

**Company Registration No. 05832836**

**A&P Group Limited**

**Annual Report and Financial Statements**

**for the year ended 31 March 2017**



## **A&P Group Limited**

### **Annual report and financial statements for the year ended 31 March 2017**

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## **A&P Group Limited**

### **Annual report and financial statements for the year ended 31 March 2017**

#### **Officers and professional advisers**

##### **Directors**

Atlantic & Peninsula Marine Services Limited  
J C Carey

##### **Registered Office**

c/o A&P Tyne Limited  
Wagonway Road  
Hebburn  
Tyne & Wear  
NE31 1SP

##### **Bankers**

Santander UK Plc  
298 Deansgate  
Manchester  
M3 4HH  
United Kingdom

##### **Solicitors**

Hill Dickinson LLP  
No 1 St Paul's Square  
Liverpool  
L3 9SJ  
United Kingdom

##### **Auditor**

Deloitte LLP  
Statutory Auditor  
Newcastle upon Tyne  
United Kingdom

## **A&P Group Limited**

### **Strategic report**

#### **Principal activities and business review**

The group's principal activities are ship repair and marine engineering. The group operates facilities in the south west and north east of England.

The consolidated profit and loss account on page 11 reflects the results of the group for the year ended 31 March 2017.

#### **Key performance indicators ("KPIs")**

The group measures KPIs 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

Turnover for the group for the year totalled £77.6m (2016: £81.5m) resulting in a loss before taxation of £0.1m (2016: profit £3.1m). The net asset position at the year end was £13.4m (2016: £18.4m).

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

#### **Going Concern**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

#### **Principal risks and uncertainties**

The management of the business and the execution of the group's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the group 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 customers and employees at all levels within the group. The group also considers its successful relationships with its subcontractor base is a key part of its strategy and will continue to develop these further.

## **A&P Group Limited**

### **Strategic report (continued)**

#### **Financial risk management**

The group'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 group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and the related finance costs.

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

Given the size of the group, 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 group's finance department.

#### ***Price risk***

The group is exposed to commodity price risk as a result of its operations. However, given the size of the group'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 group's operations change in size or nature. The group has no exposure to equity securities price risk as it holds no equity investments.

#### ***Foreign exchange risk***

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

#### ***Credit risk***

The group 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 group negotiates payment profiles which are at worst cash neutral.

#### ***Liquidity risk***

The group has sufficient available funds and agreed banking facilities for operations and planned expansions.

#### ***Interest rate cash flow risk***

The group has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets include only cash balances. Interest bearing liabilities are largely limited to agreements which are fixed for the duration of the facility. Where facilities are linked to base rates, the directors will review on a regular basis to ensure that the group's exposure to interest rate movements is limited. The directors will revisit the appropriateness of interest rate risk management policy should the group's operations change in size or nature.

On behalf of the Board



J C Carey  
Director

24 November 2017

## **A&P Group Limited**

### **Directors' report**

The directors present their Annual report and the audited consolidated financial statements for the year ended 31 March 2017.

#### **Review of business and future developments**

The year ended 31 March 2017 has been a busy year despite difficult trading conditions within the commercial sector. The group has concentrated on the ground work laid out in previous years by continuing to raise its profile in both the traditional ship repair and conversion market and also in the renewable energy, the oil and gas sectors and in modular fabrication for the ship building industry. These together with the generation of a reasonable result by the management and workforce continue to confirm A&P as one of the premier ship building and repairing, ship conversion and marine engineering businesses in the UK.

Turnover for the group totalled £77.6 million in the year which represents a 4.8% decrease from the previous year. Operating profit of £47k for the year is down from £3.2 million for the previous year and represents a significant decrease in profitability. The decrease in turnover and in profitability arises in part due to the ongoing depressed commercial ship repair market coupled with ongoing delays in the commencement of a significant contract which was originally expected to commence in January 2016. In addition the previous year results included turnover of £6.4 million and operating profit of £1.1 million arising on the Group's In Service Support Contract with the Commonwealth of Australia. This contract ceased on 30 June 2015 with a new four year contract being awarded to Atlantic & Peninsula Australia Pty Limited a direct subsidiary company of the Group's parent company Atlantic & Peninsula Marine Services Limited.

These results are regarded as disappointing although the expectations at the beginning of the year were for a difficult economic climate to affect profitability, a tight market in the core ship repair business, little activity in the offshore sector. These factors coupled with a significant decrease in activity in the Oil & gas sector has placed greater emphasis on the need to concentrate on the core larger ticket ship repair and conversion activities and secure significant fabrication contracts, whilst improving performance in respect of previously acquired long term work.

In the North-east, the company was successful in winning packages of work to build sections of the Astute Class submarines which is currently on-going. The company has capitalised on its Aircraft Carrier and Astute builds and has recently been awarded a £10 million contract on further submarine modules. The company is optimistic that further modular build work packages will be awarded to the company in 2017/18 and into the medium term.

Despite the success in the North-east in defence work, the core ship repair market remains competitive with revenues running below expectations and occupancy levels of its dock and berth assets having decreased. The significant reduction in global oil prices, experienced towards the end of 2014, has led to a decline in fabrication work opportunities in the oil and gas market and the difficult trading year experienced in 2016/17 is expected to continue into 2017/18. As a consequence of anticipated lower revenues, the company will continue to take steps necessary to reduce its cost base in line with underlying activity. It is a group-wide commitment that in challenging markets, direct and indirect costs will be continually managed in line with our committed and predicted revenue on a short, medium and long term basis.

