

REGISTERED NO. 5991

**ANDREW WEIR SHIPPING LIMITED**  
**REPORT AND ACCOUNTS**  
**1998**

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# **ANDREW WEIR SHIPPING LIMITED**

## **REPORT OF THE DIRECTORS**

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The Directors present the audited accounts for the year ended 31 December 1998.

### **PRINCIPAL ACTIVITIES**

The Company's major shipping activity involves the ownership of cargo vessels which, together with vessels on charter, trade on a worldwide basis. Wholly-owned subsidiaries of the Company are engaged in the ownership of vessels and in other shipping related activities which include stevedoring, forwarding, repair services, travel and tours, claims adjusting and acting as ship agents.

### **RESULTS, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The operating result for the year is a profit of £603,000 (1997:£1,466,000) but, after taking into account an exceptional item of £733,000 (1997:£2,683,000) and net interest charges of £5,877,000 (1997:£4,405,000) there is a loss on ordinary activities of £4,541,000 (1997: £256,000).

The abolition of ACT gave rise to a movement in our deferred tax provision of £1,677,000 in respect of ACT written off in the year. The write off distorted the tax charge which shows £736,000 on losses of £4,541,000.

Group borrowings were reduced by £22,000,000 during the year

Cargo volumes were higher than budget but freight rates were materially reduced in a number of trading areas. The decline in freight rates has been a feature of the industry since the middle of 1996. Lower freight rates were partially compensated by lower charter costs and bunker prices.

The Bank Line South Pacific service maintained the improving trend from the previous year and customer support continues to grow. The Safbank service benefited from lower vessel costs but suffered from reduced southbound volumes as a result of the economic slow down in South Africa. Cargo volumes were extremely poor in the Indian Ocean due to a combination of economic and climatic events and the service has been suspended.

The Indian and Pakistan service suffered from a shortage of eastbound cargo as a result of the economic problems in the Far East and this had a very detrimental impact on freight rates. Westbound volumes increased markedly and this enabled freight rates to be increased resulting in a greatly improved position by the year-end. East Africa performed poorly due to port congestion in Mombassa and very low northbound cargo volumes following severe weather conditions in the early part of the year. These problems were resolved and the results improved in the last few months of the year.

Volumes remained strong in Iberia and the Mediterranean, however freight rates continued to fall in the Mediterranean.

# **ANDREW WEIR SHIPPING LIMITED**

## **REPORT OF THE DIRECTORS - continued**

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The Container Terminal in Bilbao was expanded by the purchase of additional cranes and leasing additional quay space. Throughout most of the year the terminal was operating at maximum capacity.

Year 2000 - The Directors are continuing to review the risks associated with the Year 2000 problem, both with regard to internal use of computer systems and embedded chips and in connection with relationships with third parties. They are satisfied that steps within the control of the Group being taken will be completed in sufficient time to eliminate any potential problems. The total costs of ensuring Year 2000 compliance have not yet been quantified but are not expected to be significant.

During the year the Group has complied with the requirements of FRS12 Provisions, Contingent Liabilities and Contingent Assets and FRS9 Associates and Joint Ventures. Comparative figures have been restated where appropriate.

Trading conditions over the last eighteen months have been unprecedented with the Asian financial crisis and the collapse of the Russian economy having an knock on effect on volume and freight rates around the world. Although there are signs that the bottom may have been reached we only foresee improvements in the last quarter of the year with more sustained growth in 2000

### **DIVIDENDS**

The Holding Company has waived its rights to dividends on its holdings of 'A', 'B' and 'C' preference shares for the year ended 31 December 1998.

A dividend of £600,000 was paid during 1998 on ordinary shares.

### **FIXED ASSETS**

Details of fixed assets are shown in note 10 to the accounts.

The major investment during the year was for new cranes and container handling equipment for our terminal at Bilbao. Dry-docking costs were capitalised in accordance with the requirements of FRS12.

M.V. "Baltic Eider" was sold and leased back on long term bare boat charter, the Company retaining the right to buy the ship back at the end of the charter.

M.V. "Olivebank" completed her employment with Safbank Line Ltd and was sold for scrap in March 1999. The value of the ship was reassessed and these accounts bear a charge of £1,736,000 as additional depreciation.

Two Cora Class ships were also disposed of during the year, one for scrap and one to a third party.

# **ANDREW WEIR SHIPPING LIMITED**

## **REPORT OF THE DIRECTORS - continued**

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### **EMPLOYEES**

Information on matters of concern to employees is given through information bulletins and reports (including an annual Employee Report) 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 disabled people as to others.

