

# Malakoff Limited

## GROUP REPORT AND FINANCIAL STATEMENTS

for the year ended

31 December 2012

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COMPANIES HOUSE

# Malakoff Limited

## OFFICERS AND PROFESSIONAL ADVISERS

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### DIRECTORS

A Gould  
D Stevenson  
T Long

### SECRETARY

C Duncan

### AUDITORS

Baker Tilly UK Audit LLP  
Chartered Accountants  
St Olaf's Hall  
Church Road  
Lerwick  
Shetland  
ZE1 0FD

### BANKERS

The Royal Bank of Scotland plc  
81 Commercial Street  
Lerwick  
Shetland  
ZE1 0AD

### SOLICITORS

N J Risk  
Nordhus  
Northness Business Park  
Lerwick  
Shetland  
ZE1 0LZ

### COMPANY ADDRESS

Malakoff Limited  
North Ness  
Lerwick  
Shetland  
ZE1 0LZ

# Malakoff Limited

## DIRECTORS' REPORT

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The directors submit their report and financial statements of the group for the year ended 31 December 2012.

### PRINCIPAL ACTIVITIES

The principal activity of the group is marine and civil engineering.

### REVIEW OF THE BUSINESS

The directors are pleased to report that the 2012 year of trading has produced a satisfactory year end pre-tax profit of £167k, which is £67k in excess of the planned £100k profit for the year. Shareholders' funds have increased to £898k, an increase of 449% on the original £200k Ordinary Share Capital issued.

No dividends were accrued or paid to the ordinary shareholders.

After a reasonable start early in the year, turnover for 2012 increased by just over 23% on the 2011 levels of £6,912k, to £8,531k by the year end.

2012 started as 2011 ended, with the group experiencing steady workloads throughout the year.

However, the middle of 2012 saw the start of the down turn in the provision of engineering services to the offshore wind farm sector, with the major completion of The Greater Gabbard Wind Farm contract resulting in the reduction of temporary staff. Following changes in both the politics of the industry and also the charging incentives, it is probable that future projects previously in the pipeline are now likely to be some time off. Nevertheless, Malakoff has already made endeavours to become involved with the Gwynt-y-Mor offshore wind farm project in Wales. In addition, Malakoff successfully won a major diving and underwater inspection contract on the Greater Gabbard project in 2012 and it is hoped that this will lead to similar future works.

The Jetty Maintenance contact at the Sullom Voe Oil Terminal in Shetland was extended for one further year into 2012. This was to allow for concrete repair works to the jetties and resulted in a large increase in turnover on the contract compared to the previous year. In the last quarter of 2012, a contract was competitively won from Fortum to coordinate the design, fabricate and install a new nitrogen plant at the Sullom Voe Power Station. The new plant will provide nitrogen to the whole of the Sullom Voe Oil Terminal.

Total's new Gas Plant at Sullom Voe did not bring the expected increase in workloads previously anticipated, due we believe, mainly to delays in the engineering design but also to a large incoming contractors workforce being used. The majority of works undertaken in 2012 were civil engineering related as part of the construction of the new pipeline coming ashore.

The new pier build in Fetlar with local Firm FL Johnson was completed on time and budget. A further contract to complete the new pier in Walls was competitively won with the same firm later in the year.

Work on the group's slipways continued to be strong throughout the year. The increase in harbour traffic due to the buoyant oil industry also helped to provide steady work loads. The salmon, whitefish and pelagic industries continued to supply steady work although the expected upturn in the Pelagic sector did not occur.

The negotiations with SLAP about Warehouse 1 continued throughout the year, although due to Planning and Building control they were taking much longer than anticipated. The end of 2012 saw Malakoff still awaiting a building warrant although planning consent for the conversion had been successfully obtained.

The Joint Venture that started with such gusto in 2011 continued to make great inroads in marketing & promotion during the first half of 2012. However, progress stalled somewhat in the second half of 2012 due to one of the partners in the venture suffering financial difficulties. It is hoped that 2013 will see this made good.

# Malakoff Limited

## DIRECTORS' REPORT

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### KEY PERFORMANCE INDICATORS

Directors use and monitor the following KPI's as part of their management of the group:

|                         | 2012      | 2011      |
|-------------------------|-----------|-----------|
| Turnover £              | 8,531,621 | 6,912,251 |
| Gross Profit %          | 32.7      | 34.1      |
| EBITDA £                | 311,328   | 267,264   |
| Net Profit after Tax £  | 133,750   | 102,155   |
| Capital Expenditure £   | 421,606   | 108,169   |
| No. of Employees        | 117       | 111       |
| Turnover per Employee £ | 72,920    | 62,273    |
| Shareholders Funds £    | 898,823   | 765,073   |

### FUTURE DEVELOPMENTS

Having the SVT jetty maintenance contract extended for a further year provided a boon to the 2012 workload. However it does mean that the contract will have to be re-tendered for early in 2013. Nevertheless, it is hoped that Malakoff will be in an extremely good position to win the contract again, particularly with its excellent track record on previous contracts.

The installation of the new nitrogen plant for the Sullom Voe Terminal is not programmed to be completed until the 2<sup>nd</sup> quarter of 2013 and it is hoped that this will lead to some future works. The SVT intervention project is also likely to be up and running by the end of 2013 and this should lead to further opportunities for work.

It is hoped that our previous accomplishments in the provision of major diving services for the offshore wind farm sector will pay dividends in 2013. It is expected that further contracts will be offered in the second quarter of 2013 and that Malakoff will be in a strong position to tender and win these works.

The Warehouse 1 project and Malakoff's plans to relocate its workshops' are programmed to start mid 2013. It is envisaged that the refurbishment works will take approximately 1 year although a staged entry has been planned.

