Registered No. SC005991

ANDREW WEIR SHIPPING LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 2011

Company No. SC005991

The Directors present the audited accounts for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company's shipping activities include the ownership and operation of vessels and the provision of ship management services both for its own vessels and for related or third party companies. Andrew Weir Shipping Limited and its subsidiaries provide a range of shipping related services including travel, tours, agency services, technical support and supervision for vessel repairs and newbuilding contracts.

RESULTS, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Group remained profitable in 2011, recording a Group Profit on Ordinary Activities before Interest and Tax of £5,743k (2010: £4,200k).

The Group's key targets were to remain profitable and conserve cash flows whilst again trading in difficult market conditions. The Group is now focused on the ship management business and its key customers whilst continuing to look at other areas to expand the current business base and increase profitability. In 2011 gross profits have risen to £2,094k (2010: £1,770k).

The investment in Foreland continued to generate satisfactory profits in 2011. The Group received an offer for its shares in UCA United Canal Agency of £3m from the other major shareholder in that company and the offer was accepted with the sale being completed in April 2011.

The Group has entered into discussions with the Trustees of the MNOPF Pension Scheme on a recovery plan to repay the allotted deficit over an agreed period. Following the sale of the investment in UCA United Canal Agency, a payment of £2.9m was made to the MNOPF in May 2011 to clear the current deficit allotted to a wholly owned subsidiary of the Company. Discussions with regards to the repayment of the remaining deficit allocated to the Group continue. The Directors have prepared the Financial Statements on a going concern basis as they believe that in any event, there is sufficient underlying asset value to discharge the liabilities by virtue of the valuation of its investment (see Note 1).

DIVIDENDS

The Directors do not recommend the payment of any dividend for 2011 (2010 : £nil).

FIXED ASSETS AND FIXED ASSET INVESTMENTS

Details of fixed assets and fixed asset investments are shown in Notes 8 and 9 to the accounts.

EMPLOYEES

Information on matters of concern to employees is given through information bulletins and reports, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

The Company's policy is to provide equal employment opportunities to all.

DIRECTORS

The Directors of the Company during the year and as at the date of this report are set out below:

Mr S J Corkhill
Mr N J C Walters

DIRECTORS' INDEMNITY AND INSURANCE

The group has granted indemnities in favour of its directors as it is permitted by Section 232-235 of the Companies Act 2006. It has also purchased insurance cover for the directors against liabilities arising in relation to the company, as permitted by the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' 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 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 the Group and of the profit or loss of the Company and the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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; 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 and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RISK MANAGEMENT AND CONTROL

The management of risk is fundamental to the Group, with the Board of Directors (together with the Board of the Holding Company) having responsibility for the overall system of internal control and reviewing its effectiveness.

Operational Risk

The Group prepares monthly management accounts including detailed profit and loss, balance sheet, cash flow schedules, and detailed commentary on variances against pre-agreed budgets and forecasts which are reviewed by the Directors at monthly Board Meetings. Ad hoc financial information is also produced and reviewed as requested by the Directors at these meetings.

Liquidity Risk

Liquidity risk is dependent upon the Group's ability to meet all obligations, including amounts due to the MNOPF and AWPP as detailed in Note 5.

Detailed cash flow projections are regularly produced and reviewed by the Board to ensure that the Group is able to meet its financial obligations in a timely and cost effective manner.

Reputational Risk

The Group benefits from close commercial relationships with a number of key customers and suppliers within a close-knit shipping community. Regular meetings with such key customers and suppliers are held to ensure that their requirements are being met and any issues are resolved.

DISCLOSURE OF INFORMATION TO THE AUDITORS

The Directors confirm at the time when this report is approved :

- So far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and

- Each Director has taken all steps that ought to have been taken as a Director, including making appropriate enquiries of the Company's Auditors for that purpose, in order to be aware of any information needed by the Company's Auditors in connection with preparing their report and to establish that the Company's Auditors are aware of that information.

BY ORDER OF THE BOARD

N J C WALTERS
DIRECTOR

Date : 19 June 2012

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ANDREW WEIR SHIPPING LIMITED

We have audited the financial statements of Andrew Weir Shipping Limited for the year ended 31 December 2011 which are set out on pages 6 to 28. 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 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 Boards (APB'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 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 Annual 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 December 2011 and of the Group's profit for the year 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.