### **CLOSE COMPANY**

The Company is a close company as defined by the Income and Corporation Taxes Act 1988, as amended. No provision is deemed necessary under the appropriate sections of that Act.

### **DIRECTORS**

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

Lord Runciman-resigned 1 Feb 1999	R.D. McIntyre-Brown
A.J. Ash	R.M. Moss-resigned 29 Jan 99
A.R.C.B. Cooke	M.G. Parker
Captain D.C. Glass-resigned 19 Aug 1998	K.S.S. Sessions
G. Hamilton	G.S. Smith
A. MacVean-resigned 19 Jan 1999	B.P. Williams

### **DIRECTORS' INTERESTS**

Lord Runciman, A.R.C.B. Cooke, R.D. McIntyre-Brown and M.G. Parker are Directors of the ultimate holding company, Andrew Weir & Company Limited, at 31 December 1998 and as such are not required to notify their interests in that company. According to the register required to be kept by Section 325 of the Companies Act 1985 no other Directors held any shares in the Company or any other company in the Group at any time during the year.

### **Directors' responsibilities for preparing the accounts.**

Company law requires the Directors to prepare accounts for each financial year which 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 those accounts, the Directors are required to:-

- \* Select suitable accounting policies and then apply them consistently;
- \* Make judgements and estimates that are reasonable and prudent;

ANDREW WEIR SHIPPING LIMITED

REPORT OF THE DIRECTORS - continued

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- \* State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- \* Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

**AUDITORS**

Moore Stephens were appointed Auditors by the Directors in the year and a Resolution for their re-appointment will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



G. Hamilton  
SECRETARY

20 April 1999

**ANDREW WEIR SHIPPING LIMITED**

**REPORT OF THE AUDITORS**

to the members of Andrew Weir Shipping Limited

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We have audited the accounts on pages 6 to 26.

**Respective responsibilities of directors and auditors**

As described on page 3 and 4 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 1998 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Moore Stephens*

Moore Stephens

Chartered Accountants and Registered Auditors  
London,

4 May 1999

**ANDREW WEIR SHIPPING LIMITED**

**GROUP PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 1998

	Notes	1998 £'000	Restated 1997 £'000
<b>TURNOVER</b>	2	193,449	200,293
Cost of sales		(166,715)	(175,786)
Operating expenses	3	(26,773)	(24,446)
Share of profit of associated undertakings		642	1,405
<b>OPERATING PROFIT</b>	4	603	1,466
<b>NON-OPERATING EXCEPTIONAL ITEM</b>			
Provisions released	5	733	2,683
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		1,336	4,149
Net interest and other income	7	(5,877)	(4,405)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(4,541)	(256)
Tax on loss on ordinary activities	8	(736)	121
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(5,277)	(135)
Minority interests (all equity)		(145)	(89)
Dividends (all equity)	9	(600)	-
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>		(6,022) =====	(224) =====
<b>STATEMENT OF RETAINED PROFITS</b>			
At 1 January		28,260	28,880
Retained loss for the financial year		(6,022)	(224)
Currency translation differences on foreign net investments		89	(396)
At 31 December		22,327 =====	28,260 =====

ANDREW WEIR SHIPPING LIMITED

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998 - continued

STATEMENT OF TOTAL RECOGNISED  
GAINS AND LOSSES

	1998 £'000	Restated 1997 £'000
Loss for the financial year	(6,022)	(224)
Currency translation difference on foreign net investments	89	(396)
	(5,933)	(620)
Prior year adjustment (note 4)	1,031	-
Total losses since last reported financial statements	(4,902)	(620)
	=====	=====

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

The turnover and operating profit of the Company are derived entirely from continuing operations.



**ANDREW WEIR SHIPPING LIMITED**

**GROUP BALANCE SHEET**

As at 31 December 1998

	Notes	1998 £'000	1998 £'000	Restated 1997 £'000	Restated 1997 £'000
<b>FIXED ASSETS</b>					
Tangible fixed assets	10	100,126		117,382	
Investments	11	1,496		1,755	
			101,622		119,137
<b>CURRENT ASSETS</b>					
Debtors	12	42,705		45,474	
Stock	13	1,430		2,008	
Cash at bank and in hand		4,757		4,029	
		48,892		51,511	
Creditors - amounts falling due within one year	14	(53,636)		(57,963)	
<b>NET CURRENT LIABILITIES</b>					
			(4,744)		(6,452)
Total assets less current liabilities			96,878		112,685
CREDITORS - amounts falling due after more than one year	14	(52,231)		(69,102)	
PROVISIONS for liabilities and charges	15	(2,485)		(2,492)	
			(54,716)		(71,594)
<b>NET ASSETS</b>					
			42,162		41,091
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		19,828		12,828
Reserves			22,327		28,260
Minority interests			7		3
Shareholders' funds	17		42,162		41,091
Shareholders' funds comprise					
Non-equity shareholders' funds	16		518		518
Equity shareholders' funds	17		41,637		40,570
Equity minority interests			7		3
Total shareholders' funds			42,162		41,091