The results from the Ministry of Defence ('MoD') contract for the support of Royal Fleet Auxiliary ('RFA') vessels were enhanced by the completion, on target in January 2017 of the £17.9 million refit project in Falmouth on RFA Caridgan Bay. Defence sector projects have made a significant contribution to the results for the year and with the award last year of the UKCATTS contract to Falmouth through to 2018, MoD / RFA contracts will continue to feature strongly in 2017/18 and beyond, allowing us to plan with confidence for the future.

As reported last year the Group's activities in Australia as prime contractor on the service and support of HMAS Choules for the Royal Australian Navy (RAN) concluded in June 2015 with the new four-year In-service Support Contract being awarded to Atlantic & Peninsula Australia Pty Limited which is a direct subsidiary company of A&P Group Limited's parent company Atlantic & Peninsula Marine Services Limited. The group as a whole will continue to pursue other opportunities direct with the RAN thus allowing us the opportunity to export our expertise and knowledge to an international market.

## **A&P Group Limited**

### **Directors' report (continued)**

#### **Review of business and future developments (continued)**

Falmouth, Tyne and Tees dry docks saw subdued occupancy levels during the first half of the year with Falmouth in particular being underpinned by the work for the MoD. The latter part of the year remained subdued across all yards and whilst the group continues to attract a significant amount of work from commercial customers, they have continued to reduce the average spend per ship, a trend that has also continued into the early part of the 2017/18 financial year. The management and workforce have nonetheless successfully maintained contribution levels enabling the ship repair sector to return a satisfactory performance

In securing the business results, the Health Safety and Environmental performance across the group has been maintained throughout the year, reflecting the commitment of management and workforce in this area.

The port operation in Falmouth continued its strong and steady performance and is an integral part of the group's operations there.

The group is determined to take advantage of the Falmouth and Tyne sites, which are 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 and heavy engineering industry. The Board are disappointed that activities in both these sectors are currently subdued but are paying close attention to the initiatives in these areas and are continuing to develop links into the operation and maintenance part of the offshore supply chain through its investment in Marine Designs which supply bespoke pontoons for maintenance vessels.

The group has a significant pension obligation to past and present employees. The total cash cost to the group in the year was in excess of £3.4m. All three defined benefit schemes in which the group participates are closed to future accruals. All our employees can now participate in a defined contribution scheme which is administered by the group.

Trading in the first part of 2017/18 has been disappointing with a number of commercial ship operators continuing to trim their maintenance budgets. We foresee this trend continuing for the rest of the year but with good long term customer relationships and a sizeable secured order book underpinning the business and a dedicated workforce we expect the rest of year to progress well.

Our shareholders and current management team are committed to delivering our five-year plan and ensuring that the business continues to go from strength to strength as we pursue opportunities in new sectors and continue to service our existing customers.

On behalf of the Board, we would like to thank all those who have contributed to our performance in the year, while most importantly recognising the efforts of our workforce.

#### **Future outlook**

The group is a leading ship repair and conversion business with three bases in the United Kingdom. It also has a port operation in Falmouth.

The continuing RFA Cluster, through life, global reach contract, together with the recently won UKCATTS contract and our regular repeat commercial business within the UK will provide a sound turnover base for the foreseeable future.

The Group continues to drive growth both within its traditional ship repair and conversion sector and to seek out new opportunities within the defence, renewables and the oil and gas sectors.

#### **Dividends**

A dividend of £nil was proposed during the year (2016: £1,200,000).

#### **Directors**

The directors who served during the year and thereafter are listed on page 1.

#### **Directors' indemnity**

The company has made qualifying third party indemnity provisions for the benefits of directors which were made during the year and remain in force at the date of the report.

## **A&P Group Limited**

### **Directors' report (continued)**

#### **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 group 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 various factors affecting the performance of the group. This is achieved through informal and formal 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.

#### **Charitable donations**

The group made donations of £2,000 (2016: £9,000) during the year to charities associated with the maritime industry and charities local to the trading subsidiaries.

#### **Going concern and financial risk management**

Details of going concern and financial risk management objectives and policies can be found in the Strategic Report on pages 2 to 3 and form part of this report by cross-reference.

#### **Approval of reduced disclosures**

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12.

The Company has taken advantage of the available exemptions to not disclose in its individual entity financial statements:

- a) A statement of cash flows;
- b) Key management personnel compensation in total.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year.

#### **Statement of disclosure of information to auditor**

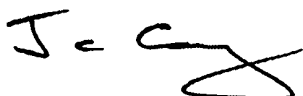
Each of the persons who is a director at the date of approval of this report confirms that:

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

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

Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



J C Carey  
Director

24 November 2017



## **A&P Group Limited**

### **Directors' responsibilities statement**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland." 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 year. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions with reasonable accuracy at any time the financial position of the company and to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **A&P Group Limited**

### **Independent auditor's report to the member of A&P Group Limited**

We have audited the financial statements of A&P Group Limited for the year ended 31 March 2017 which comprise the Consolidated profit and loss account, the Consolidated statement of other comprehensive income, the Consolidated balance sheet, the Company balance sheet, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated cash flow statement and the related notes 1 to 24. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, 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.