Michael Simms, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

20 June 2012

Group Profit and Loss Account
For the year ended 31 December 2011

	Notes		Group 2011 £'000		Group 2010 £'000
Turnover – group and share of joint ventures					
Continuing operations	2		12,072		11,749
Less share of joint ventures' turnover	9		(9,870)		(9,549)
			2,202		2,200
Cost of sales			(108)		(430)
Gross profit			2,094		1,770
Other operating expenses	3		(3,971)		(2,799)
Group operating loss	4		(1,877)		(1,029)
Share of operating profit of joint venture	9		4,875		4,272
Share of pre-impairment (loss)/profit of associates	9	(23)		173	
Share of associates write back in value of vessel	9	-		223	
Share of associates (loss)/profit on disposal of vessel	9	(1)		9	
Share of operating (loss)/profit of associates	9		(24)		405
Profit on disposal of associate	9		2,769		-
Profit on disposal of vessel			-		552
Operating profit on ordinary activities including joint ventures and associates before interest and tax			5,743		4,200
Net interest payable:					
Group			(825)		(521)
Joint ventures			(1,916)		(2,015)
Associated undertakings			(2)		(40)
	6		(2,743)		(2,576)
Profit on ordinary activities before taxation			3,000		1,624
Taxation	7		(7)		(97)
Profit on ordinary activities after taxation			2,993		1,527

Group Statement of Total Recognised Gains and Losses for the year ended 31 December 2011

	2011 £'000	2010 £'000
Retained profit for the financial year	2,993	1,527
Currency translation differences on foreign net investments	23	(76)
Total recognised gains and losses for the year	3,016	1,451

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year and their historical cost equivalents.

Group Balance Sheet
As at 31 December 2011

	Notes	2011		2010	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible fixed assets	8	16		25	
Investments	9	-		804	
			16		829
Investment in Joint Venture	9				
Share of gross assets		37,096		42,037	
Share of gross liabilities		(33,684)		(36,583)	
		3,412		5,454	
Loans due within one year		151		151	
Loans due after one year		1,815		1,966	
			5,378		7,571
			5,394		8,400
Current Assets					
Debtors	10	360		202	
Cash at bank and in hand		3,328		1,636	
		3,688		1,838	
Creditors amounts falling due within one year	11	(585)		(651)	
Net Current Assets			3,103		1,187
Total Assets less Current Liabilities			8,497		9,587
Pension liability	5(c)(iii)		(10,631)		(14,737)
			(2,134)		(5,150)
Capital and Reserves					
Called up share capital	14		12,100		12,100
Reserves	13		(14,234)		(17,250)
Shareholder's Deficit	15		(2,134)		(5,150)

The financial statements on pages 6 to 28 were approved by the Board of Directors on 19 June 2012, and signed on its behalf by:

N J C WALTERS
DIRECTOR

S J CORKHILL
DIRECTOR

Company Balance Sheet
As at 31 December 2011

	Notes	2011		2010	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible fixed assets	8	11		20	
Investments	9	3,991		4,251	
			4,002		4,271
Current Assets					
Debtors	10	306		226	
Cash at bank and in hand		3,161		1,467	
		3,467		1,693	
Creditors – amounts falling due within one year	11	(4,197)		(768)	
Net Current (Liabilities)/Assets			(730)		925
Total Assets less Current Liabilities			3,272		5,196
Pension liability	5(c)(iii)		(10,631)		(14,737)
			(7,359)		(9,541)
Capital and Reserves					
Called up share capital	14		12,100		12,100
Reserves	13		(19,459)		(21,641)
Shareholder's Deficit	15		(7,359)		(9,541)

The financial statements on pages 6 to 28 were approved by the Board of Directors on 19 June 2012, and signed on its behalf by:

N J C WALTERS
DIRECTOR

S J CORKHILL
DIRECTOR

1. PRINCIPAL ACCOUNTING POLICIES

A summary of the more important accounting policies is set out below. These policies have been consistently applied during the years ended 31 December 2011 and 2010.

Basis of Accounting

The accounts are prepared on a going concern basis which is consistent with prior years, in accordance with applicable accounting standards in the United Kingdom.

Andrew Weir & Company Limited produces Consolidated Group Accounts and the cash flows of the Company are included in the Consolidated Group Cash Flow Statement. Consequently, the Company is exempt under the terms of Financial Reporting Standard No.1 "Cash Flow Statements" from publishing its own cash flow statement.

Going Concern

The Directors have considered the possible outcomes of any review by the MNOPF Pension Scheme Trustees in relation to the Company's and Group's ability to discharge its liability under the Scheme (see Note 5). The Company has previously demonstrated its ability to repay the current allotted share of the deficit by instalments. In September 2010, the Group applied to the MNOPF pension scheme trustees to repay the remaining deficit by instalments. The Directors believe that a recovery plan will be agreed with the MNOPF Pension Scheme Trustees which allows the Company to repay over an extended period as discussions are close to reaching a satisfactory conclusion. In any event, the Directors believe that there is sufficient underlying value in its remaining investment to discharge the liability should a recovery plan not be agreed. In May 2011, following the sale of the investment in UCA United Canal Agencies GmbH ("UCA"), the Group settled the original deficit allocated to United Baltic Corporation Limited amounting to £2.9m in full.