The accounts on pages 6 to 26 were approved by the Board of Directors on 20 April 1999

A.R.C.B. Cooke

M.G. Parker

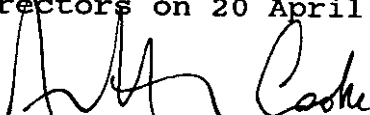
**ANDREW WEIR SHIPPING LIMITED**

**COMPANY BALANCE SHEET**

As at 31 December 1998

	Notes	1998 £'000	1998 £'000	Restated 1997 £'000	Restated 1997 £'000
<b>FIXED ASSETS</b>					
Tangible fixed assets	10	14,286		27,939	
Investments	11	38,332		38,390	
			52,618		66,329
<b>CURRENT ASSETS</b>					
Debtors	12	49,045		40,382	
Stock	13	911		1,676	
Cash at bank and in hand		2,116		966	
		52,072		43,024	
Creditors - amounts falling due within one year	14	(41,586)		(41,561)	
<b>NET CURRENT ASSETS</b>					
			10,486		1,463
Total assets less current liabilities			63,104		67,792
CREDITORS - amounts falling due after more than one year	14	(20,371)		(26,832)	
PROVISIONS for liabilities and charges	15	(1,651)		(2,083)	
			(22,022)		(28,915)
<b>NET ASSETS</b>					
			41,082		38,877
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		19,828		12,828
Reserves	17		21,254		26,049
Shareholders' funds	17		41,082		38,877
Shareholders funds comprise					
Non-equity shareholders' funds	16		518		518
Equity shareholders' funds	17		40,564		38,359
Total shareholders' funds			41,082		38,877

The accounts on pages 6 to 26 were approved by the Board of Directors on 20 April 1999.

  
A.R.C.B. COOKE

  
M.G. PARKER

## 1. PRINCIPAL ACCOUNTING POLICIES

A summary of the more important accounting policies, which have been consistently applied, is set out below.

### Basis of Preparation

The accounts have been prepared under the historical cost convention and 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 from publishing its own cash flow statement.

If the Company has an interest in another company of at least 20% but less than 50% and exercises a significant influence over that company, equity accounting has been used to account for the associate.

### Shipping Results

Voyage results on shipping operations are computed to the end of the last completed voyage prior to the Balance Sheet date. Provision is made for any anticipated losses on uncompleted voyages at the year end.

The cost of special surveys and repairs is capitalised and depreciated over the dry-dock cycle.

The Company participates in certain pooling arrangements with other shipping lines. In some cases the pool results are accounted for on an accruals basis, estimates being used to the extent that financial information is not yet available. In other cases liabilities for pool contributions are provided in the accounts and pool receipts are treated on a cash basis.

### Tangible Fixed Assets

These are stated at cost less depreciation provided.

The capital cost of ships includes costs of supervision during building or major modification together with any interest payable during the construction and pre-delivery period. Also included in cost is the amount spent on the last cyclical dry-dock of ships.

Investment grants have been deducted from the cost of ships.

## **ANDREW WEIR SHIPPING LIMITED**

### **NOTES TO THE ACCOUNTS - 31 December 1998 - continued**

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#### **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 years for ships and 12 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 after deduction of investment grants 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.

#### **Stock**

Stocks are valued at the lower of cost and net estimated realisable value.

#### **Foreign 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. The resultant differences arising on exchange are included in the result before taxation. These contracts are used to hedge future cash flows in foreign currencies.

#### **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 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**

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

# ANDREW WEIR SHIPPING LIMITED

## NOTES TO THE ACCOUNTS - 31 December 1998 - continued

### Related Party Transactions

The Company has taken advantage of the exemption not to disclose transactions with related parties allowed under Financial Reporting Standard No. 8 - Related Parties, as it is a wholly-owned subsidiary of Andrew Weir & Company Limited and all the relevant transactions are disclosed in the parent company's consolidated financial statements.

