

991112 .

LIBRARY  
21 AUG 1990  
63

A&P APPLIEDORE LIMITED

=====

ACCOUNTS -- YEAR ENDED 31 DECEMBER 1989

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

A&P APPLIEDORE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1989

The directors present their report on the affairs of the company, together with the accounts and auditors' report for the year ended 31 December 1989.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activities of the company continue to be the provision of specialised services to the shipping, shipbuilding, shiprepair and engineering industries.

The directors consider the result for the year to be satisfactory. The directors expect the general level of activity to continue in the coming year.

RESULTS AND DIVIDENDS:

Results and dividends are as follows -

Retained profit, at 31 December 1988	£ 316,432
Profit for the financial year	249,783
Dividends paid and proposed	(568,312)
Transfer from revaluation reserve	2,097
	-----
Retained profit, at 31 December 1989	£ -
	=====

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year were as shown below -

A.W. Allan  
G. Huthart  
P.E. Rans  
J.R. Neilson  
R.B. Sands  
P.J. Keen  
J.G. Broome  
J.F. Leathard  
G. Bruce

Messrs A.W. Allan, G. Huthart and J.R. Neilson retire at the Annual General Meeting, and being eligible, offer themselves for re-election.

None of the directors has any interest which is required to be disclosed under Section 235 of the Companies Act 1985.

ARTHUR ANDERSEN & CO

ST PAUL'S HOUSE  
PARK SQUARE  
LEEDS LS1 2PJ

Auditors' Report to the members of A&P APPLIEDORE LIMITED:

We have audited the financial statements on pages 4 to 16 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Arthur Andersen & Co.*

15 February 1990

A&P APPLIEDORE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1989

	<u>Note</u>	<u>1989</u>	<u>1988</u>
TURNOVER	2	£ 3,123,782	£ 4,086,336
Cost of sales		1,759,745	1,802,219
GROSS PROFIT		<u>1,364,037</u>	<u>2,284,117</u>
Administrative expenses		1,058,142	864,573
OPERATING PROFIT		<u>305,895</u>	<u>1,419,544</u>
Investment income	3	112,213	5,535
Interest payable and similar charges	4	<u>31,325</u>	<u>49,515</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	386,783	1,375,564
Tax on profit on ordinary activities	7	137,000	546,189
PROFIT FOR THE FINANCIAL YEAR		<u>249,783</u>	<u>829,375</u>
Dividends	8	568,312	661,836
RETAINED (DEFICIT) PROFIT FOR THE YEAR	15	<u>£ (318,529)</u>	<u>£ 167,539</u>

The accompanying notes are an integral part of this profit and loss account.

# ASP APPLIEDONE LIMITED

## BALANCE SHEET -- 31 DECEMBER 1989

	Note	1989	1988
<b>FIXED ASSETS</b>			
Tangible assets	9	£ 557,013	£ 456,759
Investments	10	77,944	39,904
		<hr/> 634,957	<hr/> 496,633
<b>CURRENT ASSETS</b>			
Debtors	11	3,674,029	4,730,229
Short term deposits		16,835	56,199
Cash at bank and in hand		1,348,080	263,594
		<hr/> 5,038,944	<hr/> 5,050,022
CREDITORS: Amounts falling due within one year	12	5,412,401	5,021,622
		<hr/> (373,457)	<hr/> 28,400
NET CURRENT ASSETS (LIABILITIES)			
TOTAL ASSETS LESS CURRENT LIABILITIES		261,500	525,033
CREDITORS: Amounts falling due after more than one year	13	161,615	106,619
		<hr/> £ 99,885	<hr/> £ 418,414
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	£ 10,000	£ 10,000
Revaluation reserve	15	89,885	91,982
Profit and loss account	16	-	316,432
		<hr/> £ 99,885	<hr/> £ 418,414
TOTAL CAPITAL EMPLOYED			

SIGNED ON BEHALF OF THE BOARD:

A.W. Allan )

) Directors

P.J. Keen )

15 February 1990

The accompanying notes are an integral part of this balance sheet.

