A&P Falmouth Limited

Annual report and financial statements

for the year ended 31 December 2011

Registered number: 103287

A&P Falmouth Limited
Annual report and financial statements
for the year ended 31 December 2011
Contents

A&P Falmouth Limited

Directors' report for the year ended 31 December 2011

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2011

Principal activities and business review
The company's principal activities are ship repair and marine engineering The company operates facilities out of the port of Falmouth in the south-west of England

The results for the year are set out on page 6

Future outlook
Falmouth dry docks saw encouraging occupancy levels for most of the year underpinned by contracts for the MoD The results included a major conversion project on the RFA Cardigan Bay which was completed on time and within budget and also on Largs Bay for the Royal Australian Navy Defence sector projects have made a significant contribution to the 2011 results and will continue to feature strongly in 2012 and beyond, allowing us to plan with confidence for the future The company is also determined to take advantage of its location which is well placed to secure work as part of the supply chain for and to provide support services to the emerging renewable energy sector and also into the oil and gas industry The board are paying close attention to the initiatives in these areas

Key performance indicators
The group measures key performance indicators on a monthly basis as part of its internal control processes They are considered under the following four headings

- Safety quality and the environment
- People, productivity and facilities
- Financial performance
- Customers and markets

Given the size, structure and nature of the business, the company's directors are of the opinion that additional disclosures regarding the use of key performance indicators is not necessary for an understanding of the development, performance or position of the company

The directors believe that, by ensuring all aspects of the businesses operations are formally reviewed, the long term interests of all stakeholders of the business will be protected

Dividends
The directors do not recommend the payment of a dividend (2010 £nil)

A&P Falmouth Limited

Directors
The names of the directors who held office during the year and up to the date of signing the financial statements, were as follows

P H Child
Atlantic & Peninsula Marine Services Limited (appointed 25 February 2011)
T J Allard (resigned 25 February 2011)
A E Griffiths (resigned 25 February 2011)
P E Bailey (resigned 25 February 2011)
A&P GH 2006 Limited (resigned 25 February 2011)

Directors' indemnity
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

Disabled 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 group continues and that appropriate training is arranged It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

Employee consultation
The company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company This is achieved through formal and informal meetings and regular updates on company notice boards Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests

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

The key business risks and uncertainties affecting the company are considered to relate to the competition from other domestic and overseas facilities, the volatile and cyclical nature of the business, and maintaining the current good relationships with employees at all levels within the company The company also considers its successful relationships with its subcontractor base is a key part of its strategy and will continue to develop these further

Financial risk management
The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, foreign exchange risk, credit risk, liquidity risk and interest rate cash flow risk The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs

The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board The policies set by the board of directors are implemented by the company's finance department

Price risk
The company is exposed to commodity price risk as a result of its operations However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits The directors will revisit the appropriateness of this policy should the company's operations change in size or nature The company has no exposure to equity securities price risk as it holds no equity investments

Foreign exchange risk
The company has exposure to foreign exchange risk as some contracts are invoiced in foreign currency Where this is the case, forward contracts are taken out to mitigate the risk of fluctuating exchange rates

Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before sales are made The amount of exposure to a counterparty is subject to a case by case assessment by the board For large projects, the company negotiates payment profiles which are at worse cash neutral

Liquidity risk
The company is part of a group which has sufficient funds and agreed banking facilities for operations and planned expansions

Interest rate cash flow risk
The company is part of a group banking facility which has net positive balances, and these are managed at group level The company's exposure to interest bearing liabilities is limited to finance leases, and as such is largely protected from movements in interest rates

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 prepared 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 judgements 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,
- 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

A&P Falmouth Limited

Statement of disclosure of information to auditors
Each of the persons who is a director at the date of approval of this report confirms that

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware,
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

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

On behalf of the board

P H Child
Director
11 May 2012

A&P Falmouth Limited

Independent auditors' report to the members of A&P Falmouth Limited

We have audited the financial statements of A&P Falmouth Limited for the year ended 31 December 2011 which comprise the profit and loss account, statement of total recognised gains and losses, the balance sheet, the statement of accounting policies and the related notes 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)

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities set out on page 3, 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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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 annual report and 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 report and financial statements 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 company's affairs as at 31 December 2011 and of its 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