### 2. TURNOVER

Turnover represents the amounts invoiced for gross retained freights (including in the case of pooling operations the appropriate proportion thereof), charter hire, goods supplied, commissions received and profits and losses realised on sale of ships and containers.

As permitted by Schedule 4 Section 55 (5) of the Companies Act 1985 no geographical analysis of turnover is shown as, in the opinion of the directors, to do so would be prejudicial to the interests of the company.

### 3. OPERATING EXPENSES

Operating expenses are made up as follows:-

	1998 £'000	1997 £'000
Selling expenses	1,012	1,290
Administrative expenses	25,761	23,156
	<u>26,773</u>	<u>24,446</u>
	=====	=====

ANDREW WEIR SHIPPING LIMITED

NOTES TO THE ACCOUNTS - 31 December 1998 - continued

4. OPERATING PROFIT

Operating profit is arrived at after charging:-

	1998 £'000	1997 £'000
Auditors' remuneration - audit services	135	129
- other services	100	68
Hire of ships	28,738	23,444
Property lease payments	1,723	1,694
Other operating lease payments	5,245	4,210
Depreciation	10,010	8,938
Additional depreciation	1,736	400
Open voyage provisions	340	692
Directors' remuneration for management services including pension contributions	583	565
	===	===
And after crediting:-		
Profit on disposal of ships and equipment	2,366	730
Open voyage provisions	496	-
Provision for loss in associate company written back	-	66
	=====	===

Dry-docking Costs

In prior years, dry-docking costs were accrued on the basis of the amount of the future projected dry-docking costs estimated to have arisen by the Balance Sheet date. In order to comply with Financial Reporting Standard 12 the accounting policy has been changed. Dry-docking expenditure is included in fixed assets and released to the Profit and Loss Account over the dry-docking cycle.

In respect of the current financial year, the effect of the change in policy has been to increase the Group reported profit before tax for the year by £658,000 and £684,000 in respect of the previous year.

Prior Year Adjustment

As disclosed above, the accounting policy has been changed with respect to dry-docking costs. The prior year effect of this change has been dealt with in reserves as a prior year adjustment (see note 17) and relevant comparative figures have been adjusted.

**ANDREW WEIR SHIPPING LIMITED****NOTES TO THE ACCOUNTS - 31 December 1998 - continued****5. NON-OPERATING EXCEPTIONAL ITEM**

The 1998 item of £733,000 (1997: £2,683,000) relates to the disposal in 1992 of Spink & Co Limited. A provision of £3,961,000 set up in the parent company at the time of the disposal in respect of the indemnity provided by Andrew Weir & Company Limited relating to the future consideration receivable, was transferred in 1996 to the Company by way of settlement of the consideration still due to the parent company for the disposal. The credit of £733,000 reflects the release of part of this provision as well as deferred consideration, which has now been received. The tax effect of this release is £ nil

**6. EMPLOYEE INFORMATION**

The average number of persons employed, including Executive Directors, during the year was 651 (1997: 685).

	1998 £'000	1997 £'000
Aggregate gross wages and salaries paid to the company's employees	13,674	13,343
Employer's national insurance contributions	1,570	1,628
Other pension costs:		
Contribution to pension scheme	21	14
Ex gratia pensions	15	71
	<u>15,280</u>	<u>15,056</u>
	=====	=====

**Pension Costs**

Andrew Weir Shipping Limited is a member of the Andrew Weir & Company Limited Group pension scheme. The scheme is a funded, defined benefits scheme.

Contributions to the scheme are based on pension costs across the Group as a whole. Particulars of the actuarial valuation of the Group scheme are contained in the financial statements of Andrew Weir & Company Limited for the years ended 31 December 1997 and 1998.

In accordance with actuarial advice, the charge to the Profit and Loss Account for 1998 was £ nil (1997 £ nil).

	1998 £'000	1997 £'000
Highest paid director		
Aggregate emoluments and benefits	116	109
Defined benefit pension schemes:		
Accrued pension at end of year	52	49

**ANDREW WEIR SHIPPING LIMITED**

**NOTES TO THE ACCOUNTS - 31 December 1998 - continued**

**7. NET INTEREST AND OTHER INCOME**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Payable:		
Finance leases	(1,750)	(1,828)
Bank loans	(2,243)	(1,880)
Bank overdrafts	(876)	(662)
Loans from parent company	(1,109)	(609)
Share of interest payable by associate undertakings	(423)	(400)
	<u>(6,401)</u>	<u>(5,379)</u>
Interest receivable	346	184
Income from fixed asset investments	2	7
Exchange gain on foreign currency loan	176	88
	<u>(5,877)</u>	<u>(5,100)</u>
Interest capitalised	-	695
Net interest and other income	<u>(5,877)</u>	<u>(4,405)</u>
	=====	=====