Despite the Group having net liabilities amounting to £2.13m at 31 December 2011 this deficit is offset by:

- The realisable value of its investment assessed by the Directors being well in excess of its carrying value of £5.4m in the 31 December 2011 balance sheet.

Despite the Company having net current liabilities amounting to £0.7 million, which includes an amount due to a subsidiary of £3.78m, and net liabilities amounting to £7.36m at 31 December 2011, this deficit is offset by:

- The realisable value of the Company's investment assessed by the Directors being well in excess of their combined stated carrying value of £3.99m in the 31 December 2011 balance sheet.

At 31 December 2011 the Group holds cash reserves of £3.33m.

As a result of the above, the Directors consider the going concern basis to be appropriate in preparing the Financial Statements for both the Group and the Company.

Basis of Consolidation

The Group Accounts comprise a consolidation of the audited accounts of the Company and all its subsidiary undertakings, together with the Group's share of the post-acquisition results of all joint ventures and associated undertakings. The results of subsidiary, joint ventures and associated undertakings are consolidated from the date of acquisition or to the date of disposal.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Shipping Results

Voyage results are computed on an accruals basis, and income and direct expenses relating to voyages in progress at the Balance Sheet date are accounted for on a pro rata basis.

Tangible Fixed Assets

These are stated at cost less depreciation provided.

Depreciation

Ships and equipment, both wholly-owned and lease financed, are depreciated from the time of entering into service on a straight line basis over their estimated useful lives, being 20 or 25 years for ships and 2 or 5 years for other equipment. Where expenditure is incurred to prolong the useful service life of a ship, which is more than twenty years old, this expenditure is written-off over the life extension period. Depreciation is based on cost and, in the case of ships, a residual value based on their estimated scrap value at the end of their estimated useful lives. All cyclical dry-dock costs are capitalised and written-off over the dry-docking cycle of 3 or 5 years.

Impairment

The Group reviews all fixed assets and investments for impairment whenever events or circumstances indicate that the carrying value of the assets may not be fully recoverable based upon estimated future cash flows. Provision for impairment in the value of fixed assets and investments is made in the profit and loss account.

Pensions

The Group participates in a number of pension schemes for the benefit of its employees. The funds of the schemes are administered by trustees and are separate from the Group. In accordance with the recommendations of independent actuaries, the Group makes contributions to the schemes so as to secure the benefits set out in the rules of the schemes. The cost of such contributions is charged to the profit and loss account on a systematic basis over the service lives of the employees, except for the treatment relating to the Group's share of the MNOPF deficits, which is set out in Note 5.

In accordance with Financial Reporting Standard 17 – Retirement Benefits (FRS17), pension scheme deficits, which can be attributed to the AWS group, would be recognised on the balance sheet. The increases during the year in the present value of the schemes' liabilities arising from the passage of time would be included in interest payable. Actuarial gains and losses would be recognised in the statement of total recognised gains and losses. The Group has adopted the amendments to FRS17. As a result of this, quoted securities held as plan assets in the defined scheme are now valued at bid price rather than mid-market value.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Currencies

Revenue transactions in foreign currency are translated into sterling at the rates of exchange ruling at the dates of the transaction and current assets and liabilities are translated into sterling at the rates of exchange ruling at the Balance Sheet date. Forward foreign exchange contracts are translated into sterling at the contracted rate at the date of maturity. These contracts are used to hedge future cash flows in foreign currencies. The resultant differences arising on exchange are included in the result before taxation.

For foreign branches, the Group uses the closing rate/net investment method for translation of associated balances into sterling at the year-end rate and the net differences are taken directly to reserves. Certain ships are recorded in the books of the Company in US$ and matched against US$ loans and finance leases which were used to finance the acquisition of the assets.

The Profit and Loss Accounts of overseas subsidiary and related companies are translated into sterling at an average rate of exchange for the period. The Balance Sheets of overseas subsidiary and related companies are translated into sterling at the rates of exchange ruling at 31 December. Differences on the translation of net assets arising from exchange fluctuations are taken directly to reserves.

Finance and Operating Leases

Where assets are financed by leasing agreements that approximate to the loan of money, 'finance leases', the assets are treated as if they had been purchased outright and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance charges, the capital element reducing the obligation to the lessor and the finance charges being written-off to the Profit and Loss Account over the period of the lease. All other leasing agreements are 'operating leases' and the relevant annual rentals are charged wholly to the Profit and Loss Account.