A&P Falmouth Limited

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Bill MacLeod

Bill MacLeod (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
11 May 2012

A&P Falmouth Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011	2010
		£	£
Turnover	1	**45,036,139**	46,119,604
Cost of sales		**(39,439,690)**	(39,863,514)
Gross profit		**5,596,449**	6,256,090
Administrative expenses		**(3,773,133)**	(3,052,531)
Operating profit	2	**1,823,316**	3,203,559
Interest receivable and similar income	3	**14,226**	-
Interest payable and similar charges	4	**(37,070)**	(30,455)
Other finance costs	19	**(114,000)**	(162,000)
Profit on ordinary activities before taxation		**1,686,472**	3,011,104
Tax on profit on ordinary activities	7	**(546,166)**	(904,152)
Profit for the financial year	15	**1,140,306**	2,106,952

All of the activities of the company are continuing

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

A&P Falmouth Limited

Statement of total recognised gains and losses for the year ended 31 December 2011

	Note	2011	2010
		£	£
Profit for the financial year	16	**1,140,306**	2,106,952
Actuarial (loss) / gain on pension scheme	18	**(5,561,000)**	1,674,000
Movement in deferred tax relating to the pension scheme	7	**1,097,580**	(452,160)
Tax relief on pension contributions	6	**162,813**	-
Total recognised (losses) / gains during the year		**(3,160,301)**	3,328,792

A&P Falmouth Limited

Balance sheet as at 31 December 2011

	Note	2011	2010
		£	£
Fixed assets			
Tangible assets	8	**6,061,609**	5,524,033
Current assets			
Stocks	9	**233,143**	235,163
Debtors	10	**11,423,325**	4,510,698
Cash at bank and in hand		**5,069,502**	9,751,819
		16,725,970	14,497,680
Creditors: amounts falling due within one year	11	**(10,399,980)**	(8,861,050)
Net current assets		**6,325,990**	5,636,630
Total assets less current liabilities		**12,387,599**	11,160,663
Creditors amounts falling due after more than one year	12	**(583,333)**	(162,072)
Provisions for liabilities	13	**(1,510,402)**	(1,393,459)
Net assets excluding pension deficit		**10,293,864**	9,605,132
Pension deficit	18	**(8,939,250)**	(5,090,217)
Net assets including pension deficit		**1,354,614**	4,514,915
Capital and reserves			
Called up share capital	14	**4,750,000**	4,750,000
Profit and loss account	15	**(3,395,386)**	(235,085)
Total shareholders' funds	16	**1,354,614**	4,514,915

The financial statements on pages 7 to 25 were approved by the board of directors on 11 May 2012 and were signed on its behalf by

P H Child
Director

A&P Falmouth Limited **Registered number: 103287**

A&P Falmouth Limited

Statement of accounting policies for the year ended 31 December 2011

Basis of accounting
These financial statements are prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The principal accounting policies, which have been applied consistently throughout the year, are set out below

Tangible fixed assets and depreciation
Tangible fixed assets are stated at historic purchase cost less accumulated depreciation The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition

Depreciation is calculated so as to write off the costs of tangible fixed assets, less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned The principal annual rates used for this purpose are

Leasehold improvements	2% - 10%
Plant and machinery	2½% - 33⅓%

Operating and finance lease agreements
Costs in respect of operating leases are charged on a straight line basis over the lease term Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets

Stocks
Stocks are stated at the lower of original purchase price and net realisable value Provision is made for obsolete, slow moving or defective items where appropriate

Contract balances
The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as long-term contract balances Amounts recoverable on contracts are shown at valuation, less amounts invoiced or received Valuation includes the cost of materials and direct labour, together with attributable profit, estimated to be earned to date Direct labour hours are used to determine the level of completion for routine and normal ship repair contracts In circumstances where application of the above policy would unduly accelerate or delay the recognition of profits materially, other direct costs are taken into account Full provision is made for any known or anticipated losses The excess of payments received over amounts recorded as turnover is classified under creditors within one year as payments on account

Government grants
Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life

Provisions
Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

Turnover
Turnover comprises the sales value of goods and services supplied in the normal course of business Turnover includes the value of contracts in progress This is recognised based on the level of completion of the contracts to ensure that margin is recognised evenly over the contract life All sales are shown exclusive of value added tax

Deferred taxation
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date This is with the exception of deferred taxation assets, which are recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is measured on an undiscounted basis