#### **Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group and company's affairs as at 31 March 2017 and of the group's loss 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 matters prescribed in the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

## **A&P Group Limited**

### **Independent auditor's report to the member of A&P Group Limited (continued)**

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company's 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.



Anthony Farnworth BA ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Newcastle upon Tyne  
United Kingdom

29 November 2017

## A&P Group Limited

### Consolidated profit and loss account for the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
<b>Turnover</b>	5	77,623	81,530
Cost of sales		<u>(72,400)</u>	<u>(72,238)</u>
<b>Gross profit</b>		<u>5,223</u>	<u>9,292</u>
Administrative expenses			
Excluding restructuring costs		(5,176)	(5,535)
Exceptional restructuring costs	6	<u>-</u>	<u>(570)</u>
Total administrative expenses		<u>(5,176)</u>	<u>(6,105)</u>
<b>Operating profit</b>	6	47	3,187
Net interest payable and similar charges	7	<u>(174)</u>	<u>(97)</u>
<b>(Loss) profit before taxation</b>		(127)	3,090
Tax on (loss) profit	9	<u>105</u>	<u>(415)</u>
<b>(Loss) profit for the financial year</b>		<u><u>(22)</u></u>	<u><u>2,675</u></u>

All of the above results relate to continuing operations.

## A&P Group Limited

### Consolidated statement of other comprehensive income for the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
(Loss) profit for the financial year		(22)	2,675
<i>Other comprehensive loss:</i>			
Remeasurement of net defined benefit liability	20	(5,339)	(4,164)
Total tax on components of other comprehensive income	9d	314	32
Other comprehensive loss for the year, net of tax		<u>(5,025)</u>	<u>(4,132)</u>
Total comprehensive loss for the year		<u>(5,047)</u>	<u>(1,457)</u>

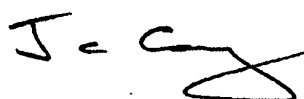
# A&P Group Limited

## Consolidated balance sheet as at 31 March 2017

	Notes	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Intangible assets	11	4,681	5,181
Tangible assets	12	11,972	12,986
Investments	13	200	200
		<u>16,853</u>	<u>18,367</u>
<b>Current assets</b>			
Stocks	14	467	511
Debtors	15	21,232	18,914
Cash at bank and in hand		15,991	19,570
		<u>37,690</u>	<u>38,995</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(17,210)</u>	<u>(17,713)</u>
<b>Net current assets</b>		<u>20,480</u>	<u>21,282</u>
<b>Total assets less current liabilities</b>		<u>37,333</u>	<u>39,649</u>
<b>Creditors: amounts falling due after more than one year</b>	17	(1,798)	(1,951)
Post-employment pension liability	20	(20,562)	(17,677)
Provisions for liabilities	21	(1,586)	(1,587)
<b>Net assets</b>		<u>13,387</u>	<u>18,434</u>
<b>Capital and reserves</b>			
Called-up share capital	23	1	1
Profit and loss account		13,386	18,433
<b>Total shareholder's funds</b>		<u>13,387</u>	<u>18,434</u>

The financial statements of A&P Group Limited, (registered number 05832836), were approved by the Board of Directors and authorised for issue on 24 November 2017.

Signed on behalf of the Board of Directors



J C Carey  
Director

## A&P Group Limited

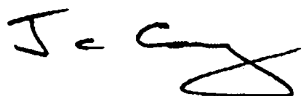
### Company balance sheet as at 31 March 2017

	Notes	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Investments	13	2,162	2,162
Debtors	15	3,825	2,294
Creditors: amounts falling due within one year	16	(2,544)	(2,549)
<b>Net current assets</b>		1,281	(255)
<b>Net assets</b>		3,443	1,907
<b>Capital and reserves</b>			
Called-up share capital	23	1	1
Profit and loss account		3,442	1,906
<b>Total shareholder's funds</b>		3,443	1,907

Of the profit attributable to shareholders for the financial year, a profit of £1,536,000 (2016: £907,000) is recorded in the financial statements of the company.

The financial statements of A&P Group Limited, (registered number 05832836), were approved by the Board of Directors and authorised for issue on 24 November 2017

Signed on behalf of the Board of Directors



J C Carey  
Director

## A&P Group Limited

### Consolidated statement of changes in equity for the year ended 31 March 2017

	Notes	Called-up share capital £'000	Profit and loss account £'000	Total £'000
Balance as at 1 April 2015		1	21,090	21,091
Profit for the financial year		-	2,675	2,675
Other comprehensive loss		-	(4,132)	(4,132)
Total comprehensive loss for the year		-	(1,457)	(1,457)
Dividends	23	-	(1,200)	(1,200)
Balance as at 31 March 2016		1	18,433	18,434
Loss for the financial year		-	(22)	(22)
Other comprehensive loss		-	(5,025)	(5,025)
Total comprehensive loss for the year		-	(5,047)	(5,047)
Balance as at 31 March 2017		1	13,386	13,387