**8. TAX ON LOSS FOR THE YEAR**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Based on the results for the year:-		
UK Corporation Tax - 31.0% (1997:31.5%)	(74)	(534)
Double taxation relief	52	534
Deferred taxation	318	833
Foreign taxation	(989)	(955)
Tax on results of associated undertaking	(20)	(284)
	<u>(713)</u>	<u>(406)</u>
On prior year results:-		
UK Corporation Tax	163	80
Deferred tax	(186)	447
	<u>(736)</u>	<u>121</u>
	=====	=====

**9. DIVIDENDS**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Dividends on equity shares:-		
Ordinary Shares - paid	600	-
	=====	=====

The parent company has waived its rights to dividends on the non-equity cumulative preference shares.



**ANDREW WEIR SHIPPING LIMITED**

**NOTES TO THE ACCOUNTS - 31 December 1998 - continued**

<b>10. TANGIBLE FIXED ASSETS</b>	<b>Ships &amp; Equipment Owned</b>	<b>Leased</b>	<b>Land &amp; Buildings Freehold</b>	<b>Short Lease</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Group Cost</b>					
At 1 January 1998	133,550	38,101	445	588	172,684
Currency translation adjustment	(385)	(170)	13	19	(523)
Expenditure	5,955	428	-	2	6,385
Disposals	(26,440)	(5)	-	(174)	(26,619)
Reclassification	1,458	(1,458)	-	-	-
At 31 December 1998	114,138	36,896	458	435	151,927
<b>Depreciation</b>					
At 1 January 1998	46,996	7,913	90	303	55,302
Currency translation adjustment	87	(38)	3	13	65
Charge for the year	8,980	2,732	5	29	11,746
Disposals	(15,191)	(5)	-	(116)	(15,312)
Reclassification	912	(912)	-	-	-
At 31 December 1998	41,784	9,690	98	229	51,801
<b>Net Book Value</b>					
At 31 December 1998	72,354	27,206	360	206	100,126
At 31 December 1997	86,554	30,188	355	285	117,382
<b>Company Cost</b>					
At 1 January 1998	56,719	10,016	-	-	66,735
Expenditure	2,846	45	-	-	2,891
Disposals	(29,978)	(5)	-	-	(29,983)
Reclassification	1,458	(1,458)	-	-	-
At 31 December 1998	31,045	8,598	-	-	39,643
<b>Depreciation</b>					
At 1 January 1998	35,365	3,431	-	-	38,796
Charge for the year	3,252	768	-	-	4,020
Disposals	(17,454)	(5)	-	-	(17,459)
Reclassification	912	(912)	-	-	-
At 31 December 1998	22,075	3,282	-	-	25,357
<b>Net Book Value</b>					
At 31 December 1998	8,970	5,316	-	-	14,286
At 31 December 1997	21,354	6,585	-	-	27,939

**ANDREW WEIR SHIPPING LIMITED**

**NOTES TO THE ACCOUNTS - 31 December 1998 continued**

**TANGIBLE FIXED ASSETS - continued**

In accordance with the requirements of FRS 12, dry-docking costs have been capitalised during the year and will be written off over the period of the dry-docking cycle. The amount capitalised this year was £864,000 and depreciation of £86,000 has been charged in the year. The net book value of dry-docking costs at the Balance Sheet date is £778,000.

**11. FIXED ASSET INVESTMENTS**

Group	Associated Undertakings Equity Loans		Other Investments	Total
	£'000	£'000	£'000	£'000
At 1 January 1998	914	773	68	1,755
Currency translation adjustment	(8)	(8)	3	(13)
Additions in year	113	-	3	116
Repaid in year	-	(172)	-	(172)
Share of retained loss for the year	(101)	-	-	(101)
Transfer from provisions	(89)	-	-	(89)
At 31 December 1998	829	593	74	1,496
	=====	=====	=====	=====

Company	Subsidiary Undertakings	Associated Undertakings Equity Loans		Other Investments	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 1998	37,422	179	773	16	38,390
Currency translation adjustment	-	-	(8)	-	(8)
Additions in year	313	-	-	-	313
Provision in the year	-	(102)	-	-	(102)
Repaid in year	-	-	(172)	-	(172)
Transfer from provisions	-	(89)	-	-	(89)
At 31 December 1998	37,735	(12)	593	16	38,332
	=====	=====	=====	=====	=====

At 1 January 1998 United Baltic Corporation GmbH was a subsidiary undertaking. During the year the company changed its name to United Canal Agency GmbH and issued share capital to two other investors. The Group now has a participating interest of 33.3% in the new company which is now treated as an associated undertaking.