Pension scheme arrangements
The company participates in a defined benefit pension scheme for the benefit of the majority of its employees, the assets of which are held separately from those of the company in independently administered funds Pension scheme assets are measured using market value Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability The company contributions are made in accordance with periodic calculations by professionally qualified actuaries

The operating cost of providing pensions, as calculated periodically by independent actuaries, is charged to the company's operating profit and loss in the period that those benefits are earned by employees The financial return expected on the schemes assets is recognised in the period in which they arise as part of other finance income/costs and the effect of the unwinding of the discounted value of the schemes liabilities is treated as part of other finance income/costs The changes in value of the schemes' assets and liabilities are reported as actuarial gains or losses as they arise in the statement of total recognised gains and losses The pension schemes surplus, to the extent it is considered recoverable, or deficit is recognised in full and presented in the balance sheet net of any related deferred tax

The company also participates in the A&P Pension Scheme, a group defined benefit pension scheme As the company is unable to identify its share of the assets and liabilities of the group scheme, it accounts no contributions as if they were to a defined contribution pension scheme Contributions are charged to the profit and loss account in the year to which they relate

The company also participates in a group wide defined contribution scheme in respect of pension costs and post retirement benefits The amount charged to the profit and loss account is the contributions payable in the year end Contributions actually paid are shown as either accruals and prepayments in the balance sheet

A&P Falmouth Limited

Cash flow statement
The company is a wholly owned subsidiary and is exempt under the terms of Financial Reporting Standard Number 1 (revised 1996) 'Cash flow statements' from publishing a cash flow statement

Related parties
The company has taken advantage of the exemptions available under Financial Reporting Standard Number 8 and has not disclosed transactions with companies that are part of the A&P Group Limited group of companies

Notes to the financial statements for the year ended 31 December 2011

1 Turnover

The company's activities comprise the provision of ship repair and marine engineering services The geographical analysis of the company's turnover by destination is as follows

	2011	2010
	£	£
United Kingdom	**38,682,714**	41,203,450
Rest of Europe	**4,954,405**	3,987,611
North America	**-**	736,424
Rest of World	**1,399,020**	192,119
	45,036,139	46,119,604

2 Operating profit

Operating profit is stated after charging

	2011	2010
	£	£
Depreciation of tangible fixed assets		
- Owned assets	**483,178**	524,770
- Assets held under finance leases and hire purchase contracts	**87,975**	67,118
Property rental – land and buildings	**1,216,867**	1,138,200
Hire of plant and machinery – operating leases	**304,346**	302,260
Auditors' remuneration		
- Audit fees	**18,500**	18,000
- Other services – taxation	**7,250**	7,000

3 Interest receivable and similar income

	2011	2010
	£	£
Bank interest	**14,226**	-

4 Interest payable and similar charges

	2011	2010
	£	£
Hire purchase and finance lease interest	**37,070**	30,455

5 Staff costs

The average monthly number of persons (including executive directors) employed by the company during the year was

	2011	2010
By activity:	**Number**	Number
Production	**331**	342
Administrative	**39**	38
	370	380

	2011	2010
	£	£
Staff costs for the above persons		
Wages and salaries	**11,224,497**	11,026,734
Social security costs	**1,170,598**	1,084,868
Other pension costs (note 18)	**773,217**	731,299
	13,168,312	12,842,901

6 Directors' emoluments

Directors' remuneration (including payments made by other group companies) was paid in respect of directors of the company as follows

	2011	2010
	£	£
Aggregate emoluments	**134,802**	152,141
Company pension contributions to money purchase scheme	**31,391**	31,280

Company pension contributions are made to a company money purchase scheme for one director (2010 one)

The emoluments of certain directors, who are also directors of a number of group companies, are borne in full by the principal employing company No recharge is made as these directors provide services primarily to the principal employer These directors' emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the principal employer

7 Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

	2011	2010
	£	£
Current tax		
UK corporation tax on profits of the year	**267,686**	764,225
Adjustments in respect of prior years	**232,930**	-
Total current tax	**500,616**	764,225
Deferred tax		
Origination and reversal of timing differences	**5,394**	99,772
Adjustments in respect of prior years	**13,020**	(36,429)
Effect of changes in tax rates	**27,136**	76,584
Total deferred tax (Note 12)	**45,550**	139,927
Tax on profit on ordinary activities	**546,166**	904,152