2013 will see the Joint Venture repositioning itself in the market and improving again, following the poor progress made in the 2<sup>nd</sup> half of 2012.

The early indications for 2013 are that the group will meet its targets for sales and profit.

### BUSINESS RISKS

The continued success of the group depends upon the Management's ability to identify and manage risks which are inherent in the type of activity we are engaged in. These risks fall into specific areas, all of which have the potential to impact on the success of the company. The group carries out an annual risk assessment on all areas of the business then mitigates risk through internal procedures or insures against risk

# Malakoff Limited

## DIRECTORS' REPORT

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### Financial Risk

The principal financial risks that we run are associated with our ability to properly estimate the costs of carrying out the contracts in which we engage, the risk of properly incurring and controlling those costs, the ability to recover costs under the payment terms of all contracts, the financial standing of our customers, sub-contractors and suppliers in terms of their ability to discharge their obligations to us.

The group controls these risks in a number of ways.

- The group is highly selective in the type of work that it tenders for in the terms of the project size, location, complexity and contract duration.
- These criteria are examined for each business area and are specific to them to ensure that they are used to best effect and are in line with the areas where we have proven expertise.
- Tenders are controlled in accordance with a tender control policy and are authorised by directors according to their value and type.
- Loss or restriction of supply is mitigated against by expanding the group's supplier base.
- Loss of key markets or customers is mitigated against by having a wide customer base and avoiding undue reliance on any one market.
- We also have a credit management policy to manage credit risk.

### Health and Safety

The group recognises the importance of the health and safety of all those employed in its offices and sites and operates policies to ensure that the risks associated with accidents and health are properly managed and controlled. The group has successfully attained OHSAS 18001 as part of its health & safety management system compliance.

### The Environment

The group recognises the importance of minimising the impact on the environment and is pro-actively managing this. The group has successfully attained OHSAS 14001 as part of its environmental management system compliance.

### Human Resources

The group's employees are its most important resource. It is essential to the future success of the business that a skilled and motivated workforce is retained.

## DIRECTORS

The directors who served the company during the year were as follows:

A Gould  
D Stevenson  
T Long

## AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

# Malakoff Limited

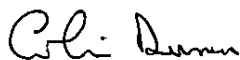
## DIRECTORS' REPORT

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### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the board



C Duncan

Company Secretary

26 September 2013

# Malakoff Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAKOFF LIMITED

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We have audited the group and parent company financial statements (the "financial statements") on pages 8 to 25. 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).

This report is made solely to the company's members, 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 more fully explained in the Directors' Responsibilities Statement set out on page 6 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 (APB's) Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx)

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Other matter – Prior Period financial statements not audited**

The group was exempt from the requirement to prepare consolidated financial statements in the year to 31 December 2011 and consequently the consolidated corresponding figures were unaudited.

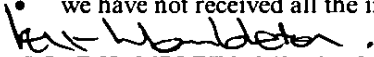
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

  
IRENE HAMBLETON (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

St Olaf's Hall

Church Road

Lerwick

Shetland

ZE1 0FD

26 September 2013

# Malakoff Limited

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 2012

|                                                  | <i>Notes</i> | 2012<br>£ | 2011<br>£ |
|--------------------------------------------------|--------------|-----------|-----------|
| GROUP TURNOVER                                   | 2            | 8,531,621 | 6,912,251 |
| Cost of sales                                    |              | 5,739,019 | 4,559,791 |
|                                                  |              | <hr/>     | <hr/>     |
| GROSS PROFIT                                     |              | 2,792,602 | 2,352,460 |
| Administrative expenses                          |              | 2,599,221 | 2,203,770 |
|                                                  |              | <hr/>     | <hr/>     |
| OPERATING PROFIT                                 | 3            | 193,381   | 148,690   |
| Interest payable and similar charges             | 6            | 26,222    | 26,160    |
|                                                  |              | <hr/>     | <hr/>     |
| PROFIT ON ORDINARY ACTIVITIES<br>BEFORE TAXATION |              | 167,159   | 122,530   |
| Tax on profit on ordinary activities             | 7            | 33,409    | 20,375    |
|                                                  |              | <hr/>     | <hr/>     |
| PROFIT ON ORDINARY ACTIVITIES<br>AFTER TAXATION  | 19           | 133,750   | 102,155   |
|                                                  |              | <hr/>     | <hr/>     |

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own profit and loss account.

The operating profit for the year arises from the group's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

