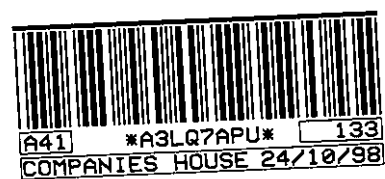


A&PA International Limited
Annual Report and Accounts
1997

Registered number: 991112



A&PA International Limited

Contents

	Pages
Directors and Advisers	1
Directors' Report	2 - 3
Directors' Responsibilities Statement	4
Auditors' Report	5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Financial Statements	8 - 14

A&PA International Limited

Directors and Advisers

Directors

M Holding
F Nugent

Secretary

M Holding FCMA

Registered Office

A&PA International Limited
Imperial House
Lypiatt Road
Cheltenham
Gloucestershire
GL50 2QJ

Registered number: 991112

Registered Auditors

PricewaterhouseCoopers
Hadrian House
Higham Place
Newcastle upon Tyne
NE1 8BP

Solicitors

Dickinson Dees
Cross House
Westgate Road
Newcastle upon Tyne
NE99 1SB

Bankers

Bank of Scotland
London Chief Office
38 Threadneedle Street
London
EC2P 2EH

A&PA International Limited

Directors' Report

The directors present their Annual Report and the audited financial statements for the year ended 31 December 1997.

Principal activity and business review

The principal activity of the company continues to be the provision of specialised services to the shipping, shipbuilding, ship repair and engineering industries.

During the year the company continued to receive fees from fellow subsidiary undertakings that entered into contracts for the conversion of vessels into floating production, storage and offtake vessels. The company had an active role in targeting and securing these contracts for the companies concerned.

The directors are pleased with the result for the year and the state of affairs at the year end. The results for the year are shown on page 6.

Dividends

The directors do not recommend the payment of a dividend.

Directors and their interests

The names of the directors who held office during the year and at the date of this report, except where indicated, were as follows:

M Holding
F Nugent

None of the directors have any interests in the company. The interests of the directors in the shares of the ultimate holding company, A&P Group Holdings Limited, are disclosed in the financial statements of A&P Holdings Limited except as disclosed below:

The following director has beneficial interests in the shares of the ultimate parent company A&P Group Holdings Limited as at 31 December 1997:

	B Ordinary shares of 1p each Number	B Preference shares of 10p each Number
M Holding	10,898	120,748

At 1 January 1997, M Holding had beneficial interests in 1,000,000 "D" ordinary shares of 0.0001p each and 120 "E" ordinary shares of 1p each of A&P Holdings Limited, which was, at that date, the ultimate parent company.

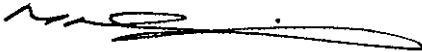
A&PA International Limited

Directors' Report (continued)

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers will be proposed at the annual general meeting.

By order of the board



Company Secretary

19 October 1998

A&PA International Limited

Directors' Responsibilities Statement

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



Company Secretary

19 October 1998

A&PA International Limited

Report of the Auditors to the Members of A&PA International Limited

We have audited the financial statements on pages 6 to 14 which have been prepared under the historic cost convention and the accounting policies set out on pages 8 to 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Newcastle upon Tyne
19 October 1998

A&PA International Limited

Profit and Loss Account for the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover	2	279,334	1,356,121
Cost of sales		-	(132,586)
Gross profit		279,334	1,223,535
Administrative expenses		(630)	(29,762)
Profit on ordinary activities before interest		278,704	1,193,773
Profit on ordinary activities before taxation	3	278,704	1,193,773
Taxation	5	-	(23,000)
Retained profit for the year	10	278,704	1,170,773

All of the activities of the company are continuing.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

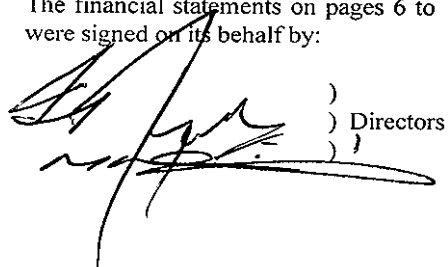
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

A&PA International Limited

Balance Sheet at 31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Investments	6	<u>2</u>	<u>2</u>
Current assets			
Debtors	7	4,976,433	3,907,699
Cash at bank and in hand		<u>125,261</u>	<u>165,413</u>
		5,101,694	4,073,112
Creditors: amounts falling due within one year	8	<u>(3,020,164)</u>	<u>(2,270,286)</u>
Net current assets		<u>2,081,530</u>	<u>1,802,826</u>
Total assets less current liabilities		<u>2,081,532</u>	<u>1,802,828</u>
Net assets		<u>2,081,532</u>	<u>1,802,828</u>
Capital and reserves			
Called up share capital	9	11,306	11,306
Share premium account	10	69,972	69,972
Profit and loss account	10	<u>2,000,254</u>	<u>1,721,550</u>
Equity shareholders' funds	11	<u>2,081,532</u>	<u>1,802,828</u>

The financial statements on pages 6 to 14 were approved by the board of directors on 19 October 1998 and were signed on its behalf by:


) Directors

A&PA International Limited

Notes to the Financial Statements for the year ended 31 December 1997

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Consolidated financial statements

Consolidated financial statements have not been prepared as the company is a wholly owned subsidiary undertaking of another company registered in England and Wales.

Turnover

Turnover comprises the sales value of goods and services in the normal course of business. All sales are shown exclusive of Value Added Tax.

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.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Investments

Fixed asset investments are shown at cost less provisions for permanent diminution in value.