7 Tax on profit on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2010 lower) than the standard rate of corporation tax in the UK of 26 5% (2010 28%) The differences are explained below

	2011	2010
	£	£
Profit on ordinary activities before tax	**1,686,472**	3,011,104
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 26 5% (2010 28%)	**446,915**	843,109
Effects of		
Expenses not deductible for tax purposes	**38,063**	24,583
Accelerated capital allowances and other timing differences	**(226,655)**	(103,467)
Adjustments in respect of prior years	**232,930**	-
Relief on pension contributions taken to the statement of total recognised gains and losses	**162,813**	-
Group relief claimed	**(153,450)**	-
Current tax charge for the year	**500,616**	764,225

(c) Factors affecting future tax charges

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011 and will reduce further to 25% with effect from 1 April 2012 Accordingly, the company's profits for this accounting period are taxed at an effective rate of 26 5% and any deferred tax is calculated at 25% Further reductions to the main rate were proposed in the March 2012 budget statement These will reduce the main rate to 24% from 1 April 2012 and by a further 1% per annum to 22% by April 2014 These changes had not been substantively enacted at the balance sheet date and therefore are not included in these financial statements

(d) Deferred tax

	2011	2010
Provision for deferred tax (excluding pension deficit) (note 12)	**£**	£
Accelerated capital allowances	**427,866**	382,018
Other timing differences	**(15,979)**	(15,681)
	411,887	366,337

7 Tax on profit on ordinary activities (continued)

(d) Deferred tax (continued)

Deferred tax asset relating to pension deficit	**2011** £	2010 £
At 1 January	**1,882,170**	2,502,080
Deferred tax credit/(charge) in profit and loss account	-	(167,750)
Deferred tax credited/(debited) to the statement of total recognised gains	**1,097,580**	(452,160)
At 31 December	**2,979,750**	1,882,170

The deferred tax asset of £2,979,750 (2010 £1,882,170) has been deducted in arriving at the net pension deficit on the balance sheet

There are no deferred tax assets unprovided for in the financial statements at the year end

8 Tangible assets

	Leasehold improvements £	**Plant and machinery** £	**Total** £
Cost or valuation			
At 1 January 2011	1,693,250	13,417,861	15,111,111
Additions	26,154	1,379,467	1,405,621
Disposals	(282,157)	(5,036,874)	(5,319,031)
At 31 December 2011	**1,437,247**	**9,760,454**	**11,197,701**
Accumulated depreciation			
At 1 January 2011	656,335	8,930,743	9,587,078
Charge for the year	79,830	491,323	571,153
Disposals	(206,067)	(4,816,072)	(5,022,139)
At 31 December 2011	**530,098**	**4,605,994**	**5,136,092**
Net book amount			
At 31 December 2011	**907,149**	**5,154,460**	**6,061,609**
At 31 December 2010	1,036,915	4,487,118	5,524,033

Plant and machinery at 31 December 2011 included leased assets with a net book value of £2,028,870 (2010 £825,091)

9 Stocks

	2011	2010
	£	£
Raw materials and consumables	**233,143**	235,163

Stocks are held at the lower of original purchase price or net realisable value

10 Debtors

	2011	2010
	£	£
Trade debtors	**1,170,653**	662,730
Amounts recoverable on contracts	**3,005,064**	3,156,501
Amounts owed by group undertakings	**6,546,028**	334,418
Other debtors	**471,897**	268,353
Prepayments and accrued income	**229,683**	88,696
	11,423,325	4,510,698

Amounts owed by group undertakings are unsecured, interest free and repayable on demand

11 Creditors: amounts falling due within one year

	2011	2010
	£	£
Term loans	**160,000**	-
Trade creditors	**8,606,386**	6,029,533
Amounts owed to group undertakings	-	441,892
Group relief payable	-	752,387
Amounts owed to related parties	**111,714**	94,850
Obligations under finance leases (note 11)	**112,072**	161,659
Corporation tax payable	**34,873**	11,838
Taxation and social security	**347,406**	355,876
Accruals and deferred income	**1,027,529**	1,013,015
	10,399,980	8,861,050