# Malakoff Limited

Company Registration No. SC242516

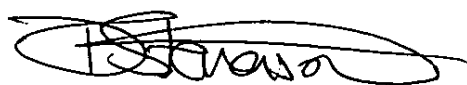
## GROUP BALANCE SHEET

31 December 2012

|                                                  | Notes | £           | 2012<br>£ | £           | 2011<br>£ |
|--------------------------------------------------|-------|-------------|-----------|-------------|-----------|
| <b>FIXED ASSETS</b>                              |       |             |           |             |           |
| Intangible assets                                | 8     |             | 700       |             | 2,700     |
| Tangible assets                                  | 9     |             | 937,390   |             | 659,220   |
| Investments                                      | 10    |             | 300       |             | 300       |
|                                                  |       |             | <hr/>     |             | <hr/>     |
|                                                  |       |             | 938,390   |             | 662,220   |
| <b>CURRENT ASSETS</b>                            |       |             |           |             |           |
| Stocks                                           | 11    | 674,113     |           | 984,885     |           |
| Debtors                                          | 12    | 1,218,304   |           | 1,324,677   |           |
| Cash at bank and in hand                         |       | 22,958      |           | 3,186       |           |
|                                                  |       | <hr/>       |           | <hr/>       |           |
|                                                  |       |             | 1,915,375 |             | 2,312,748 |
| <b>CREDITORS:</b>                                |       |             |           |             |           |
| Amounts falling due within one year              | 13    | (1,560,876) |           | (1,955,385) |           |
|                                                  |       | <hr/>       |           | <hr/>       |           |
| <b>NET CURRENT ASSETS</b>                        |       |             | 354,499   |             | 357,363   |
|                                                  |       |             | <hr/>     |             | <hr/>     |
| <b>TOTAL ASSETS LESS<br/>CURRENT LIABILITIES</b> |       |             | 1,292,889 |             | 1,019,583 |
| <b>CREDITORS:</b>                                |       |             |           |             |           |
| Amounts falling due after more than one year     | 14    |             | (90,042)  |             | (117,240) |
| <b>PROVISIONS FOR LIABILITIES</b>                |       |             |           |             |           |
| Deferred taxation                                | 15    |             | (202,466) |             | (24,000)  |
|                                                  |       |             | (9,888)   |             | -         |
| Deferred capital grants                          | 17    |             | (91,670)  |             | (113,270) |
|                                                  |       |             | <hr/>     |             | <hr/>     |
|                                                  |       |             | 898,823   |             | 765,073   |
|                                                  |       |             | <hr/>     |             | <hr/>     |
| <b>CAPITAL AND RESERVES</b>                      |       |             |           |             |           |
| Called up share capital                          | 18    |             | 200,000   |             | 200,000   |
| Profit and loss account                          | 19    |             | 648,823   |             | 515,073   |
| Capital redemption reserve                       | 20    |             | 50,000    |             | 50,000    |
|                                                  |       |             | <hr/>     |             | <hr/>     |
| <b>SHAREHOLDERS' FUNDS</b>                       | 21    |             | 898,823   |             | 765,073   |
|                                                  |       |             | <hr/>     |             | <hr/>     |

These financial statements were approved by the board of directors and authorised for issue on 26 September 2013 and are signed on their behalf by:

Director

  
J. STEVENSON

# Malakoff Limited

Company Registration No. SC242516

## BALANCE SHEET

31 December 2012

|                                                  | Notes | £           | 2012<br>£ | £           | 2011<br>£ |
|--------------------------------------------------|-------|-------------|-----------|-------------|-----------|
| <b>FIXED ASSETS</b>                              |       |             |           |             |           |
| Intangible assets                                | 8     |             | 700       |             | 2,700     |
| Tangible assets                                  | 9     |             | 937,225   |             | 658,040   |
| Investments                                      | 10    |             | 303       |             | 303       |
|                                                  |       |             | <hr/>     |             | <hr/>     |
|                                                  |       |             | 938,228   |             | 661,043   |
| <b>CURRENT ASSETS</b>                            |       |             |           |             |           |
| Stock                                            | 11    | 674,113     |           | 984,885     |           |
| Debtors                                          | 12    | 1,232,937   |           | 1,323,098   |           |
| Cash at bank and in hand                         |       | 21,819      |           | 2,578       |           |
|                                                  |       | <hr/>       |           | <hr/>       |           |
|                                                  |       |             | 1,928,869 |             | 2,310,561 |
| <b>CREDITORS:</b>                                |       |             |           |             |           |
| Amounts falling due within one year              | 13    | (1,514,612) |           | (1,922,466) |           |
|                                                  |       | <hr/>       |           | <hr/>       |           |
| <b>NET CURRENT ASSETS</b>                        |       |             | 414,257   |             | 388,095   |
|                                                  |       |             | <hr/>     |             | <hr/>     |
| <b>TOTAL ASSETS LESS<br/>CURRENT LIABILITIES</b> |       |             | 1,352,485 |             | 1,049,138 |
| <b>CREDITORS:</b>                                |       |             |           |             |           |
| Amounts falling due after more than one year     | 14    |             | (90,042)  |             | (117,240) |
| <b>PROVISION FOR LIABILITIES</b>                 | 16    |             | (202,466) |             | (24,000)  |
| Deferred taxation                                | 15    |             | (9,888)   |             | -         |
| Deferred capital grants                          |       |             | (91,670)  |             | (113,270) |
|                                                  |       |             | <hr/>     |             | <hr/>     |
|                                                  |       |             | 958,419   |             | 794,628   |
|                                                  |       |             | <hr/>     |             | <hr/>     |
| <b>CAPITAL AND RESERVES</b>                      |       |             |           |             |           |
| Called up share capital                          | 18    |             | 200,000   |             | 200,000   |
| Profit and loss account                          | 19    |             | 708,419   |             | 544,628   |
| Capital redemption reserve                       | 20    |             | 50,000    |             | 50,000    |
|                                                  |       |             | <hr/>     |             | <hr/>     |
| <b>SHAREHOLDERS' FUNDS</b>                       | 21    |             | 958,419   |             | 794,628   |
|                                                  |       |             | <hr/>     |             | <hr/>     |

These financial statements were approved by the board of directors and authorised for issue on 26 September 2013 and are signed on their behalf by:



Director

D. STAKSTON

# Malakoff Limited

## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December 2012

|                                                | <i>Notes</i> | 2012<br>£      | 2011<br>£        |
|------------------------------------------------|--------------|----------------|------------------|
| Net cash flow from operating activities        | 24           | 923,662        | (406,599)        |
| Returns on investment and servicing of finance | 24           | (26,222)       | (26,160)         |
| Taxation                                       | 24           | (110,105)      | -                |
| Capital expenditure and financial investment   | 24           | (289,484)      | (18,146)         |
|                                                |              | <hr/>          | <hr/>            |
| CASH INFLOW/(OUTFLOW)<br>BEFORE FINANCING      |              | 497,851        | (450,905)        |
| Financing                                      | 24           | (158,572)      | (159,447)        |
|                                                |              | <hr/>          | <hr/>            |
| INCREASE/(DECREASE) IN CASH IN<br>THE YEAR     | 24           | <u>339,279</u> | <u>(610,352)</u> |

# Malakoff Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012

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### 1 ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

#### GOING CONCERN

No material uncertainties that may cast significant doubt about the ability of the group to continue as a going concern have been identified by the directors. As a result they have adopted the going concern basis of accounting.