## A&P Group Limited

### Company statement of changes in equity for the year ended 31 March 2017

	Notes	Called-up share capital £'000	Profit and loss account £'000	Total £'000
Balance as at 1 April 2015		1	2,199	2,200
Profit for the financial year and total comprehensive income		-	907	907
Dividends	23	<u>-</u>	<u>(1,200)</u>	<u>(1,200)</u>
Balance as at 31 March 2016		1	1,906	1,907
Profit for the financial year and total comprehensive income		<u>-</u>	<u>1,536</u>	<u>1,536</u>
Balance as at 31 March 2017		<u>1</u>	<u>3,442</u>	<u>3,443</u>

## A&P Group Limited

### Consolidated cash flow statement for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Net cash inflow from operating activities	18	(3,807)	569
Taxation paid		(93)	(1,009)
Net cash flows from operating activities		<u>(3,900)</u>	<u>(440)</u>
Cashflow from investing activities			
Purchase of tangible fixed assets		(51)	(103)
Interest received		77	137
Dividend received		295	225
Net cash flows from investing activities		<u>321</u>	<u>259</u>
Cashflow from financing activities			
Dividends paid		-	(1,200)
Net cash used in financing activities		<u>-</u>	<u>(1,200)</u>
Net decrease in cash and cash equivalents		(3,579)	(1,381)
Cash and cash equivalents at the beginning of the year		19,570	20,951
Cash and cash equivalents at the end of the year		<u>15,991</u>	<u>19,570</u>
Cash and cash equivalents consist of:			
Cash at bank and in hand		15,991	19,570
Cash and cash equivalents		<u>15,991</u>	<u>19,570</u>

## **A&P Group Limited**

### **Notes to the financial statements for the year ended 31 March 2017**

#### **1. General information**

The Company is a private limited company limited by shares and is incorporated in England. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The functional currency of A&P Group Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

#### **2. Statement of compliance**

The financial statements of A&P Group Limited have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), and the Companies Act 2006.

#### **3. Summary of significant accounting policies**

A summary of the principal accounting policies, which have been applied consistently throughout the current and prior financial years, is set out below.

##### **Basis of preparation**

The financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

##### **Going concern**

The directors have prepared the financial statements on the going concern basis. The company and the group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company and the group should be able to operate within the level of its current facility.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **Basis of consolidation**

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 March.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

##### **Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

##### **Non-financial assets**

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

## **A&P Group Limited**

### **Notes to the financial statements (continued) for the year ended 31 March 2017**

#### **3. Summary of significant accounting policies (continued)**

##### **Foreign currencies**

###### *(i) Functional and presentation currency*

The financial statements are presented in pound sterling and rounded to thousands.

The Company's functional and presentation currency is the pound sterling.

###### *(ii) Transactions and balances*

Foreign currency transactions are translated into functional currency using the spot exchange rates at the dates of transactions.

At each year-end foreign currency monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

##### **Revenue recognition**

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 the margin is recognised evenly over the contract life. All sales are shown exclusive of value added tax.

Interest income is recognised when the right to receive payment is established.

Dividend income is recognised when the right to receive payment is established.

##### **Exceptional items**

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

##### **Employee benefits**

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

###### *(i) Short-term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is rendered.

###### *(ii) Defined contribution pension plans*

Employees are eligible to join a Stakeholder Pension Plan. Pension costs are charged to the profit and loss account as they fall due. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. The assets of the plan are held separately from the Company in independently administered funds.

###### *(iii) Defined benefit pension plans*

The Company operates a defined benefit pension plan for certain employees. A defined benefit pension plan defines the pension benefit that the employee will receive on retirement, usually dependent on several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 3. Summary of significant accounting policies (continued)

##### Employee benefits (continued)

##### *(iii) Defined benefit pension plans (continued)*

The liability recognises in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- (i) The increase in pension liability arising from employee service during the period; and
- (ii) The cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

##### **Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 years 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.

##### **Goodwill**

Purchased goodwill represents the excess arising from the fair value of the consideration given over the fair value of the separable net assets acquired. Fair values are attributed to the identifiable assets and liabilities that existed at the date of acquisition reflecting their condition at that date. Adjustments are also made to bring the accounting policies of acquired businesses into alignment with those of the group, where considered appropriate. The costs of integrating and reorganising acquired businesses are charged to the post-acquisition profit and loss account. Goodwill is amortised over its expected useful life of 20 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 3. Summary of significant accounting policies (continued)

##### **Tangible fixed assets**

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. No depreciation is charged on freehold land.

Depreciation is calculated so as to write off the cost 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 land and buildings	Term of lease
Plant and machinery	2½% - 33⅓%

Dredging costs are capitalised in leasehold land and buildings to the extent they are incurred to allow proper access to the group's facilities and are written off over the year expected to benefit, normally three years. Other associated dredging costs, such as those related to the safe disposal of contaminated material, are expensed as incurred.

No depreciation is charged on assets in the course of construction until they are fully complete and brought into use at which point they are transferred into the relevant asset category.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

##### **Fixed asset investments**

Fixed asset investments are stated at cost less provisions made for impairment in value.

##### **Leased assets**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread 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.

##### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

##### **Financial instruments**

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### *(i) Financial assets*

Basic financial assets are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

## **A&P Group Limited**

### **Notes to the financial statements (continued) for the year ended 31 March 2017**

#### **3. Summary of significant accounting policies (continued)**

##### *(i) Financial assets (continued)*

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### *(ii) Financial liabilities*

Basic financial liabilities are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, there are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Preference shares, which result in fixed returns to the holder or are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as interest expense.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### **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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

#### **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.

## **A&P Group Limited**

### **Notes to the financial statements (continued) for the year ended 31 March 2017**

#### **3. Summary of significant accounting policies (continued)**

##### **Share capital**

Ordinary shares are classified as equity.