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

12 Creditors: amounts falling due after more than one year

	2011	2010
	£	£
Government grants	**50,000**	50,000
Obligations under finance leases	**533,333**	112,072
	583,333	162,072

The net finance lease obligations to which the company is committed are

	2011	2010
	£	£
In one year or less (note 10)	**112,072**	161,659
Between one and two years	**160,000**	112,072
Between two and five years	**373,333**	-
	645,405	273,731

13 Provisions for liabilities

	Deferred tax	**Industrial illness provision**	**Total**
	£	**£**	**£**
At 1 January 2011	366,337	1,027,122	1,393,459
Movement during the year	45,550	71,393	116,943
At 31 December 2011	**411,887**	**1,098,515**	**1,510,402**

Deferred tax provision
See note 6 for details of the deferred tax provided for in the financial statements at the year end

Industrial illness provision
The provision for industrial illness represents the expected costs of settling notified and future claims The directors' assessment of the cost of current and future claims is based upon commissioning independent actuaries to review and provide an estimate of the company's unpaid and uninsured UK industrial illness claims The directors obtained an actuarial review as at 31 December 2009 and consider that there have been no significant changes in the legal and regulatory environment during 2011 which would impact the valuation of the company's liability as at 31 December 2011

14 Called up share capital

	2011	2010
	£	£
Authorised, allotted and fully paid		
4,750,000 (2010 4,750,000) ordinary shares of £1 each	**4,750,000**	4,750,000

15 Profit and loss account

	£
At 1 January 2011	(235,085)
Profit for the financial year	1,140,306
Actuarial loss relating to the pension scheme (note 18)	(5,561,000)
Movement in deferred tax relating to the pension scheme	1,260,393
Balance at 31 December 2011	**(3,395,386)**

16 Reconciliation of movements in shareholders' funds

	2011	2010
	£	£
Opening shareholders' funds	**4,514,915**	1,186,123
Profit for the financial year	**1,140,306**	2,106,952
Actuarial (loss)/gain relating to the pension scheme (note 18)	**(5,561,000)**	1,674,000
Movement in deferred tax relating to the pension scheme	**1,260,393**	(452,160)
Closing shareholders' funds	**1,354,614**	4,514,915

17 Financial commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings		Plant and machinery	
	2011	2010	**2011**	2010
	£	£	**£**	£
Within one year	-	-	**39,590**	39,570
Within two to five years	-	-	**247,810**	242,891
After five years	**1,340,571**	1,138,200	-	-
	1,340,571	1,138,200	**287,400**	282,461

18 Pension arrangements

(a) Defined contribution arrangements
The company participates in a group wide defined contribution scheme Contributions are charged to the profit and loss account in the year in which the liability arises Contributions during the year were £773,217 (2010 £731,299) Amounts owed to the scheme at the year end were £63,917 (2010 £58,075) and are included within accruals

(b) Defined benefit arrangements
The company also makes contributions for certain employees to the A&P Pension Scheme As the company is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme Contributions are charged to the profit and loss account in the year to which they relate The scheme was closed to future accrual in 2009 Contributions during the year were £nil (2010 £nil)

The company participates in the Shipbuilding Industries Pension Schemes (SIPS), a defined benefit pension scheme which is administered by trustees, providing benefits based on final pensionable pay

Assumptions as at	**2011**	2010
Price inflation	**3.00%**	3 45%
Pension increase rate		
- Pre July 2006 LPI increases	**2.90%**	3 40%
- Post July 2006 LPI increases (capped at 2 5% p a)	**2.30%**	2 30%
Salary increase rate	-	N/A
Return on assets	**5.06%**	6 72%
Discount rate	**4.90%**	5 70%

18 Pension arrangements (continued)

The amounts recognised in the balance sheet are as follows

	Value at 31 December 2011 £'000	Long term expected rate of return at 31 December 2011 %	Value at 31 December 2010 £'000	Long term expected rate of return at 31 December 2010 %
Equities	**18,609**	**6.10**	24,864	7 30
Corporate bonds	**4,300**	**4.90**	2,223	5 10
Bonds	**6,625**	**2.63**	2,361	4 0
Property	**3,384**	**4.20**	2,810	5 3
Cash	**(192)**	**3.20**	131	4 4
Total market value of assets	**32,726**		32,389	
Present value of liabilities	**(44,645)**		(39,361)	
Deficit in scheme	**(11,919)**		(6,972)	
Deferred tax asset	**2,980**		1,882	
Net pension deficit	**(8,939)**		(5,090)	