**ANDREW WEIR SHIPPING LIMITED**

**NOTES TO THE ACCOUNTS - 31 December 1998- continued**

Subsidiary and associated undertakings are listed on page 26.  
The above book value of interest in associated undertakings represents the Group's share of their net tangible assets.

In the opinion of the Directors, the fair value of subsidiary companies exceeds the carrying value of the investments.

<b>12. DEBTORS</b>	<b>1998</b>	<b>1998</b>	<b>1997</b>	<b>1997</b>
	<b>Amounts falling due</b>	<b>Amounts falling due</b>	<b>Amounts falling due</b>	<b>Amounts falling due</b>
<b>Group</b>	<b>within</b>	<b>after</b>	<b>within</b>	<b>after</b>
	<b>one year</b>	<b>one year</b>	<b>one year</b>	<b>one year</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	37,416	-	37,154	-
Proceeds due on sale of subsidiary	193	-	1,080	-
Taxation recoverable	-	-	78	-
Other debtors	5,096	-	7,162	-
	<u>42,705</u>	<u>-</u>	<u>45,474</u>	<u>-</u>
	=====	=====	=====	=====
<b>Company</b>				
Trade debtors	30,436	-	29,400	-
Group companies:				
Subsidiary undertakings	1,422	13,208	1,270	2,597
Taxation	19	-	-	-
Proceeds due on sale of subsidiary	193	-	1,080	-
Other debtors	3,767	-	6,035	-
	<u>35,837</u>	<u>13,208</u>	<u>37,785</u>	<u>2,597</u>
	=====	=====	=====	=====

**13. STOCKS AND WORK IN PROGRESS**

<b>Group</b>	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	1,430	2,008
	=====	=====
<b>Company</b>	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	911	1,676
	=====	=====

**ANDREW WEIR SHIPPING LIMITED**

**NOTES TO THE ACCOUNTS - 31 December 1998 - continued**

**14. CREDITORS**

Group	1998 Amounts falling due within one year £'000	1998 after one year £'000	1997 Amounts falling due within one year £'000	1997 after one year £'000
Trade creditors	17,649	-	27,950	-
Ship financing loans	2,994	24,476	5,145	34,203
Bank loans	-	1,820	-	-
Bank overdrafts	4,381	-	7,606	-
Finance leases	3,591	20,503	3,414	24,137
Dividends	141	-	89	-
Parent	-	5,179	6	10,528
Fellow subsidiary undertakings	-	253	26	234
Taxation	524	-	372	-
Social Security	665	-	620	-
Other Creditors and accruals	23,691	-	12,735	-
	<u>53,636</u>	<u>52,231</u>	<u>57,963</u>	<u>69,102</u>
	=====	=====	=====	=====
<b>Company</b>				
Trade creditors	12,837	-	23,026	-
Ship financing loans	690	1,471	600	700
Bank overdraft	3,703	-	5,700	-
Finance leases	1,043	3,667	965	4,675
Group companies:				
Parent	-	5,179	6	10,528
Subsidiary undertakings	1,705	9,821	1,378	10,695
Fellow subsidiaries	20	233	26	234
Social Security	193	-	177	-
Other Creditors and accruals	21,395	-	9,683	-
	<u>41,586</u>	<u>20,371</u>	<u>41,561</u>	<u>26,832</u>
	=====	=====	=====	=====

The bank overdraft in the company is secured by a mortgage debenture over the assets of the company

**BANK LOANS AND FINANCE LEASES**

Group	Bank loans £'000	Finance capital element £'000	Leases finance charges £'000
Amounts payable in:			
1999	2,994	3,591	1,379
2000 - 2003	11,089	10,741	2,708
2004 and later	15,207	9,762	2,146
	<u>29,290</u>	<u>24,094</u>	<u>6,233</u>
	=====	=====	=====

