 31 May 2012 | 31 March 2013 | 31 May 2012 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | | | | |
| The Mersey Docks & Harbour Company Limited | 2,207 | 832 | 391 | 452 | 1,221 | 135 | 60 | 35 |
| The Manchester Ship Canal Company Limited | 115 | - | 3,092 | - | - | - | - | - |
| Peel Utilities Limited | - | - | 21 | - | - | - | 20 | - |
| Reddington Finance Limited | - | - | 3,209 | - | - | - | 963 | - |
| Atlantic & Peninsula Marine Services Limited | 209 | - | - | - | 4,690 | 5,183 | 356 | 296 |
| A&P Tyne Properties Limited | - | - | 358 | - | - | - | - | - |
| Marine Designs Limited | 552 | - | - | - | 276 | - | - | - |
| | <u>3,083</u> | <u>832</u> | <u>7,071</u> | <u>452</u> | <u>6,187</u> | <u>5,318</u> | <u>1,399</u> | <u>331</u> |

| Company | Sales of goods or services | | Purchases of goods or services | | Amounts owed by related parties | | Amounts owed to related parties | |
|--|--------------------------------|-----------------|--------------------------------|-----------------|---------------------------------|--------------|---------------------------------|-------------|
| | 10 month period ended 31 March | Year ended 2012 | 10 month period ended 31 March | Year ended 2012 | 31 March 2013 | 31 May 2012 | 31 March 2013 | 31 May 2012 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | | | | |
| The Mersey Docks & Harbour Company Limited | 2,101 | 832 | 391 | 452 | 1,212 | 135 | 60 | 35 |
| The Manchester Ship Canal Company Limited | 94 | - | 3,092 | - | - | - | - | - |
| Peel Utilities Limited | - | - | 21 | - | - | - | 20 | - |
| Reddington Finance Limited | - | - | 3,209 | - | - | - | 963 | - |
| Atlantic & Peninsula Marine Services Limited | 209 | - | - | - | 4,690 | 5,183 | 356 | 296 |
| A&P Tyne Properties Limited | - | - | 358 | - | - | - | - | - |
| Marine Designs Limited | 552 | - | - | - | 276 | - | - | - |
| | <u>2,956</u> | <u>832</u> | <u>7,071</u> | <u>452</u> | <u>6,178</u> | <u>5,318</u> | <u>1,399</u> | <u>331</u> |

Related party transactions with directors are set out in the Directors' Report