The mortality assumptions used were as follows

	2011 Years	2010 Years
Longevity at age 65 for current pensioners		
- Men	**21.9**	20 3
- Women	**24.7**	23 1
Longevity at age 65 for future pensioners		
- Men	**23.2**	21 6
- Women	**26.1**	24 5

18 Pension arrangements (continued)

Amounts recognised in profit and loss account are as follows

	2011	2010
	£'000	£'000
Included within operating profit		
Current service cost	**-**	-
Included within other finance income		
Expected return on pension scheme assets	**2,083**	2,090
Interest on pension scheme liabilities	**(2,197)**	(2,252)
Total	**(114)**	(162)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets

Analysis of amount recognised in statement of total recognised gains and losses

	2011	2010
	£'000	£'000
Actual return less expected return on pension scheme assets	**(828)**	925
Experience (losses) / gains arising on scheme liabilities	**(4,733)**	749
Actuarial (loss) / gain recognised in the statement of total recognised gains and losses	**(5,561)**	1,674

Reconciliation of fair value of plan assets

	2011	2010
	£'000	£'000
Opening fair value of scheme assets	**32,389**	30,849
Expected return on assets	**2,083**	2,090
Contributions by scheme participants	**-**	-
Contributions by the employer	**728**	452
Actuarial (loss) / gains	**(828)**	925
Benefits paid	**(1,646)**	(1,927)
Closing fair value of scheme assets	**32,726**	32,389

A&P Falmouth Limited

18 Pension arrangements (continued)

Reconciliation of defined benefit obligation

	2011	2010
	£'000	£'000
Opening defined benefit obligation	**39,361**	39,786
Current service cost	-	-
Interest cost	**2,197**	2,252
Contributions by plan participants	-	-
Actuarial gains	**4,733**	(749)
Benefits paid	**(1,646)**	(1,928)
Closing defined benefit obligation	**44,645**	39,361

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £3,689,000 (2010 gains of £1,870,000)

The company is required to have and has an agreed deficit recovery plan in respect of its defined benefit scheme The company has complied with and will continue to adhere to the plan in order to satisfy the trustee of the pension scheme

Details of experience gains and losses for the year to 31 December 2011

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets	**32,726**	32,389	30,849	26,436	32,910
Present value of defined benefit obligation	**(44,645)**	(39,361)	(39,786)	(32,445)	(38,397)
Deficit	**(11,919)**	(6,972)	(8,937)	(6,009)	(5,487)
Experience adjustment on scheme assets					
Amount	**(828)**	925	2,934	(8,327)	(1,347)
Experience adjustment on scheme liabilities					
Amount	**(4,733)**	749	(6,244)	7,417	5,617

19 Related party transactions

During the year the company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis The names of the related parties, nature of these transactions and their total value is shown below

	2011			2010
	Value of transactions	**Payable at the year end**	Value of transactions	Payable at the year end
	£	**£**	£	£
Transactions with A&PA Property Limited:				
Rental payments payable	**1,216,867**	**111,714**	1,138,200	94,850

A&PA Property Limited is a subsidiary of A&P Ports & Properties Limited This group is considered to be a related party of the A&P Group Limited group by virtue of common influence and control of the two groups during the year

20 Parent company and ultimate controlling party

The company's immediate parent undertaking is A&P Ship Repairers Limited The ultimate parent undertaking is Atlantic & Peninsula Marine Services Limited, a company registered in England and Wales The directors consider that there is no one controlling party as the ultimate parent undertaking is a joint venture between the directors and Peel Port Holding (No2) (IOM) Limited.

A&P Group Limited was the parent undertaking of the smallest group of undertakings to consolidate these financial statements Atlantic & Peninsula Marine Services Limited was the parent undertaking of the largest group of undertakings to consolidate these financial statements

Copies of the A&P Group financial statements may be obtained from the company secretary at

A&P Group Limited
Wagonway Road
Hebburn
Tyne & Wear
NE31 1SP

Copies of the Atlantic & Peninsula Marine Services Limited financial statements may be obtained from the company secretary at

5 Abbotts Quay
Monks Ferry
Birkenhead
Merseyside, CH41 5LH