Deferred Taxation

Deferred tax is provided in respect of all timing differences, which will reverse subsequent to the balance sheet date at the rates expected at the time of reversal. Deferred tax assets are recognised to the extent they are regarded as recoverable.

Related Party Transactions

The Company is a wholly-owned subsidiary of Andrew Weir & Company Limited. The Company has taken advantage of Financial Reporting Standard No. 8 – Related Parties from disclosing related party transactions with its parent company and fellow wholly owned subsidiaries.

2. TURNOVER

Turnover represents the amounts receivable for charter hire, management fees, goods supplied and commissions received, net of value added tax.

3. OTHER OPERATING EXPENSES

Other operating expenses are made up as follows:-

	2011 £'000	2010 £'000
Selling expenses	92	44
Administrative expenses	3,856	2,823
Exchange losses/(gains) on investment loan revaluations	23	(68)
	3,971	2,799

4. OPERATING LOSS

	2011 £'000	2010 £'000
Group operating loss is arrived at after charging/(crediting):		
Auditors' remuneration - audit services	30	36
Auditors' remuneration – tax services	11	15
Property lease payments	89	93
Depreciation (Note 8)	9	180
Directors' remuneration	136	239
Exchange losses/(gains) on investment loan revaluations	23	(68)
Deficit contributions to Andrew Weir Pension Scheme (Note 5(c)(iii))	1,321	-

In October 2011, the Company paid £1,321,194 to the Andrew Weir Pension Scheme as an employer contribution. The payment was made on a voluntary basis and accordingly does not give rise to the occurrence of a termination event for the purpose of the Deed of Charge.

5. DIRECTORS AND EMPLOYEES

(a) Employees

The average number of persons employed during the year, including Executive Directors, was 27 (2010: 28).

	2011 £'000	2010 £'000
Aggregate gross wages and salaries paid to the Group's employees (including directors)	1,142	1,309
Employer's national insurance contributions	122	120
Other pension costs:		
Contribution to defined contribution pension schemes	88	93
Ex gratia pensions	12	11
	1,364	1,533

(b) Directors

	2011	2010
Aggregate emoluments	136	239
Highest paid director		
Aggregate emoluments and benefits	136	134
Defined benefit pension schemes:		
Accrued pension at end of year	-	22

There are no Directors (2010: 1) for whom retirement benefits are accruing in defined benefit schemes.

5. DIRECTORS AND EMPLOYEES (cont).

(c) Pension Costs

(i) Andrew Weir & Company Limited Staff Pension and Life Assurance Plan

The Group's principal pension scheme, The Andrew Weir & Company Limited Staff Pension and Life Assurance Plan (AWPP), is a UK defined benefit scheme with a defined contribution section, which was closed to new entrants from 21 November 2003 and to future accrual with effect from 31 January 2010.

The pension assets are held in a separate Trustee administered fund to meet long term pension liabilities to past and present employees. The trustees of the scheme are required to act in the best interest of the scheme's beneficiaries. The appointment of trustees to the scheme is determined by the scheme's trust documentation. The Group has a policy that one-third of all trustees should be nominated by members of the plan.

A full actuarial valuation was last carried out as at 31 December 2009 and an updated report for FRS17 purposes was prepared in February 2012 to 31 December 2011 by a qualified independent actuary.

	2011 £'000	2010 £'000
Reconciliation of the present value of the defined benefit obligation		
Present value of funded defined benefit obligation at 1 January	105,066	106,330
Employers' service cost	-	10
Interest cost	5,700	5,989
Members' contributions	-	2
Actuarial loss/(gain) on scheme liabilities	11,415	(939)
Curtailments and settlements	-	(157)
Benefits paid	(6,634)	(6,169)
Present value of funded defined benefit obligation at 31 December	115,547	105,066
Reconciliation of fair value of scheme assets		
Fair value of scheme assets at 1 January	102,704	105,295
Expected return on scheme assets	5,836	6,450
Actuarial gain/(loss) on scheme assets	4,908	(2,885)
Contributions by the Company	1,321	11
Contributions by members	-	2
Benefits paid	(6,634)	(6,169)
Fair value of scheme at 31 December	108,135	102,704
Amounts recognised in the Group Balance Sheet		
Present value of funded obligation	115,547	105,066
Fair value of scheme assets	(108,135)	(102,704)
Net liability in Balance Sheet	7,412	2,362
Actuarial loss	(6,507)	(1,946)

5. DIRECTORS AND EMPLOYEES (cont).

(c) Pension Costs

(i) Andrew Weir & Company Limited Staff Pension and Life Assurance Plan

	£'000s 2011	%	£'000s 2010	%	£'000s 2009	%
Scheme Assets						
Equities	28,778	27	33,137	32	36,299	34
Gilts and bonds	34,568	32	25,785	25	24,809	23
Other	2,734	3	6,857	7	482	1
Total market value of invested assets	66,080	62	65,778	64	61,590	58
Insureds	42,055	38	36,925	36	43,705	42
Total assets	108,135	100	102,704	100	105,295	100
Expected rate of return on scheme assets	5.13%		5.86%		6.31%	

Nature and extent of the risks arising from financial instruments held
At 31 December 2011 the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. The fair value of the scheme assets as a percentage of total scheme assets and target allocations are set out above.