A&PA International Limited

Notes to the Financial Statements for the year ended 31 December 1997

1 Principal accounting policies (continued)

Cash flow statement

The company is a wholly owned subsidiary and is exempt under the terms of Financial Reporting Standard No 1 revised from publishing a cash flow statement.

2 Geographical analysis of turnover by destination

	1997 £	1996 £
United Kingdom	279,334	1,141,566
Rest of Europe	-	31,861
North America	-	2,238
Africa	-	7,520
Asia	-	1,252
Central America, South America and Caribbean	-	171,684
	<u>279,334</u>	<u>1,356,121</u>

A&PA International Limited

Notes to the Financial Statements for the year ended 31 December 1997

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	1997 £	1996 £
Depreciation of tangible fixed assets:		
Owned assets	-	19,441
Profit on disposal of tangible fixed assets	-	(2,910)
Auditors' remuneration for:		
Audit services	850	3,000
Other services to the company	300	500
Exchange loss	994	869
Operating lease rentals - land and buildings	-	1,867
	<u> </u>	<u> </u>

4 Staff costs

The average weekly number of persons employed by the company during the year was:

	1997 Number	1996 Number
Management, consultancy and administration	-	1
	<u> </u>	<u> </u>

Particulars of employees (including executive directors) are as shown below:

	1997 £	1996 £
Staff costs (for the above persons):		
Wages and salaries	-	9,939
Social security costs	-	947
	<u> </u>	<u> </u>
	<u> </u>	<u>10,886</u>

A&PA International Limited

Notes to the Financial Statements for the year ended 31 December 1997

4 Staff costs (continued)

The directors are also directors of a number of group companies, and their emoluments are borne in full by the principal employing company. Accordingly no recharge is made as the directors provide services primarily to the principal employer. Their emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the principal employer.

5 Taxation

	1997 £	1996 £
United Kingdom corporation tax at 31.49% (1996: 33%)		
Current	-	55,000
Advance corporation tax previously written off now written back	-	(32,000)
	<u>-</u>	<u>23,000</u>

The tax liability for the year has been reduced by the availability of group relief received at no cost to the company.

6 Fixed asset investments

Investment in subsidiary undertakings

	1997 £	1996 £
Cost at 1 January and 31 December	<u>2</u>	<u>2</u>

The subsidiary in which the company holds 100% of the share capital is as follows:

Name of subsidiary	Principal activity	Description of shares held
A&P North America Limited	Investment company	Ordinary £1 shares

This subsidiary is incorporated in England and Wales.

A&PA International Limited

Notes to the Financial Statements for the year ended 31 December 1997

7 Debtors

	1997 £	1996 £
Amounts falling due within one year:		
Trade debtors	-	15,974
Amounts owed by parent company and fellow subsidiary undertakings	4,966,612	3,881,172
Other debtors	9,821	9,739
Prepayments and accrued income	-	814
	<u>4,976,433</u>	<u>3,907,699</u>

8 Creditors: amounts falling due within one year

	1997 £	1996 £
Trade creditors	14,462	16,580
Amounts owed to parent company and fellow subsidiary undertakings	2,938,341	2,171,518
Corporation tax	1,968	23,000
Other taxation and social security	58,607	45,453
Other creditors	5,386	7,735
Accruals and deferred income	1,400	6,000
	<u>3,020,164</u>	<u>2,270,286</u>

9 Called up share capital

	1997 £	1996 £
Authorised		
11,306 ordinary shares of £1 each	<u>11,306</u>	<u>11,306</u>
Allotted, called up and fully paid		
11,306 ordinary shares of £1 each	<u>11,306</u>	<u>11,306</u>

A&PA International Limited

Notes to the Financial Statements for the year ended 31 December 1997

10 Share premium account and reserves

	Share premium account £	Profit and loss account £
At 1 January 1997	69,972	1,721,550
Retained profit for the year	-	278,704
At 31 December 1997	<u>69,972</u>	<u>2,000,254</u>

11 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year	278,704	1,170,773
Opening shareholders' funds	<u>1,802,828</u>	<u>632,055</u>
Closing shareholders' funds	<u>2,081,532</u>	<u>1,802,828</u>

12 Contingent liabilities

The company has entered into cross guarantees in favour of the Bank of Scotland plc regarding amounts borrowed by A&P Group Holdings Limited group companies, which at 31 December 1997 amounted to £20,888,000.

13 Related party transactions

The company has taken advantage of the exemptions available under Financial Reporting Standard No 8 and has not disclosed transactions with companies that are part of the A&P Holdings Limited group of companies.

A&PA International Limited

Notes to the Financial Statements for the year ended 31 December 1997

14 Ultimate parent company and controlling parties

The directors regard A&P Group Holdings Limited, which is incorporated in England and Wales as the ultimate parent company and immediate controlling party. A&P Group Holdings Limited was incorporated on 9 October 1997 and owing to its short accounting period has not filed accounts.

The directors regard A&P Holdings Limited, which is incorporated in England and Wales, as the immediate parent company. Copies of its consolidated financial statements may be obtained from:

Registrar of Companies
Crown Way
Maindy
Cardiff
CF4 3UZ

For the purpose of Financial Reporting Standard No 8 "Related Party Disclosures", Royal Bank of Scotland Group plc is regarded as the ultimate controlling party by reason of its share holding in A&P Group Holdings Limited through its subsidiary Royal Bank Investments Limited. Royal Bank Investments Limited is an investment company and neither Royal Bank of Scotland Group plc nor Royal Bank Investments Limited direct the financial and operating policies of this Company.