#### CONSOLIDATION

The consolidated financial statements incorporate those of Malakoff Limited and its subsidiary undertaking. All financial statements are made up to 31 December 2012.

All intra group transactions and balances between group companies are eliminated on consolidation.

As a consolidated profit and loss is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of section 408 of the Companies Act 2006. The parent company's individual retained profit for the year was £163,791 (2011 - £124,630).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

#### TURNOVER

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services in the ordinary nature of the business. Turnover is shown net of Value Added Tax, of goods and services provided to customers and, in the case of long term contracts, credit is taken appropriate to the stage of completion when the outcome of the contract can be ascertained with reasonable certainty.

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

#### AMORTISATION

Amortisation is calculated so as to write off the cost of an intangible fixed asset, less its estimated residual value, over the useful economic life of that asset as follows:

|                       |            |
|-----------------------|------------|
| Goodwill              | - 10 years |
| Intellectual Property | - 10 years |

#### FIXED ASSETS

All fixed assets are initially recorded at cost except internally generated assets which are recorded at valuation.

#### DEPRECIATION

Depreciation is calculated so as to write off the cost of a tangible fixed asset, less its estimated residual value, over the useful economic life of that asset as follows:

|                   |                |
|-------------------|----------------|
| Freehold Property | - 50 years     |
| Plant & Machinery | - 3 - 10 years |
| Motor Vehicles    | - 4 years      |

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# Malakoff Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

(continued)

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### 1 ACCOUNTING POLICIES (continued)

#### STOCKS

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### WORK IN PROGRESS

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Provision is made for any foreseeable losses where appropriate. Profit is taken in to the valuation of work in progress where the outcome of the final job is known.

Contracts are assessed on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is classified as "amounts recoverable on contracts" and included in debtors; to the extent that payments on account exceed relevant turnover, the excess is included as a creditor. The amount of long term contracts, at cost net of amounts transferred to cost of sales, less provision for foreseeable losses and payments on account not matched with turnover, is included within stocks.

#### HIRE PURCHASE AGREEMENTS

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

#### PENSION COSTS

The company makes contributions to private pension schemes on behalf of directors and staff. The assets of the scheme are held separately from those of the company and contributions payable are charged to the profit and loss account.

#### DEFERRED TAXATION

Deferred tax 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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which 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 a non-discounted basis.

#### FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# Malakoff Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

### 1 ACCOUNTING POLICIES (continued)

#### DEFERRED GOVERNMENT GRANTS

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

#### INVESTMENTS

Investments are capitalised at cost. An annual impairment review is carried out and the carrying value of the investment is adjusted to take account of any impairment suffered.

### 2 TURNOVER

The turnover and profit before tax are attributable to the activities of the group.

The directors are of the opinion that disclosure of details of turnover and profit by class of business and geographical markets would be detrimental to the group's interests.

| 3 OPERATING PROFIT                                     | 2012<br>£         | 2011<br>£         |
|--------------------------------------------------------|-------------------|-------------------|
| Operating profit is stated after charging/(crediting): |                   |                   |
| Depreciation of tangible fixed assets:                 |                   |                   |
| Owned                                                  | 69,149            | 74,866            |
| Leased                                                 | 68,398            | 63,308            |
| Amortisation of intangible fixed assets                | 1,000             | 1,000             |
| Amortisation of goodwill                               | 1,000             | 1,000             |
| Profit on sale of fixed assets                         | (34,990)          | -                 |
| Amortisation of grants                                 | (21,600)          | (21,600)          |
| Staff pension contributions                            | 7,200             | 7,200             |
|                                                        | <u>          </u> | <u>          </u> |

Amounts payable to Baker Tilly UK Audit LLP and its associates in respect of both audit and non-audit services:

|                            | 2012<br>£         | 2011<br>£         |
|----------------------------|-------------------|-------------------|
| Group                      |                   |                   |
| Audit services             |                   |                   |
| - statutory audit          | 22,950            | 7,549             |
| Other Services             |                   |                   |
| - relating to taxation     | 2,137             | 1,545             |
| - other non audit services | -                 | 2,270             |
| Company                    |                   |                   |
| Audit Services             |                   |                   |
| - statutory audit          | 21,200            | 7,549             |
| Other Services             |                   |                   |
| - relating to taxation     | 1,597             | 1,545             |
|                            | <u>          </u> | <u>          </u> |