**ANDREW WEIR SHIPPING LIMITED**

**NOTES TO THE ACCOUNTS - 31 December 1998 - continued**

**Bank loans secured on vessels**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Repayable in half-yearly instalments at 0.9% over \$US LIBOR	16,818	18,314
Repayable in half-yearly instalments at 6.925% fixed to 30 March 2000 thereafter at 1.25% over \$US LIBOR	7,873	12,666
Repayable in half-yearly instalments at 1.25% over \$US LIBOR	-	4,222
Repayable quarterly on an annuity basis with a balloon in April 2000, fixed at 9.75%	2,161	2,846
Repayable in equal quarterly instalments over the next two years at 1.375% over LIBOR	618	1,300
	<u>27,470</u>	<u>39,348</u>
<b>Other bank loans - unsecured</b>		
Repayable at the end of 2003 at 0.5% over MIBOR	1,820	-
	<u>29,290</u>	<u>39,348</u>
	<u>=====</u>	<u>=====</u>

<b>Company</b>	<b>Bank loans</b>	<b>Finance capital element</b>	<b>Leases finance charges</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts payable in:			
1999	690	1,043	302
2000 - 2003	1,471	3,445	489
2004 and later	-	222	7
	<u>2,161</u>	<u>4,710</u>	<u>798</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>

A bank loan is secured on two vessels and is repayable by 30 April 2000. The loan carries an interest rate of 9.75%.

**ANDREW WEIR SHIPPING LIMITED**

**NOTES TO THE ACCOUNTS - 31 December 1998- continued**

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

<b>Group</b>	<b>Deferred Taxation £'000</b>	<b>Open Voyages £'000</b>	<b>Others £'000</b>	<b>Total £'000</b>
At 1 January 1998 as previously stated	865	739	1,919	3,523
Prior year adjustment(Note 4)	249	-	(1,280)	(1,031)
At 1 January 1998 as restated	1,114	739	639	2,492
Currency adjustments	-	-	(22)	(22)
Profit and loss account	(130)	(156)	110	(176)
Utilised in the year	-	-	(69)	(69)
Other transfers	-	-	260	260
At 31 December 1998	984	583	918	2,485
	=====	=====	=====	=====
<b>Company</b>				
At 1 January 1998 as previously stated	838	740	1,059	2,637
Prior year adjustment	249	-	(803)	(554)
At 1 January 1998 as restated	1,087	740	256	2,083
Profit and loss account	(534)	583	-	49
Utilised in the year	-	(740)	(1)	(741)
Other transfers	-	-	260	260
At 31 December 1998	553	583	515	1,651
	=====	=====	=====	=====

Other provisions includes a provision for the dry-docking of a ship sold during the year £350,000 (as the Company has a commitment to bear the cost of the next dry-docking) and a provision for legal fees in respect of a dispute with an overseas agent £165,000

**Deferred Taxation**

<b>Group</b>	<b>1998 £'000</b>	<b>1997 £'000</b>
Accelerated capital allowances	1,395	4,490
Other timing differences	(411)	(1,948)
ACT recoverable	-	(1,677)
	984	865
	=====	=====

The amount provided for deferred taxation is the full potential liability.

**ANDREW WEIR SHIPPING LIMITED**

**NOTES TO THE ACCOUNTS - 31 December 1998- continued**

**16. SHARE CAPITAL**

	Authorised Number	Issued and fully paid Number	£
<b>Preference Share Capital</b>			
200,000 cumulative 'A' preference shares of £1 each 6% (now 4.2% plus tax credit)	200,000	200,000	200,000
150,000 cumulative 'B' preference shares of £1 each 4% (now 2.8% plus tax credit)	150,000	123,319	123,319
1,000,000 cumulative 'C' preference shares of 25p each 10% (now 7% plus tax credit)	1,000,000	777,800	194,450
At 1 January and 31 December 1998	1,350,000	1,101,119	517,769
<b>Ordinary Share Capital</b>			
At 1 January 1998 Ordinary shares of £1 each	13,000,000	12,310,000	12,310,000
Share issue, see note	12,000,000	7,000,000	7,000,000
31 December 1998	25,000,000 =====	19,310,000 =====	19,310,000 =====

On 31 December 1998 the Authorised Share Capital was increased to 25,000,000 shares of £1 each and 7,000,000 shares were issued as fully paid to Andrew Weir & Company Limited. The subscription for the shares were satisfied by the reduction of intra group indebtedness and was effected to strengthen the capital base of the company.

The 'A', 'B' and 'C' preference shares are non-voting and have the same preferential right to return of capital on a winding up. Under FRS 4 'Capital instruments' these shares are classified as 'non-equity' share capital.