There were no company related investments at either 31 December 2011 or 31 December 2010.

Expected return on assets
The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class held by the Scheme. The expected return on equities has been based on long term market expectations. The expected return on gilts and bonds has been based on the average of the yields available on long dated gilts and bonds, with an adjustment for defaults. The expected return on other assets is based on cash return.

	2011 £'000s	2010 £'000s
Actual return on scheme assets	10,744	3,565
Principal actuarial assumptions at the balance sheet date		
Discount rate	4.70%	5.60%
Expected return on scheme assets at the end of the year	5.13%	5.86%
Rate of increase in salaries	N/A	N/A
Price inflation	3.10%	3.30%
Pension increases:		
- Pension accrued before 6 April 1997	3.00%	3.00%
- Pension accrued between 6 April 1997 and 31 May 2006	3.00%	3.00%
- Pension accrued after 31 May 2006	2.10%	2.00%
Proportion of pension exchanged for cash	Three times	Three times

As at 31 December 2011, the mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2031 at age 60 will live on average a further 30 years after retirement (2010: a further 29 years) if they are a male and for a further 31 years after retirement (2010: a further 31 years) if they are a female.

As at 31 December 2009, the PNMA00/PNFA00 birth year tables with an 80% multiplier and medium cohort projections were used.

Assumptions reflect the governments proposed changes from RPI to CPI. The effect of this change is to reduce the liabilities by around £1.2m accounted for through the statement of total recognised gains and losses.

5. DIRECTORS AND EMPLOYEES (cont).

(c) Pension Costs

(i) Andrew Weir & Company Limited Staff Pension and Life Assurance Plan

Sensitivity analysis of the principal assumptions used to measure scheme liabilities

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 1.0%	Increase/decrease by 14%

History of assets, liabilities and actuarial gains and losses

	2011 £'000s	2010 £'000s	2009 £'000s	2008 £'000s	2007 £'000s
Present value of defined benefit obligation	(115,547)	(105,066)	(106,330)	(99,136)	(109,936)
Fair value of assets	108,135	102,704	105,295	97,177	108,769
Deficit	(7,412)	(2,362)	(1,035)	(1,959)	(1,167)
Experience loss on scheme liabilities	(2,037)	(2,110)	(1,323)	-	(240)
Percentage of the present value of the scheme liabilities	1.7%	2.0%	1.2%	0.0%	0.2%
Difference between the expected and actual return on scheme assets	4,908	(688)	5,305	(9,926)	(409)
Percentage of the present value of the scheme assets	4.5%	0.7%	5.0%	10.2%	0.4%

Estimated contributions

The scheme closed to future accrual with effect from 31 January 2010 and therefore no contributions will be paid to the scheme by the Group in 2012 (2011: Nil). However, a voluntary employer contribution was paid during the year ended 31 December 2011, as set out in Note 4.

Future funding obligations in relation to defined benefit schemes

Following the tri-annual valuation carried out for the year ended 31 December 2009, the Group has agreed a revised recovery plan with the Trustees to pay £2,020,000 p.a. from 31 March 2015 to 31 March 2024 inclusive. This plan is supported by a deed of charge over a subsidiary and is subject to approval by the Pensions Regulator.

In October 2011 Andrew Weir Shipping Limited paid £1,321,194 to the Andrew Weir Pension Scheme as an employer contribution. The payment was made on a voluntary basis and accordingly does not give rise to the occurrence of a termination event for the purpose of the Deed of Charge. Andrew Weir Shipping Limited reserves their rights to make no further contributions until March 2015 as set out under the Schedule of Contributions.

How the liabilities arising from defined benefit schemes are measured

The liabilities of the defined benefits scheme are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method. This amount is reflected in the deficit in the balance sheet. The projected unit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

5. DIRECTORS AND EMPLOYEES (continued)

(ii) Merchant Navy Officers Pension Fund

The Group has participated in an industry wide pension scheme – the Merchant Navy Officers' Pensions Fund ("MNOPF"). The scheme is split into two sections with the pre-1978 section having a deficit of £131 million as per the 31 March 2009 Actuarial Report. The Trustee has determined that the asset growth of the Fund, in excess of that assumed in calculating the deficit, subsequent to the date of formal valuation has been sufficient to eliminate the shortfall. Therefore no contributions are required to meet the shortfall.