# AGP APPLIFORE LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 DECEMBER 1989

	1989	1988
<b>SOURCE OF FUNDS</b>		
Profit for the financial year	£ 249,783	£ 829,375
Add (deduct) items not involving cash flow during the year		
- depreciation	84,383	85,767
- profit on disposal of tangible fixed assets	(34,968)	(65,085)
	-----	-----
Total funds from operations	299,198	851,057
Proceeds from disposal of tangible fixed assets	52,733	69,993
Loans received from lessors	97,477	136,255
Decrease in net current assets, as shown below	,897	-
	-----	-----
	£ 716,305	£ 1,057,305
	=====	=====
<b>APPLICATION OF FUNDS</b>		
Purchase of investment	£ 38,040	£ -
Purchase of tangible fixed assets	202,432	140,506
Repayment of loan	-	95,000
Repayment of loans from lessors	125,833	88,426
Ordinary dividend paid	350,000	636,836
Increase in net current assets, as shown below	-	96,537
	-----	-----
	£ 716,305	£ 1,057,305
	=====	=====
<b>INCREASE (DECREASE) IN NET CURRENT ASSETS</b>		
Debtors	£(1,056,200)	£ 965,568
Short term deposits	(39,364)	(23,258)
Creditors falling due within one year	(125,819)	(983,894)
	-----	-----
	(1,221,383)	(40,584)
Movement in net liquid funds		
- cash at bank and in hand	1,084,486	137,121
	-----	-----
	£ (136,897)	£ 96,537
	=====	=====

The accompanying notes are an integral part of this statement.

A&P APPLTECORE LIMITED

NOTES TO ACCOUNTS -- 31 DECEMBER 1989

1. ACCOUNTING POLICIES:

The principal accounting policies are -

a. Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of leasehold premises. The directors of the ultimate holding company have undertaken to provide continued financial support for the year to 31 December 1990.

b. Foreign currency

In the accounts, transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rate as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

c. Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) for services provided in the normal course of business.

d. Taxation

Corporation tax payable is provided on taxable profits at the current rate.

The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies. The tax benefits arising from group relief are recognised in the accounts of the surrendering and recipient companies.

Deferred taxation has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

#### e. Pension costs

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company being invested with insurance companies and independent trusts.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 6 April 1987. It was assumed that the investment returns would be 8.5% per annum and the rate of salary increases would average 7.5% per annum.

The most recent actuarial valuation showed that the market value of the schemes assets was £3.833 million and that the actuarial value of those assets represented 106% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Reduced contributions are being made by the employer to eliminate this surplus.

#### f. Tangible fixed assets

Leasehold premises are shown at valuation as set out in note 9. Other fixed assets are shown at cost.

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of fixed assets on a straight line basis over their estimated useful lives as follows -

Leasehold property	- Term of lease
Plant and machinery	- 2 - 5 years

#### g. Finance leases

Assets held under finance leases are initially reported at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance.

#### h. Investments

Fixed asset investments are shown at cost less amounts written off. Consolidated accounts have not been prepared as the company is a wholly owned subsidiary of another company incorporated in Great Britain.

Income from investments is included in the accounts of the period in which it is receivable.



i. Revaluation reserve

Surpluses arising on the revaluation of individual fixed assets are credited to a non-distributable reserve known as the revaluation reserve. Where depreciation charges are increased following a revaluation, an amount equal to such increase is transferred annually from this reserve to the profit and loss account as a movement on reserves. On disposal of a revalued fixed asset any revaluation surplus corresponding to the item is transferred to the profit and loss account.

2. SEGMENT INFORMATION:

Contributions to turnover were as follows -

	<u>1989</u>	<u>1988</u>
By activity -		
Consultancy	£ 2,911,935	£ 2,537,797
Management	211,847	1,548,535
	-----	-----
	£ 3,123,782	£ 4,086,336
	=====	=====
By geographical area -		
United Kingdom	£ 897,994	£ 265,556
Rest of Europe	620,608	1,197,173
North America	371,552	213,497
Central, South America and Caribbean	613,671	1,028,994
Africa	129,221	202,712
Asia	490,736	1,125,947
Australia	-	51,457
	-----	-----
	£ 3,123,782	£ 4,086,336
	=====	=====

3. INVESTMENT INCOME:

	<u>1989</u>	<u>1988</u>
Interest receivable	£ 112,213	£ 5,535
	=====	=====

4. INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>1989</u>	<u>1988</u>
On bank loans, overdrafts and other loans, repayable within five years, not by instalments	£ -	£ 11,523
On all other loans	31,325	37,992
	-----	-----
	£ 31,325	£ 49,515
	=====	=====

Included in the above is the interest element of charges payable under finance leases amounting to £31,325 (1988 - £27,578).