##### **Distributions to equity holders**

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

##### **Related party transactions**

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Company's financial statements. The ultimate holding company is Tokenhouse Limited, a company incorporated in the Isle of Man which is controlled by the Billown 1997 Settlement Trust.

#### **4. Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### *(i) Critical judgements in applying the Company's accounting policies*

The directors do not consider there to be any critical accounting judgements that must be applied.

##### *(ii) Key accounting estimates and assumptions*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

##### *Revenue recognition*

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. Management considers the overall expected margin from each contract based on available information and past performance.

##### *Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of tangible fixed assets and note 3 for the useful economic lives for each class of asset.

##### *Defined benefit pension scheme*

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.



## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 5. Turnover

The analysis by geographical destination of the group's turnover, all of which originated in the United Kingdom, from the only class of business being ship repair and marine engineering (contract turnover), is set out below.

	2017 £'000	2016 £'000
United Kingdom	64,697	66,235
Continental Europe	11,521	7,700
North America	363	-
Rest of world	1,042	7,595
	<u>77,623</u>	<u>81,530</u>

#### 6. Operating profit

Operating profit is stated after charging:

	2017 £'000	2016 £'000
Loss on disposal of fixed assets	-	131
Depreciation of tangible fixed assets - owned assets	1,065	1,217
Exceptional restructuring costs	-	570
Amortisation of goodwill	500	500
Operating leases charges	2,907	3,550
Fees payable to the company's auditor for:		
- the audit of the Company's annual financial statements (company: £nil (2016: £nil))	69	106
- taxation services	22	-
	<u>22</u>	<u>-</u>

The value of inventory recognised as an expense is not material in either of the years presented.

The impairment of trade receivables in each of the years presented was immaterial.

During the prior year the group implemented a redundancy programme as a result of a down turn in the commercial market. Total restructuring costs of £nil (2016: £570,186) were incurred as a result.

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 7. Net interest payable and similar charges

	2017 £'000	2016 £'000
Investment income	(372)	(362)
Other finance costs	546	459
	<u>174</u>	<u>97</u>
<b>Investment income</b>		
	2017 £'000	2016 £'000
Income from fixed asset investment	295	225
Bank interest receivable	77	137
	<u>372</u>	<u>362</u>
<b>Other finance costs</b>		
	2017 £'000	2016 £'000
Net interest on defined benefit liability (note 20)	<u>546</u>	<u>459</u>

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 8. Staff costs

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

	2017 No.	2016 No.
<b>By activity:</b>		
Production	446	468
Administration	67	76
	<u>513</u>	<u>544</u>

#### Staff costs for the above persons

	2017 £'000	2016 £'000
Wages and salaries	17,126	18,469
Social security costs	1,630	1,748
Company contributions to money purchase pension scheme (note 20(b))	1,115	1,206
	<u>19,871</u>	<u>21,423</u>

#### Directors Remuneration

	2017 £'000	2016 £'000
Aggregate emoluments	171	234
Company contributions to money purchase pension scheme	40	42
	<u>211</u>	<u>276</u>

One director accrued retirement benefits through group operated defined contribution schemes (2016: two).  
Emoluments payable to the highest paid director are as follows:

	2017 £'000	2016 £'000
Aggregate emoluments	171	196
Company contributions to money purchase pension scheme	40	31
	<u>211</u>	<u>227</u>

#### Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2017 £'000	2016 £'000
Salaries and other short-term benefits	336	409
Company contributions to money purchase pension scheme	63	61
	<u>399</u>	<u>470</u>

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 9. Tax on (loss) profit

##### a) Analysis of tax charge in the year:

Group	2017 £'000	2016 £'000
Current tax:		
United Kingdom corporation tax	-	125
Group relief payable	-	291
Foreign Tax relief	-	(125)
Adjustments in respect of prior years	(53)	(35)
Foreign tax suffered	-	171
Total current tax	(53)	427
Deferred tax:		
Origination and reversal of timing differences	(64)	(28)
Adjustments in respect of prior years	9	28
Effect of changes in tax rates	3	(12)
Total deferred tax (note 9(d))	(52)	(12)
Tax on (loss) profit	(105)	415

##### b) Factors affecting tax charge for the year:

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
(Loss) profit before tax	(127)	3,090
(Loss) profit multiplied by standard rate of corporation tax in the UK 20% (2016: 20%)	(25)	618
Effects of:		
Expenses not deductible for tax purposes	131	137
Income not assessable for tax purposes	(59)	(45)
Group relief surrendered	411	137
Relief on pension contributions taken to statement of other comprehensive income	(491)	(447)
Higher tax rates on overseas earnings	-	46
Adjustments in respect of prior years	(53)	(35)
Transfer pricing	3	-
Unrecognised deferred tax	(55)	(12)
Re-measurement of deferred tax		
- Change in UK tax rate	3	(12)
- Adjustments in respect of prior years	9	28
Items charged elsewhere	21	-
Total tax (credit)/charge for the year	(105)	415

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 9. Tax on (loss) profit (continued)

##### c) Factors affecting future tax charges

The Government has announced that it intends to reduce the rate of corporation tax to 17%. Finance Act 2016, which was enacted in September 2016, included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020. Accordingly, deferred tax balances have been restated to the lower rate of 17% in these financial statements.