The post-1978 section financial position is detailed below. AWSL is a participating employer in the scheme.

Based upon the shortfall of £345m identified at the actuarial valuation at 31 March 2006, the Group was required to contribute £1,368,000 per annum until 2015.

Following the completion of the latest actuarial valuation at 31 March 2009, a further shortfall of £390m was identified, and a further £10,076,000 was provided for by the Group. The Group applied for a credit application to repay the deficit over a further agreed period, of which the outcome is close to reaching a satisfactory conclusion. In the meantime, the Group is required to contribute a further £912,000 per annum until 2014, followed by further payments of £1,889,000 per annum until 2020.

Interest charged during the year ended 31 December 2011 amounted to £862,000 (2010 : £467,000).

In accordance with FRS17 (Retirement Benefits) a provision has been made in the financial statements for the obligation allocated to the Group. At 31 December 2011 this amounted to £10,631,000 (2010 : £14,737,000).

Following the sale of UCA United Canal Agency GmbH, in April 2011 the subsidiary was able to repay in full its outstanding deficit with the MNOPF amounting to £2,904,563.

Detailed information in respect of assumptions and historic gains and losses has not been disclosed in respect of the MNOPF, as this information has not been provided by the actuary of the scheme.

(iii) Summary of movement in deficit in Schemes during the year :

	2011		2010	
	AWPP £'000	MNOPF £'000	AWPP £'000	MNOPF £'000
Deficit at 1 January	(2,362)	(14,737)	(1,035)	(16,089)
Current service cost	-	-	(10)	-
Contributions	1,321	2,063	11	1,819
Curtailments and settlements	-	-	157	-
Settlement of current funding deficit	-	2,905	-	-
Other finance income/(cost)	136	(862)	461	(467)
Actuarial loss	(6,507)	-	(1,946)	-
Deficit at 31 December	(7,412)	(10,631)	(2,362)	(14,737)

The AWPP covers several companies in the Group and it is not possible to identify the share of assets and liabilities relating to individual companies. Consequently, in AWS's financial statements the above AWPP liability is not recorded and contributions are accounted for as a defined contribution scheme.

Deferred tax on the pension liabilities has not been taken into account because of the amount of unrecognised and unutilised carry forward taxable losses.

6. NET INTEREST AND OTHER INCOME

	2011 £'000	2010 £'000
Interest payable :		
Bank loans and overdrafts	-	67
Interest on MNOPF liability (note 5 (c)(ii))	862	467
Share of net interest of joint venture	1,916	2,015
Share of net interest of associated undertakings	2	40
	2,780	2,589
Interest receivable :	(37)	(13)
Net interest and other income	2,743	2,576

7. TAXATION ON PROFIT FOR THE YEAR

	2011 £'000	2010 £'000
Based on the results for the year :		
UK Corporation Tax : 26% (2010 : 28%)	17	-
Losses utilised	(27)	-
Tax on results of associated undertakings	16	96
Tax on results of joint ventures	1	1
Tax on profit on ordinary activities	7	97

Tax Reconciliation

	2011	2010
Profit on ordinary activities before tax	3,000	1,624
Profit on ordinary activities before tax at 26% (2010 : 28%)	780	455
Tax effect of :		
Impairments in joint venture and associate	28	(62)
Profit on sale of vessels	-	(3)
Losses utilised	(32)	344
Lower tax arising from joint venture's election to tonnage tax	(768)	(632)
Rates of tax on overseas earnings and associated company	(1)	(5)
Relating to current year	7	97

8. TANGIBLE FIXED ASSETS

Group

	Equipment Owned £'000
Cost	
At 1 January 2011 and 31 December 2011	380
Depreciation	
At 1 January 2011	355
Charge for the year	9
At 31 December 2011	364
Net Book Value	
At 31 December 2011	16
At 31 December 2010	25

Company

	Equipment Owned £'000
Cost	
At 1 January 2011 and 31 December 2011	364
Depreciation	
At 1 January 2011	344
Charge for the year	9
At 31 December 2011	353
Net Book Value	
At 31 December 2011	11
At 31 December 2010	20

9. FIXED ASSET INVESTMENTS

Group	Joint Venture			Associated Undertakings		
	Equity	Loans	Total	Equity	Loan	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2011	5,454	2,117	7,571	23	2,098	2,121
Currency adjustments	-	-	-	23	(23)	-
Repaid in year	-	(151)	(151)	-	(276)	(276)
Share of profit	2,958	-	2,958	(42)	-	(42)
Sale of share in associate	-	-	-	(229)	-	(229)
Dividend	(5,000)	-	(5,000)	(257)	-	(257)
At 31 December 2011	3,412	1,966	5,378	(482)	1,799	1,317
Impairment						
At 1 January 2011	-	-	-	-	(1,317)	(1,317)
At December 2011	-	-	-	-	(1,317)	(1,317)
Net Book Value at 31 December 2011	3,412	1,966	5,378	(482)	482	-

The book value of the interests in the associated undertakings represents the Group's share of its net assets.