# Malakoff Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

|   |                                                                                                                   |                  |                  |
|---|-------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| 4 | PARTICULARS OF EMPLOYEES                                                                                          | 2012<br>No.      | 2011<br>No.      |
|   | The average number of staff employed by the group<br>(including directors) during the financial year amounted to: |                  |                  |
|   | Management and administration                                                                                     | 15               | 15               |
|   | Production                                                                                                        | 102              | 96               |
|   |                                                                                                                   | —                | —                |
|   |                                                                                                                   | 117              | 111              |
|   |                                                                                                                   | <u>117</u>       | <u>111</u>       |
|   |                                                                                                                   | 2012             | 2011             |
|   | The aggregate payroll costs of the above were:                                                                    |                  |                  |
|   |                                                                                                                   | £                | £                |
|   | Wages and salaries                                                                                                | 4,072,940        | 3,721,446        |
|   | Social security costs                                                                                             | 423,588          | 377,291          |
|   | Contributions to personal pensions                                                                                | 16,200           | 16,200           |
|   |                                                                                                                   | —                | —                |
|   |                                                                                                                   | 4,512,728        | 4,114,937        |
|   |                                                                                                                   | <u>4,512,728</u> | <u>4,114,937</u> |
| 5 | DIRECTORS' EMOLUMENTS                                                                                             | 2012<br>£        | 2011<br>£        |
|   | The directors' aggregate emoluments in respect of qualifying services were:                                       |                  |                  |
|   | Aggregate remuneration                                                                                            | 201,751          | 146,279          |
|   | Value of pension contributions to money purchase schemes                                                          | 9,000            | 9,000            |
|   |                                                                                                                   | —                | —                |
|   |                                                                                                                   | 210,751          | 155,279          |
|   |                                                                                                                   | <u>210,751</u>   | <u>155,279</u>   |
|   | Remuneration of highest paid director:                                                                            |                  |                  |
|   |                                                                                                                   | 2012<br>£        | 2011<br>£        |
|   | Total remuneration (excluding pension contributions)                                                              | 74,330           | 40,025           |
|   | Value of pension contributions to money purchase schemes                                                          | 3,000            | 3,000            |
|   |                                                                                                                   | —                | —                |
|   |                                                                                                                   | 77,330           | 43,025           |
|   |                                                                                                                   | <u>77,330</u>    | <u>43,025</u>    |
|   | The number of directors who accrued benefits under company pension scheme was as follows:                         |                  |                  |
|   |                                                                                                                   | 2012<br>No.      | 2011<br>No.      |
|   | Money purchase schemes                                                                                            | 2                | 2                |
|   |                                                                                                                   | <u>2</u>         | <u>2</u>         |

# Malakoff Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

|     |                                                                                                                            |                |                |
|-----|----------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| 6   | INTEREST PAYABLE                                                                                                           | 2012           | 2011           |
|     |                                                                                                                            | £              | £              |
|     | Finance charges in respect of leases and hire purchase contracts                                                           | 9,031          | 7,809          |
|     | Bank interest                                                                                                              | 10,376         | 7,471          |
|     | Other interest                                                                                                             | 6,815          | 10,880         |
|     |                                                                                                                            | <u>26,222</u>  | <u>26,160</u>  |
| 7   | TAX ON PROFIT ON ORDINARY ACTIVITIES                                                                                       | 2012           | 2011           |
|     |                                                                                                                            | £              | £              |
| (a) | Analysis of charge in the year                                                                                             |                |                |
|     | Current tax charge for the period                                                                                          | 21,975         | 23,300         |
|     | Adjustments to tax charge in respect of previous periods                                                                   | (2)            | (8,277)        |
|     |                                                                                                                            | <u>21,973</u>  | <u>15,023</u>  |
|     | Total current tax                                                                                                          | 21,973         | 15,023         |
|     | Increase in deferred tax provision (note 15)                                                                               | 11,436         | 5,352          |
|     |                                                                                                                            | <u>33,409</u>  | <u>20,375</u>  |
| (b) | Factors affecting current tax charge                                                                                       |                |                |
|     | The tax assessed for the period is lower than the standard rate of corporation tax of 20% (2011 - 20%) as explained below. |                |                |
|     |                                                                                                                            | 2012           | 2011           |
|     |                                                                                                                            | £              | £              |
|     | Profit on ordinary activities before tax                                                                                   | <u>167,159</u> | <u>122,530</u> |
|     | Profit on ordinary activities multiplied by standard rate of corporation tax of 20% (2011- 20%)                            | 33,432         | 24,506         |
|     | Effects of:                                                                                                                |                |                |
|     | Expenses not deductible for tax purposes                                                                                   | (11,318)       | 20             |
|     | Capital allowances more than depreciation                                                                                  | (1,290)        | (7,660)        |
|     | Tax chargeable at lower rates                                                                                              | -              | 284            |
|     | Adjustments to tax charge in respect of previous periods                                                                   | (2)            | (8,277)        |
|     | Losses carried back                                                                                                        | -              | 6,150          |
|     | Sundry tax adjusting item                                                                                                  | 1,151          | -              |
|     |                                                                                                                            | <u>21,973</u>  | <u>15,023</u>  |
|     | Total current tax charge for the period                                                                                    | <u>21,973</u>  | <u>15,023</u>  |

# Malakoff Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

### 8 INTANGIBLE FIXED ASSETS

|                                   | Goodwill<br>£ | Intellectual<br>Property<br>£ | Total<br>£    |
|-----------------------------------|---------------|-------------------------------|---------------|
| Group and company                 |               |                               |               |
| At 1 January and 31 December 2012 | <u>10,000</u> | <u>10,000</u>                 | <u>20,000</u> |
| Amortisation                      |               |                               |               |
| At 1 January 2012                 | 8,650         | 8,650                         | 17,300        |
| Charge for the year               | <u>1,000</u>  | <u>1,000</u>                  | <u>2,000</u>  |
| At 31 December 2012               | <u>9,650</u>  | <u>9,650</u>                  | <u>19,300</u> |
| Net book value                    |               |                               |               |
| At 31 December 2012               | <u>350</u>    | <u>350</u>                    | <u>700</u>    |
| At 31 December 2011               | <u>1,350</u>  | <u>1,350</u>                  | <u>2,700</u>  |