##### d) Deferred tax

The net deferred tax asset at 31 March is as follows:

	2017 £'000	2016 £'000
Post-employment benefits	3,496	3,182
Other timing differences (see below)	(59)	(111)
	<u>3,437</u>	<u>3,071</u>

The deferred tax asset is recorded in consolidated debtors (see note 15). The Company does not have any deferred tax balances as at 31 March 2017 (2016: £nil)

##### Other timing differences

The amount of deferred tax provision recognised/unrecognised in the consolidated financial statements at 31 March 2017 (excluding net pension deficit) was as follows:

	Recognised		Unrecognised	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Accelerated capital allowances	95	126	(26)	(33)
Gain held over	26	28	-	198
Other timing differences	(33)	(43)	(3)	(23)
Losses	(29)	-	(21)	(79)
	<u>59</u>	<u>111</u>	<u>(50)</u>	<u>63</u>

##### Movements in deferred tax included in profit or loss

	Deferred tax on other timing differences £'000
At 1 April 2016	111
Utilised in the year	(64)
Credited in the year	12
At 31 March 2017	<u>59</u>

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 9. Tax on (loss) profit (continued)

##### d) Deferred tax (continued)

##### *Movements in deferred tax included in other comprehensive income*

The amount of deferred tax asset relating to the post-employment benefits balances recognised in the financial statements at 31 March 2016 was as follows:

	Asset £'000	Provision £'000	Total £'000
At 1 April 2016	3,755	(573)	3,182
Movements dealt with in other comprehensive income	335	(21)	314
At 31 March 2017	<u>4,090</u>	<u>(594)</u>	<u>3,496</u>

#### 10. Result of parent company

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been presented in these financial statements.

#### 11. Intangible assets

##### Group

	Goodwill £'000
<b>Cost</b>	
At 1 April 2016 and 31 March 2017	<u>10,049</u>
<b>Accumulated amortisation</b>	
At 1 April 2016	4,868
Charge for the year	500
At 31 March 2017	<u>5,368</u>
<b>Net book amount</b>	
At 31 March 2017	<u>4,681</u>
At 31 March 2016	<u>5,181</u>

Purchased goodwill represents the excess arising from the fair value of the consideration given over the fair value of the separable net assets acquired.

##### Company

The Company had no intangible assets at 31 March 2016 (2016: £nil).

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 12. Tangible fixed assets

Group	Freehold land £'000	Short Leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>				
At 1 April 2016	1,099	10,687	17,792	29,578
Additions	-	-	51	51
	<u>1,099</u>	<u>10,687</u>	<u>17,843</u>	<u>29,629</u>
At 31 March 2017	1,099	10,687	17,843	29,629
<b>Accumulated depreciation</b>				
At 1 April 2016	-	3,847	12,745	16,592
Charge for the year	-	407	658	1,065
	<u>-</u>	<u>4,254</u>	<u>13,403</u>	<u>17,657</u>
At 31 March 2017	-	4,254	13,403	17,657
<b>Net book value</b>				
At 31 March 2017	<u>1,099</u>	<u>6,433</u>	<u>4,440</u>	<u>11,972</u>
At 31 March 2016	<u>1,099</u>	<u>6,840</u>	<u>5,047</u>	<u>12,986</u>

#### Company

The Company had no tangible assets at 31 March 2017 (2016: £nil).

#### 13. Fixed asset investments

Group	£'000
<b>Cost and net book value</b>	
At 1 April 2016 and 31 March 2017	<u>200</u>
One of the company's subsidiaries holds a 5% shareholding in Cammell Laird Ship Repairers & Shipbuilders Limited. The directors believe that the open market value of the investment is at least equal or greater than the net book value.	
Company	£'000
<b>Cost and net book value</b>	
At 1 April 2016 and 31 March 2017	<u>2,162</u>

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 13. Fixed asset investments (continued)

##### Interest in subsidiary undertakings

The Company holds 100% of the ordinary £1 shares of the following subsidiary companies, all of which have their registered office at: Wagon way Road, Hebburn, Tyne & Wear, NE31 1SP.

<b>Undertaking</b>	<b>Principal activity</b>
A&P Falmouth Limited	Ship repair and general engineering services
A&P Tyne Limited	Ship repair and general engineering services
A&P Tees Limited	Ship repair and general engineering services
Marine Designs Limited	Marine design and fabrication
The Falmouth Docks and Engineering Company (formed under the Falmouth Docks Act 1959)	Owner and manager of wharves and dry docks; cargo handling and services in Falmouth
A&P GH 2006 Limited*	Intermediate holding company
A&P Ship Repairers Limited	Intermediate holding company
A&P Shipbuilders Limited	Property ownership
A&P Wallsend Limited	Dormant
A&P Birkenhead Properties Limited	Dormant
Hydropower Limited	Dormant
A&P Southampton Limited	Dormant
A&P Defence Limited	Dormant

\*Directly held

The directors believe that the carrying value of the investments is supported by their underlying net assets.