	Foreland	
Joint Venture	**2011**	**2010**
	£'000	£'000
Share of assets		
Tangible fixed assets	8,919	9,734
Non-current assets - finance lease receivables	23,603	24,967
Current assets	4,574	7,336
	37,096	42,037
Share of liabilities		
Creditors falling due within one year	(2,433)	(2,866)
Creditors falling due after one year	(31,251)	(33,717)
	(33,684)	(36,583)
Share of net assets	3,412	5,454
Share of forward foreign currency contracts	-	2,324

9. FIXED ASSET INVESTMENTS (continued)

	Foreland	
	2011	2010
	£'000	£'000
Share of results		
Turnover	9,870	9,549
Operating costs	(4,995)	(5,277)
Operating profit	4,875	4,272
Net interest	(1,916)	(2,015)
	2,959	2,257
Taxation charge	(1)	-
Share of profit after tax	2,958	2,257

The audited financial statements of Foreland Holdings Limited have been prepared in accordance with International Financial Reporting Standards, as adopted in the European Union, for the year ended 31 December 2011. The amounts above have been restated to conform with Generally Accepted Accounting Policies within the United Kingdom.

The borrowings of Foreland Holdings Limited are without recourse to Andrew Weir & Company Limited or its Subsidiaries.

	UCA		Moor Maritime		Total	
Associates	2011	2010	2011	2010	2011	2010
	£'000	£'000	£'000	£'000	£'000	£'000
Share of assets						
Tangible fixed assets, net of impairment	-	394	-	-	-	394
Current assets	-	1,878	-	105	-	1,983
	-	2,272	-	105	-	2,377
Share of liabilities						
Creditors falling due within one year	-	(1,814)	-	(20)	-	(1,834)
Creditors falling due after one year	-	-	(1,799)	(1,823)	(1,799)	(1,823)
	-	(1,814)	(1,799)	(1,843)	(1,799)	(3,657)
Share of net assets/(liabilities)	-	458	(1,799)	(1,738)	(1,799)	(1,280)

9. FIXED ASSET INVESTMENTS (continued)

	UCA		Moor Maritime		Total	
	2011	2010	2011	2010	2011	2010
	£'000	£'000	£'000	£'000	£'000	£'000
Share of results						
Turnover	400	1,566	-	151	400	1,717
Operating costs	(343)	(1,205)	(80)	(339)	(423)	(1,544)
Impairment of ship	-	-	-	223	-	223
Profit on disposal of vessel	-	-	(1)	9	(1)	9
Operating profit/(loss)	57	361	(81)	44	(24)	405
Net interest	(2)	(13)	-	(27)	(2)	(40)
	55	348	(81)	17	(26)	365
Taxation charge	(16)	(97)	-	-	(16)	(97)
Share of profit/(loss) after tax	39	251	(81)	17	(42)	268

Company	Subsidiary Undertakings	Joint Venture		Associated Undertakings		
		Equity	Loans	Equity	Loans	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2011	8,036	25	2,117	3	1,822	12,003
Additions in year	-	-	-	-	-	-
Repaid in year	-	-	(151)	-	-	(151)
Exchange loss	-	-	-	-	(23)	(23)
Amounts written-off	-	-	-	-	-	-
At 31 December 2011	8,036	25	1,966	3	1,799	11,829
Impairments						
At 1 January 2011	(6,036)	-	-	(3)	(1,799)	(7,838)
At 31 December 2011	(6,036)	-	-	(3)	(1,799)	(7,838)
Net Book Value at 31 December 2011	2,000	25	1,966	-	-	3,991

Sale of share in associate

In April 2011, the associated investment in UCA United Canal Agency GmbH was sold for £3m, following the repayment of the outstanding loans due to the Group of Euros 320,000.

9. FIXED ASSET INVESTMENTS (continued)

Subsidiary, joint ventures and associated undertakings

The following are the subsidiary, joint venture and associated undertakings at 31 December 2011. Unless otherwise stated all are wholly owned by the Company and incorporated in Great Britain. All are engaged in shipping and ancillary industries either as ship owners or shipping agents, except for United Baltic Corporation Limited, which was a holding company for an overseas investment, UCA United Canal Agency GmbH.