### 9 TANGIBLE FIXED ASSETS

|                     | Land and<br>Buildings<br>£ | Plant<br>and Motor<br>Vehicles<br>£ | Total<br>£       |
|---------------------|----------------------------|-------------------------------------|------------------|
| Group               |                            |                                     |                  |
| Cost or valuation   |                            |                                     |                  |
| At 1 January 2012   | 464,425                    | 1,186,341                           | 1,650,766        |
| Additions           | -                          | 421,606                             | 421,606          |
| Disposals           | <u>(5,754)</u>             | <u>(54,074)</u>                     | <u>(59,828)</u>  |
| At 31 December 2012 | <u>458,671</u>             | <u>1,553,873</u>                    | <u>2,012,544</u> |
| Depreciation        |                            |                                     |                  |
| At 1 January 2012   | 79,270                     | 912,276                             | 991,546          |
| Charge for year     | 9,176                      | 128,371                             | 137,547          |
| Disposals           | <u>-</u>                   | <u>(53,939)</u>                     | <u>(53,939)</u>  |
| At 31 December 2012 | <u>88,446</u>              | <u>986,708</u>                      | <u>1,075,154</u> |
| Net book value      |                            |                                     |                  |
| At 31 December 2012 | <u>370,225</u>             | <u>567,165</u>                      | <u>937,390</u>   |
| At 31 December 2011 | <u>385,155</u>             | <u>274,065</u>                      | <u>659,220</u>   |

The net book value of fixed assets of £937,390 (2011 - £659,220) includes £174,374 (2011 - £146,830) in respect of assets held under finance leases and hire purchase agreements. A depreciation charge of £68,398 (2011 - £63,308) has been made against these assets in the year.

Included within plant and motor vehicle additions in the year is £300,000 (2011 - £nil) which relates to the MV Brenda, a boat which was constructed by the company and transferred from current assets in the year. It is included in fixed assets at valuation at the date of transfer.

# Malakoff Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

### 9 TANGIBLE FIXED ASSETS (continued)

| Company             | Land and<br>Buildings<br>£ | Plant<br>and Motor<br>Vehicles<br>£ | Total<br>£       |
|---------------------|----------------------------|-------------------------------------|------------------|
| Cost or valuation   |                            |                                     |                  |
| At 1 January 2012   | 464,425                    | 1,172,413                           | 1,636,838        |
| Additions           | -                          | 421,606                             | 421,606          |
| Disposals           | (5,754)                    | (54,074)                            | (59,828)         |
|                     | <u>458,671</u>             | <u>1,539,945</u>                    | <u>1,998,616</u> |
| At 31 December 2012 |                            |                                     |                  |
| Depreciation        |                            |                                     |                  |
| At 1 January 2012   | 79,270                     | 899,528                             | 978,798          |
| Charge for year     | 9,176                      | 127,356                             | 136,532          |
| On disposals        | -                          | (53,939)                            | (53,939)         |
|                     | <u>88,446</u>              | <u>972,945</u>                      | <u>1,061,391</u> |
| At 31 December 2012 |                            |                                     |                  |
| Net book value      |                            |                                     |                  |
| At 31 December 2012 | <u>370,225</u>             | <u>567,000</u>                      | <u>937,225</u>   |
| At 31 December 2011 | <u>385,155</u>             | <u>272,885</u>                      | <u>658,040</u>   |

The net book value of fixed assets of £937,225 (2011 - £658,040) includes £174,374 (2011 - £146,830) in respect of assets held under finance leases and hire purchase agreements. A depreciation charge of £68,398 (2011 - £63,308) has been made against these assets in the year.

Included within plant and motor vehicle additions in the year is £300,000 (2011 - £nil) which relates to the MV Brenda, a boat which was constructed by the company and transferred from current assets in the year. It is included in fixed assets at valuation at the date of transfer.

### 10 FIXED ASSET INVESTMENTS

|                                        |            |
|----------------------------------------|------------|
|                                        | £          |
| Shares in group undertakings:          |            |
| Cost                                   |            |
| At 1 January 2012 and 31 December 2012 | <u>3</u>   |
| Shares in joint ventures:              |            |
| Cost                                   |            |
| At 1 January 2012 and 31 December 2012 | <u>300</u> |

The company's subsidiary undertakings are as follows:

| Name of undertaking          | Country of<br>incorporation | Principal activity   | Percentage of ordinary<br>share capital held % |
|------------------------------|-----------------------------|----------------------|------------------------------------------------|
| Malakoff Engineering Limited | Scotland                    | Engineering services | 100                                            |

All of the above are included in the consolidation.

# Malakoff Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

### 11 STOCKS

|                  | Group and company |                |
|------------------|-------------------|----------------|
|                  | 2012              | 2011           |
|                  | £                 | £              |
| Stock            | 298,513           | 277,334        |
| Work in progress | 375,600           | 707,551        |
|                  | <u>674,113</u>    | <u>984,885</u> |

### 12 DEBTORS

|                                         | Group            |                  | Company          |                  |
|-----------------------------------------|------------------|------------------|------------------|------------------|
|                                         | 2012             | 2011             | 2012             | 2011             |
|                                         | £                | £                | £                | £                |
| Trade debtors                           | 656,909          | 903,203          | 656,909          | 903,203          |
| Other debtors                           | 553,118          | 385,930          | 551,526          | 384,351          |
| Deferred taxation                       | -                | 1,548            | -                | 1,548            |
| Corporation tax                         | 8,277            | -                | -                | -                |
| Amounts owed by group undertakings      | -                | -                | 24,502           | -                |
| Amounts owed by associated undertakings | -                | 33,996           | -                | 33,996           |
|                                         | <u>1,218,304</u> | <u>1,324,677</u> | <u>1,232,937</u> | <u>1,323,098</u> |

Included within other debtors is an amount of £512,658 (2011 - £341,225) that relates to amounts recoverable on contracts.