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

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

	<u>1989</u>	<u>1988</u>
Profit on disposal of tangible fixed assets	£ (34,968)	£ (65,085)
Operating lease rentals	1,600	1,600
Depreciation		
- owned	13,672	19,563
- held under finance leases	70,711	67,204
Auditors' remuneration	20,000	31,000
Exchange gain	46,054	40,846
Staff costs (Note 6)	1,234,020	1,123,951
	=====	=====

6. STAFF COSTS:

Particulars of employee costs (including executive directors) are as shown below -

	<u>1989</u>	<u>1988</u>
Employee costs during the year amounted to -		
Wages and salaries	£ 1,006,600	£ 943,234
Social security costs	81,538	71,199
Other pension costs	145,882	109,518
	-----	-----
	£ 1,234,020	£ 1,123,951
	=====	=====

The average weekly number of persons employed by the company during the year was as follows -

Management and consultancy	46	44
	=====	=====

Directors' remuneration -

Directors' remuneration was paid in respect of directors of the company as follows -

Emoluments (including pension contributions)	£ 348,834	£ 284,630
	=====	=====

The directors' remuneration shown above (excluding pensions and pension contributions) included -

	<u>1989</u>	<u>1988</u>
Chairman	£ - =====	£ - =====
Highest paid director	£ 55,300 =====	£ 39,349 =====

Number of other directors receiving emoluments between -

	<u>Number</u>	<u>Number</u>
Up to £5,000	-	3
£ 5,001 - £10,000	-	3
£10,001 - £15,000	-	1
£20,001 - £25,000	-	1
£25,001 - £30,000	3	2
£30,001 - £35,000	3	3
£35,001 - £40,000	2	-
	=====	=====

Higher paid employees -

Employees of the Group, other than directors, received remuneration (excluding pension contributions) in the following ranges -

	<u>Number</u>	<u>Number</u>
£30,000 - £35,000	1	-
£35,000 - £40,000	3	-
£40,000 - £45,000	1	-
	=====	=====

#### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES:

The tax charge is based on the profit for the year and comprises -

	<u>1989</u>	<u>1988</u>
Corporation tax at 35% (1988 - 35%)	£ 137,000	£ 500,736
Overseas taxation	-	45,453
	=====	=====
	£ 137,000	£ 546,189
	=====	=====

There is no potential deferred tax liability (1988 - £Nil) except for £13,000 of taxes that would arise if property were to be disposed of at its revalued amount.

8. DIVIDENDS:

	1989	1988
On ordinary shares		
- interim dividend paid	£ 50,000	£ 361,836
- final dividend proposed	518,312	300,000
	-----	-----
	£ 568,312	£ 661,836
	=====	=====

9. TANGIBLE FIXED ASSETS:

a. The movement in the year was as follows -

	Land and buildings		Plant and	
	Freehold	Long leasehold	machinery	Total
COST OR VALUATION				
Beginning of year	£ 103,681	£ 200,000	£ 551,880	£ 855,561
Additions	-	-	202,432	202,432
Disposals	-	-	(129,490)	(129,490)
	-----	-----	-----	-----
End of year	103,681	200,000	624,822	928,503
	-----	-----	-----	-----
DEPRECIATION				
Beginning of year	-	13,767	385,065	398,832
Charge	-	2,898	81,485	84,383
Disposals	-	-	(111,725)	(111,725)
	-----	-----	-----	-----
End of year	-	16,665	354,825	371,490
	-----	-----	-----	-----
Net book value, beginning of year	£ 103,681	£ 186,233	£ 166,815	£ 456,729
	=====	=====	=====	=====
Net book value, end of year	£ 103,681	£ 183,335	£ 269,997	£ 557,013
	=====	=====	=====	=====

At 31 December 1989, the net book value of tangible fixed assets includes £249,992 (1988 - £150,149) of leased plant and machinery. The depreciation charge on this leased plant and machinery during the year was £70,711 (1988 - £67,204).

b. Basis of valuation

Freehold land and buildings and plant and machinery are shown at cost. Long leasehold land and buildings were valued in 1984 on an open market basis.

c. Original cost and accumulated depreciation based on cost, of land and buildings included at valuation:

	1989	1988
	<u>Long leasehold</u>	<u>Long leasehold</u>
Original cost	£ 114,060	£ 114,060
Depreciation based on cost	(21,235)	(19,809)
	<u>£ 92,825</u>	<u>£ 94,251</u>
	=====	=====

10. FIXED ASSET INVESTMENT:

The following are included in the net book value of fixed asset investments -

	1989	1988
Subsidiaries	£ 99	£ 99
Related companies	77,845	39,805
	<u>£ 77,944</u>	<u>£ 39,904</u>
	=====	=====

The company owns 99% of the ordinary shares of A&P Appledore Operations Limited, a company incorporated in England. The company has not traded during the year.