**ANDREW WEIR SHIPPING LIMITED**

**NOTES TO THE ACCOUNTS - 31 December 1998 - continued**

**17. RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS**

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
At 1 January as previously stated	39,539	40,722	37,805	38,932
Prior year adjustment (note 4)	1,031	468	554	291
At 1 January as restated	40,570	41,190	38,359	39,223
Issue of ordinary shares	7,000	-	7,000	-
Loss for the year	(6,022)	(224)	(4,795)	(864)
Currency translation differences on foreign currency net investments	89	(396)	-	-
At 31 December	41,637	40,570	40,564	38,359
	=====	=====	=====	=====

The parent company has taken advantage of the exemption available under the Companies Act 1985 not to show its individual profit and loss account.

**18. CAPITAL AND OTHER FINANCIAL COMMITMENTS**

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
<b>Capital expenditure</b>				
Contracted for but not provided	212	3,143	30	551
	=====	=====	=====	=====
Authorised by Directors but not contracted	3,504	2,730	2,973	1,439
	=====	=====	=====	=====



**ANDREW WEIR SHIPPING LIMITED**

**NOTES TO THE ACCOUNTS - 31 December 1998 - continued**

**Other financial commitments**

Payments due during the next year under operating leases which expire as indicated below:-

	<b>Group</b>		<b>Company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Property rentals:-				
Within one year	15	90	15	27
Between two and five years	198	176	136	125
After five years	1,594	1,456	930	934
Plant and equipment:-				
Within one year	2,188	3,288	2,188	3,288
Between two and five years	1,333	1,737	1,333	1,737
After five years	-	57	-	-
Ship hire:-				
Within one year	3,602	14,757	3,602	14,757
Between two and five years	5,328	5,388	5,328	5,388
After five years	1,877	-	1,877	-
	<u>16,135</u>	<u>26,949</u>	<u>15,409</u>	<u>26,256</u>
	=====	=====	=====	=====

The Company also has a commitment to sub-lease containers contracted by a subsidiary undertaking. The total value of the commitment is £8,977,000 and is payable over the next six years by equal monthly instalments.

**19. CONTINGENT LIABILITIES AND GUARANTEES**

<b>Group</b>	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Customs and Excise guarantees	979	633
Trade guarantees	535	810
Associated undertaking overdraft	1,443	-
	<u>2,957</u>	<u>1,443</u>
	=====	=====
<b>Company</b>	<b>£'000</b>	<b>£'000</b>
Customs and Excise guarantees	700	600
Trade guarantees	535	571
Guarantee of		
Associated undertaking overdraft		
facilities (1997 subsidiary undertaking)	1,443	1,333
Guarantee of ship loans in subsidiary		
undertakings	35,644	38,174
Guarantee of finance lease in subsidiary		
undertakings	16,055	18,904
	<u>54,377</u>	<u>59,582</u>
	=====	=====

## **ANDREW WEIR SHIPPING LIMITED**

### **SUBSIDIARY AND ASSOCIATED UNDERTAKINGS**

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In the normal course of its business the Company enters into forward exchange contracts to hedge against its foreign currency exposure . The value of outstanding contracts at the year-end amounted to £325,000 (1997: £11,272,000). These contracts mature within one year of the Balance Sheet date.

#### **20. ULTIMATE PARENT COMPANY**

The ultimate and immediate 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.

## ANDREW WEIR SHIPPING LIMITED

### SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

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#### Subsidiary undertakings

The following were the principal subsidiary undertakings at 31 December 1998. Unless otherwise stated all are wholly-owned by the Group and incorporated in Great Britain.

All companies marked \* are held by subsidiary undertakings of the Company.

#### Subsidiary undertakings

Arunbank Shipping Limited	
Ellerman Asia Limited	
Foylebank Shipping Limited	
Speybank Shipping Limited	
Teignbank Shipping Limited	
Initial Metals Engineering Limited	
* Tradco Shipping Limited	50% Solomon Isl
* G.T.S. Limited	60% Solomon Isl
Charmian Shipping Inc.	Panama
John Glynn & Son Navegaceo e Transitos Ltda	Portugal
* Consignaciones y Servicios MacAndrews, S.A.	Spain
MacAndrews, S.A.	Spain
MacAndrews Euroterminal, S.A.	Spain
* MacAndrews, Tours, S.A.	Spain
* Polska Zjednoczona Korporacja Baltycka	Poland
Associated Maritime Agencies-AMA-Limited	Israel
Nordscan Shipping AS	Norway

#### Associated undertakings

Finanglia Ferries Limited	
(Ordinary and preference shares)	50%
Safbank Line Limited	25%
Cape Hangklip Limited	25%
United Canal Agency GmbH	33.3%