# Malakoff Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

### 13 CREDITORS: amounts falling due within one year

|                                                                  | Group            |                  | Company          |                  |
|------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                  | 2012             | 2011             | 2012             | 2011             |
|                                                                  | £                | £                | £                | £                |
| Bank loans and overdrafts                                        | 240,830          | 559,837          | 240,830          | 559,837          |
| Trade creditors                                                  | 487,635          | 363,616          | 487,635          | 363,616          |
| Other tax and social security                                    | 355,894          | 544,995          | 353,618          | 500,472          |
| Other creditors                                                  | 393,521          | 339,916          | 349,533          | 296,928          |
| Obligations under finance leases and<br>Finance lease agreements | 61,021           | 45,191           | 61,021           | 45,191           |
| Amounts owed to group undertakings                               | -                | -                | -                | 84,414           |
| Corporation tax                                                  | 21,975           | 101,830          | 21,975           | 72,008           |
|                                                                  | <u>1,560,876</u> | <u>1,955,385</u> | <u>1,514,612</u> | <u>1,922,466</u> |

Included in other creditors is an amount of £123,978, (2011 - £139,066) that relates to amounts invoiced in advance of an accrued sales valuation.

Included in other creditors is an amount of £70,000 (2011 - £70,000) relating to outstanding payments due to directors and staff personal pension plans.

The following liabilities disclosed under creditors falling due within one year are secured by the group and company:

|                           | Group          |                | Company        |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 2012           | 2011           | 2012           | 2011           |
|                           | £              | £              | £              | £              |
| Bank loans and overdrafts | 240,830        | 559,837        | 240,830        | 559,837        |
| Other loans               | 27,339         | 78,045         | 27,339         | 78,045         |
| Finance lease agreements  | 61,021         | 45,191         | 61,021         | 45,191         |
|                           | <u>329,190</u> | <u>683,073</u> | <u>329,190</u> | <u>683,073</u> |

Securities held over the group's assets are as follows:

1. Bond and floating charge over all company assets.
2. Second floating charge over all the company assets.
3. Standard security over subjects at Westshore, Scalloway, Shetland
4. Standard security over subjects at North Ness, Lerwick, Shetland
5. Standard security over workshop, stores, pier and shed at Westshore, Scalloway, Shetland
6. Standard security over jetties, bulwark, pier and slipway at North Ness, Lerwick, Shetland.

# Malakoff Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

### 14 CREDITORS: amounts falling due after more than one year

|                           | Group and Company |                |
|---------------------------|-------------------|----------------|
|                           | 2012              | 2011           |
|                           | £                 | £              |
| Bank loans and overdrafts | 39,548            | 50,325         |
| Other loans               | -                 | 27,339         |
| Finance lease agreements  | 50,494            | 39,576         |
|                           | <u>90,042</u>     | <u>117,240</u> |

The following liabilities disclosed under creditors falling due after more than one year are secured by the group and company:

|                           | Group and Company |                |
|---------------------------|-------------------|----------------|
|                           | 2012              | 2011           |
|                           | £                 | £              |
| Bank loans and overdrafts | 39,548            | 50,325         |
| Other loans               | -                 | 27,339         |
| Finance lease agreements  | 50,494            | 39,576         |
|                           | <u>90,042</u>     | <u>117,240</u> |

Included within creditors falling due after more than one year is an amount of £nil (2011 - £5,617) in respect of liabilities which fall due for payment after more than five years from the balance sheet date.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

|                          | Group and Company |          |
|--------------------------|-------------------|----------|
|                          | 2012              | 2011     |
|                          | £                 | £        |
| Within one year          | 61,021            | 45,191   |
| Within one to two years  | 33,029            | 33,784   |
| Within two to five years | 17,465            | 5,792    |
| After five years         | -                 | -        |
|                          | <u>-</u>          | <u>-</u> |

Obligations under finance leases and hire purchase contracts are secured by related assets.

# Malakoff Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

### 15 DEFERRED TAXATION

#### GROUP AND COMPANY

The deferred taxation included in the balance sheet is as follows:

|                               | 2012<br>£      | 2011<br>£    |
|-------------------------------|----------------|--------------|
| Included in debtors (note 12) | -              | 1,548        |
| Included in provisions        | (9,888)        | -            |
|                               | <u>(9,888)</u> | <u>1,548</u> |

|                                                                      | 2012<br>£      | 2011<br>£    |
|----------------------------------------------------------------------|----------------|--------------|
| The movement in the deferred taxation provision during the year was: |                |              |
| Provision brought forward                                            | 1,548          | 6,900        |
| Profit and loss account movement arising during the year             | (11,436)       | (5,352)      |
|                                                                      | <u>(9,888)</u> | <u>1,548</u> |

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

|                                                                                     | 2012           |                 | 2011          |                 |
|-------------------------------------------------------------------------------------|----------------|-----------------|---------------|-----------------|
|                                                                                     | Provided<br>£  | Unprovided<br>£ | Provided<br>£ | Unprovided<br>£ |
| Difference between accumulated depreciation and amortisation and capital allowances | (25,988)       | 596             | (12,452)      | 669             |
| Other timing differences                                                            | 16,100         | 8,100           | 14,000        | 10,125          |
|                                                                                     | <u>(9,888)</u> | <u>8,696</u>    | <u>1,548</u>  | <u>10,794</u>   |

### 16 PROVISIONS FOR LIABILITIES

|                                         | Group and Company |               |
|-----------------------------------------|-------------------|---------------|
|                                         | 2012              | 2011          |
| Maintenance under guarantee provisions: |                   |               |
| Balance brought forward                 | 24,000            | 12,000        |
| Movement for year                       | 178,466           | 12,000        |
|                                         | <u>202,466</u>    | <u>24,000</u> |