In addition, the company has a 10% holding in Chantier Naval Industrial Du Cameroun, a company set up to operate the Doula Shipyard in Doula, Cameroon. The investment is part paid. A further call of £38,040 was made during the year.

	1989	1988
Related companies -		
COST		
Beginning of year	£ 39,805	£ -
Additions	38,040	39,805
	<u>£ 77,845</u>	<u>£ 39,805</u>
	=====	=====

# 11. DEBTORS:

	<u>1989</u>	<u>1988</u>
Amounts falling due within one year -		
Trade debtors	£ 793,016	£ 871,471
Amounts owed by other group companies	2,514,889	2,831,511
Amounts owed by subsidiary	7,930	7,930
Amounts owed by related companies	2,733	2,733
VAT	-	22,526
Overseas tax recoverable	190,804	317,207
Other debtors	36,261	21,100
Prepayments and accrued income	128,396	655,751
	-----	-----
	£ 3,674,029	£ 4,730,229
	=====	=====

# 12. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR:

	<u>1989</u>	<u>1988</u>
Obligations under finance leases	£ 104,114	£ 57,466
Trade creditors	648,460	886,362
Amounts owed to holding company and fellow subsidiaries	3,346,712	3,280,249
Other creditors		
- UK corporation tax payable	469,334	315,726
- social security and PAYE	71,578	64,651
- other creditors	38,828	-
Dividends payable	518,312	300,000
Accruals and deferred income	215,063	117,168
	-----	-----
	£ 5,412,401	£ 5,021,622
	=====	=====

# 13. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

	<u>1989</u>	<u>1988</u>
Obligations under finance leases	£ 161,615	£ 106,619
	=====	=====
The company has the following rental obligations under finance leases -		
Within one year	£ 134,310	£ 73,863
Between one and two years	96,633	56,325
Between two and five years	91,457	65,420
	-----	-----
	322,400	195,608
Less: future finance charges	(56,671)	(31,523)
	-----	-----
	£ 265,729	£ 164,085
	=====	=====

	<u>1989</u>	<u>1988</u>
These are included in the accounts as follows -		
Amounts falling due within one year	£ 104,114	£ 57,466
Amounts falling due after more than one year	161,615	106,619
	<u>£ 265,729</u>	<u>£ 164,085</u>
	=====	=====

14. CALLED UP SHARE CAPITAL:

	<u>1989</u>	<u>1988</u>
Authorised, issued and fully paid -		
10,000 ordinary shares of £1 each	£ 10,000	£ 10,000
	=====	=====

15. RESERVES:

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise -

	<u>1989</u>	<u>1988</u>
Distributable		
- profit and loss account	£ -	£ 316,432
Non-distributable		
- revaluation reserve	89,885	91,982
	<u>£ 89,885</u>	<u>£ 408,414</u>
	=====	=====

The movement on reserves during the year was as follows -

	<u>Profit and loss account</u>	<u>Revaluation reserve</u>
Beginning of year	£ 316,432	£ 91,982
Retained deficit for the financial year	(318,529)	-
Amortisation of revaluation surplus	2,097	(2,097)
	<u>£ -</u>	<u>£ 89,885</u>
End of year	=====	=====

16. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a. Capital commitments

At the end of the year there were authorised capital commitments of £50,000 (1988 - £Nil).

b. Lease commitments

The company had annual commitments in respect of lease agreements for land and buildings expiring as follows -

	1989	1988
After five years	£ 1,600 =====	£ 1,600 =====

c. Contingent liabilities

Within the terms of an Omnibus Guarantee and set-off arrangement the company has given an unlimited guarantee to Lloyds Bank plc in respect of other group companies indebtedness.

17. ULTIMATE HOLDING COMPANY:

The company's ultimate holding company was Highland Participants plc up to 9 December 1989. On that date The Cornwall Trust plc incorporated in Great Britain, declared its offer unconditional for the whole of the issued capital of Highland Participants plc and therefore became the ultimate holding company.