#### 14. Stocks

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	467	511

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



## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 15. Debtors

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade debtors	5,315	4,327	3,825	2,264
Amounts recoverable on contracts	10,228	10,020	-	-
Amounts owed by related parties (note 24)	553	450	-	-
Corporation tax	17	30	-	30
Deferred tax asset (note 9(d))	3,437	3,071	-	-
Other debtors	1,191	610	-	-
Prepayments and accrued income	491	406	-	-
	<u>21,232</u>	<u>18,914</u>	<u>3,825</u>	<u>2,294</u>

Provisions for impairment of trade debtors are immaterial in both years presented.

Amounts owed by related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

#### 16. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade creditors	7,748	10,487	2,544	2,549
Amounts owed to related parties (note 24)	112	112	-	-
Corporation tax	-	159	-	-
Other taxation and social security	446	462	-	-
Other creditors	1,906	-	-	-
Accruals and deferred income	6,998	6,493	-	-
	<u>17,210</u>	<u>17,713</u>	<u>2,544</u>	<u>2,549</u>

Amounts owed to related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

#### 17. Creditors: amounts falling due after more than one year

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Accruals and deferred income	<u>1,798</u>	<u>1,951</u>	<u>-</u>	<u>-</u>

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 18. Notes to the cash flow statement

	2017 £'000	2016 £'000
(Loss) profit for the financial year	(22)	2,675
<i>Adjustments for:</i>		
Tax on profit on ordinary activities	(105)	415
Dividend receivable	(295)	(225)
Interest receivable and similar income	(77)	(137)
Other finance costs	546	459
Operating profit	47	3,187
Amortisation of goodwill	500	500
Post-employment benefits less payments	(3,000)	(2,696)
Depreciation of tangible fixed assets	1,065	1,217
Loss on disposal of tangible fixed assets	-	131
Decrease in provisions	(1)	(178)
<i>Working capital movements</i>		
Decrease/(increase) in stocks	44	(14)
Increase in trade debtors and amounts recoverable on long term contracts	(1,196)	(491)
Increase in amounts due by group undertakings	(103)	(116)
(Increase)/decrease in other debtors	(581)	240
(Increase)/decrease in prepayments	(85)	80
Decrease in trade creditors	(2,739)	(2,711)
Decrease in other taxation and social security creditors	(16)	(59)
Increase in other creditors and related party creditors	1,906	-
Increase in accruals and deferred income	352	1,479
Net cash inflow from operating activities	(3,807)	569

#### Analysis of changes in net debt

	2017 £'000	2016 £'000
Decrease in cash during the year	(3,579)	(1,381)
Change in net debt resulting in cash flows	(3,579)	(1,381)
As at start of year	19,570	20,951
As at end of year	15,991	19,570

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 19. Financial commitments

At 31 March 2017, the company had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2017 £'000	2016 £'000
Within one year	3,320	3,324
Within two to five years	12,573	12,754
After five years	36,269	39,349
	<u>52,162</u>	<u>55,427</u>

#### 20. Post-employment benefits

The Group operates a sectionalised defined benefit pension scheme, the A&P Group Pension Scheme. The defined benefit pension scheme is closed to future accrual.

Amounts recognised in the consolidated profit and loss account are as follows:

	2017 £'000	2016 £'000
Defined benefit schemes		
Scheme administrative expenses (note 20 a))	-	131
Defined contribution scheme (note 20 b))	1,115	1,206
Total charge in operating profit	<u>1,115</u>	<u>1,337</u>
Defined benefit schemes		
- net interest expense (note 20 a))	546	459
Total charge	<u>1,661</u>	<u>1,796</u>

Amounts recognised in the consolidated balance sheet in respect of the defined benefit pension schemes are as follows:

	2017 £'000	2016 £'000
Post-employment benefits – asset (Ship Repairers Section)	3,497	3,181
Post-employment benefits – deficit (A&P and Falmouth Sections)	(24,059)	(20,858)
Post-employment benefits – net position	<u>(20,562)</u>	<u>(17,677)</u>

The Company does not have any balances in respect of post-employment benefits (2016: £nil).

##### a) Defined benefit schemes

The assets of the Group's defined benefit pension scheme are held in a separately administered fund. The Scheme provides retirement benefits on the basis of members' final salary. The A&P Group Pension Scheme is administered by independent trustees who are responsible for ensuring that the plan is sufficiently funded to meet current and future obligations.

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 20. Post-employment benefits (continued)

##### a) Defined benefit schemes (continued)

Under the funding schedule agreed with the scheme trustees, the group aims to eliminate the deficit over a period of 4 to 10 years within the respective schemes. The group considers that the contribution rates agreed with the trustees are sufficient to eliminate the current deficit over the agreed period.