• Subsidiary Undertakings

Teignbank Shipping Limited (Non-trading)	100% (Ordinary Shares)
United Baltic Corporation Limited	100% (Ordinary Shares)
Andrew Weir Shipping (SA) Pty Limited (incorporated in South Africa)	100% (Ordinary Shares)

• Joint Venture

Foreland Holdings Limited	25% (Ordinary Shares)

• Associated Undertakings

Moor Maritime Limited (Non-trading)	25% (Ordinary Shares)

The latest UCA United Canal Agency GMBH audited accounts relate to 31December 2010. Unaudited management accounts have been included within the consolidated accounts for the year to 31 March 2011, up to the date of the sale of the investment.

The latest Moor Maritime audited accounts relate to the year ended 31 March 2011. The company has not traded since the sale of its vessel in 2010 and entered into creditors' voluntary liquidation on 26 April 2012.

10. DEBTORS - falling due within one year

	2011 £'000	2010 £'000
Group		
Trade debtors	30	11
Amounts owed by parent company	1	-
Other debtors	260	116
Prepayments and accrued income	69	75
	360	202
Company		
Trade debtors	30	11
Amounts owed by parent undertaking	1	-
Amounts owed by group undertakings	-	54
Other debtors	206	86
Prepayments and accrued income	69	75
	306	226

11. CREDITORS

Group	Amounts falling due within one year 2011 £'000	2010 £'000
Trade creditors	63	8
Amounts due to parent company	-	225
Taxation and social security	51	55
Other creditors	393	250
Accruals and deferred income	78	113
	585	651

Company	2011 £'000	2010 £'000
Trade creditors	63	8
Amounts due to group undertakings	3,772	233
Amounts due to parent company	-	225
Taxation and social security	51	55
Other creditors	233	134
Accruals and deferred income	78	113
	4,197	768

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

12. DEFERRED TAXATION

Assets not recognised	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Postponed capital allowances	16,000	17,200	16,000	17,200
Tax losses	5,300	4,700	5,300	4,700
Capital losses	2,900	3,100	2,900	3,100
Advance corporation tax	2,700	2,700	2,700	2,700
Pension schemes	1,600	1,700	1,600	1,700
At 31 December	28,500	29,400	28,500	29,400

Deferred tax assets not recognised have been calculated at 26% (2010 : 28%). Relief may be obtained against any future UK corporation tax liability at the corporation tax rates then prevailing.

13. RESERVES

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
At 1 January	(17,250)	(18,701)	(21,641)	(22,298)
Retained profit for year	2,993	1,527	2,182	641
Currency translation differences on foreign currency net investments	23	(76)	-	16
At 31 December	(14,234)	(17,250)	(19,459)	(21,641)

14. SHARE CAPITAL

	Allotted, called up and fully paid Number	£
Ordinary Share Capital		
Ordinary shares of £1 each		
At 31 December 2011	4,000,000	4,000,000
At 31 December 2010	4,000,000	4,000,000
Ordinary "B" non-voting shares of £1 each (see note below)		
At 31 December 2011	8,100,000	8,100,000
At 31 December 2010	8,100,000	8,100,000
Total	12,100,000	12,100,000

15. RECONCILIATION OF SHAREHOLDER'S DEFICIT

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
At 1 January	(5,150)	(6,601)	(9,541)	(10,198)
Retained profit for the year	2,993	1,527	2,182	641
Currency translation differences on foreign currency net investments	23	(76)	-	16
At 31 December	(2,134)	(5,150)	(7,359)	(9,541)

The parent company has taken advantage of the exemption available under the Companies Act 2006 (Section 408) not to show its individual profit and loss account.

16. CAPITAL AND OTHER FINANCIAL COMMITMENTS

Group and Company

Other financial commitments

Payments due under non-cancellable operating leases, which expire as indicated below :

	2011 £'000	2010 £'000
Plant and equipment within one year	2	2

17. POST BALANCE SHEET EVENTS

Moor Maritime Limited entered into creditors' voluntary liquidation on 26 April 2012.

18. RELATED PARTY TRANSACTIONS

	2011 £'000	2010 £'000
Ship management and technical services provided to joint venture and associated undertakings	587	795

19. ULTIMATE PARENT COMPANY

The ultimate parent company is Andrew Weir & Company Limited, incorporated in Great Britain and registered in England and Wales.

Copies of the Andrew Weir & Company Limited Group Accounts are available from Dexter House, 2 Royal Mint Court, London EC3N 4XX.