A comprehensive actuarial valuation of the defined benefit pension schemes, using the projected unit method, was carried out at 31 March 2015 by Capita Employee Benefits, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	2017 %	2016 %
Price inflation – RPI	3.35	3.10
Price inflation – CPI	2.35	2.10
Pension increase rate	2.10 – 3.35	1.85 – 3.00
Salary increase rate	n/a	n/a
Discount rate	2.50	3.35

The mortality assumptions used were as follows:

	2017 Years	2016 Years
Longevity at age 65 for current pensioners:		
- Men	22.0-23.1	22.2-23.3
- Women	24.0-24.2	24.2-24.5
Longevity at age 65 for future pensioners:		
- Men	23.3-24.2	23.5-24.6
- Women	25.5-25.7	25.7-25.9

Reconciliation of scheme assets and liabilities:

	Assets £'000	Liabilities £'000	Total £'000
At 1 April 2016	89,441	(107,118)	(17,677)
Benefits paid	(4,656)	4,656	-
Employer contributions	3,000	-	3,000
Interest income/(expense)	2,969	(3,515)	(546)
Remeasurement losses			
- Actuarial losses	-	(16,155)	(16,155)
- Return on plan assets excluding interest income	10,816	-	10,816
At 31 March 2017	101,570	(122,132)	(20,562)

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 20. Post-employment benefits (continued)

##### a) Defined benefit schemes (continued)

Total cost recognised as an expense:

	2017 £'000	2016 £'000
Scheme administrative expenses	-	131
Interest cost	546	459
	<u>546</u>	<u>590</u>

No amounts (2016: £nil) were included in the cost of assets.

The fair value of the plan assets were:

	2017 £'000	2016 £'000
Equities	32,927	26,295
Diversified growth assets	16,720	16,642
Corporate bonds	36,641	32,764
Gilts	12,104	10,733
Insured liabilities	2,617	2,566
Cash	561	441
Total	<u>101,570</u>	<u>89,441</u>

The plan assets do not include any of the Company's (or Group's) financial instruments.

The return on the plan assets was:

	2017 £'000	2016 £'000
Interest income	2,969	2,871
Return on plan assets less interest income	<u>10,816</u>	<u>(3,812)</u>
Total gains (losses)	<u>13,785</u>	<u>(941)</u>

##### b) Defined contribution scheme

The amount recognised as an expense for the defined contribution scheme was:

	2017 £'000	2016 £'000
Current year contributions (Note 8)	<u>1,115</u>	<u>1,206</u>

The group 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 £1,115,000 (2016: £1,206,000). As at 31 March 2017, contributions of £105,000 (2016: £156,000) due in respect of the current reporting year had not been paid out to the scheme and are included within accruals.

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 21. Provisions for liabilities and charges

Group	Industrial illness provision £'000
At 1 April 2016	1,587
Utilised in the year	(1)
At 31 March 2017	<u>1,586</u>

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 includes consideration of an independent actuary's review which provides an estimate of the Group's unpaid and uninsured UK industrial illness claims.

#### Company

The Company does not have any provisions for liabilities and charges at 31 March 2017 (2016: £nil).

#### 22. Financial instruments

##### Group

The Group has the following financial instruments:

	2017 £'000	2016 £'000
<i>Financial assets that are measured at amortised cost</i>		
Trade debtors	5,315	4,327
Amounts owed by related parties	553	450
Other debtors	1,191	610
	<u>7,059</u>	<u>5,387</u>
<i>Financial liabilities that are measured at amortised cost</i>		
Trade creditors	7,748	10,487
Amounts owed to related parties	112	112
Other creditors	1,906	-
Accruals and deferred income	6,998	6,493
	<u>16,764</u>	<u>17,092</u>

##### Derivative financial instruments – forward contracts

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 31 March 2017 the group had no outstanding contracts. The Group is committed to buy US \$nil (2016: US\$747,450) and £nil (2016: €670,855).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP: USD and GBP: EUR. The fair value of the forward-foreign currency contracts is £nil (2016: £1,026,396).

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 22. Financial instruments (continued)

##### Company

The Company has the following financial instruments:

	2017 £'000	2016 £'000
<i>Financial assets that are measured at amortised cost</i>		
Amounts owed by group undertakings	<u>3,825</u>	<u>2,264</u>
<i>Financial liabilities that are measured at amortised cost</i>		
Trade creditors	<u>2,545</u>	<u>2,549</u>

#### 23. Called-up share capital and reserves

##### Group and company

	2017 £'000	2016 £'000
<b>Allotted, called-up and fully paid</b>		
8,000 ordinary shares of £0.10 each	<u>1</u>	<u>1</u>

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

There has been no change in the number of allotted and fully paid shares during either the year ended 31 March 2017 or the year ended 31 March 2016.

##### Equity dividends

	2017 £'000	2016 £'000
Final dividend for the year ended 31 March 2017 of £nil (2016: £1,500) per share	<u>-</u>	<u>1,200</u>

## A&P Group Limited

### Notes to the financial statements (continued) for the year ended 31 March 2017

#### 24. Related party transactions

During the year the company carried out a number of transactions with related parties in the normal course of business. The names of the related parties, nature of these transactions and their total value is shown below:

	2017		2016	
	Value of transaction £'000	Receivable (payable) at the year end £'000	Value of transaction £'000	Receivable (payable) at the year end £'000
<b>Transactions with The Mersey Docks &amp; Harbour Company Limited:</b>				
Rental payments and services payable by A&P Group Limited and its subsidiaries	2,953	(112)	2,953	(112)
<b>Transactions with Atlantic &amp; Peninsula Marine Services Limited:</b>				
Management charges payable	400	-	400	-
Fees receivable in respect of directors' services	92	-	114	-
<b>Transactions with Atlantic &amp; Peninsula Australia Pty Limited:</b>				
Management charges receivable	449	-	183	-
Management charges payable	-	-	170	-
Loan account	-	185	-	450
<b>Transactions with Cammell Laird Shiprepairers &amp; Shipbuilders Limited:</b>				
Sale of fabrication services	442	368	-	-