# Malakoff Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

### 17 GOVERNMENT GRANTS

|                                     | Group and Company<br>2012<br>£ | 2011<br>£      |
|-------------------------------------|--------------------------------|----------------|
| At 31 January and 31 December 2012  | <u>300,000</u>                 | <u>300,000</u> |
| Amortisation:                       |                                |                |
| At 1 January 2012                   | 186,730                        | 165,130        |
| Released to profit and loss account | <u>21,600</u>                  | <u>21,600</u>  |
| At 31 December 2012                 | <u>208,330</u>                 | <u>186,730</u> |
| Net balance at 31 December 2012     | <u>91,670</u>                  | <u>113,270</u> |

### 18 CALLED UP SHARE CAPITAL

|                                                                           |                |                |
|---------------------------------------------------------------------------|----------------|----------------|
| Allotted, called up and fully paid:<br>200,000 ordinary shares of £1 each | <u>200,000</u> | <u>200,000</u> |
|---------------------------------------------------------------------------|----------------|----------------|

### 19 PROFIT AND LOSS ACCOUNT

|                              | Group<br>£     | Company<br>£   |
|------------------------------|----------------|----------------|
| At beginning of year         | 515,073        | 544,628        |
| Retained profit for the year | <u>133,750</u> | <u>163,791</u> |
| At end of year               | <u>648,823</u> | <u>708,419</u> |

### 20 CAPITAL REDEMPTION RESERVE

|                            | 2012<br>£     | 2011<br>£     |
|----------------------------|---------------|---------------|
| Capital redemption reserve | <u>50,000</u> | <u>50,000</u> |

### 21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|                                          | Group          |                | Company        |                |
|------------------------------------------|----------------|----------------|----------------|----------------|
|                                          | 2012<br>£      | 2011<br>£      | 2012<br>£      | 2011<br>£      |
| Profit for the financial year            | 133,750        | 102,155        | 163,791        | 124,630        |
| Shareholders' funds at beginning of year | <u>765,073</u> | <u>662,918</u> | <u>794,628</u> | <u>669,998</u> |
| Shareholders' funds at end of year       | <u>898,823</u> | <u>765,073</u> | <u>958,419</u> | <u>794,628</u> |

# Malakoff Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

### 22 ULTIMATE PARENT COMPANY

The group was under the joint control of its shareholders throughout the period.

### 23 RELATED PARTY TRANSACTIONS

The company is exempt from the requirement of Financial Reporting Standard No 8 to disclose transactions with other group companies as all intercompany transactions have been removed on consolidation.

### 24 CASH FLOWS

| (a) Reconciliation of operating profit to<br>net cash inflow from operating activities | 2012<br>£        | 2011<br>£        |
|----------------------------------------------------------------------------------------|------------------|------------------|
| Operating profit                                                                       | 193,381          | 148,690          |
| Depreciation and amortisation                                                          | 139,547          | 139,174          |
| Release from deferred income                                                           | (21,600)         | (21,600)         |
| Net profit on disposal of tangible fixed assets                                        | (34,990)         | -                |
| Decrease/(increase) in debtors                                                         | 137,742          | (373,448)        |
| Increase in creditors                                                                  | 14,590           | 124,407          |
| Decrease/(increase) in stock                                                           | 310,772          | (423,822)        |
| Increase in provisions                                                                 | 178,466          | -                |
| Other non cash movements                                                               | 5,754            | -                |
|                                                                                        | <u>923,662</u>   | <u>(406,599)</u> |
| (b) Analysis of cash flows for headings netted in the cash flow                        |                  |                  |
| <b>Returns on investments and servicing of finance</b>                                 |                  |                  |
| Bank interest                                                                          | (10,376)         | (7,471)          |
| Loan interest                                                                          | (9,448)          | (10,880)         |
| Finance lease interest                                                                 | (6,398)          | (7,809)          |
|                                                                                        | <u>(26,222)</u>  | <u>(26,160)</u>  |
| <b>Net cash outflow for returns on investment and servicing of finance</b>             |                  |                  |
|                                                                                        | <u>(26,222)</u>  | <u>(26,160)</u>  |
| <b>Taxation</b>                                                                        |                  |                  |
| Corporation tax paid                                                                   | (110,105)        | -                |
|                                                                                        | <u>(110,105)</u> | <u>-</u>         |
| <b>Net cash outflow for taxation</b>                                                   |                  |                  |
|                                                                                        | <u>(110,105)</u> | <u>-</u>         |

# Malakoff Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2012 (continued)

|    |                                                                          |                              |                             |
|----|--------------------------------------------------------------------------|------------------------------|-----------------------------|
| 24 | CASH FLOWS (continued)                                                   | 2012<br>£                    | 2011<br>£                   |
|    | <b>Capital expenditure and financial investment</b>                      |                              |                             |
|    | Purchase of tangible fixed assets                                        | (324,609)                    | (17,846)                    |
|    | Purchase of fixed asset investments                                      | -                            | (300)                       |
|    | Sale of tangible fixed assets                                            | 35,125                       | -                           |
|    |                                                                          | <u>          </u>            | <u>          </u>           |
|    | <b>Net cash outflow for capital expenditure and financial investment</b> | <u>(289,484)</u>             | <u>(18,146)</u>             |
|    | <b>Financing</b>                                                         |                              |                             |
|    | Repayments on loans                                                      | (88,323)                     | (82,455)                    |
|    | Repayment on finance leases                                              | (70,249)                     | (76,992)                    |
|    |                                                                          | <u>          </u>            | <u>          </u>           |
|    | <b>Net cash outflow from financing</b>                                   | <u>(158,572)</u>             | <u>(159,447)</u>            |
|    | (c) Reconciliation of net cash flow to movement in net debt:             |                              |                             |
|    | Increase/(Decrease) in cash in the year                                  | 339,279                      | (610,352)                   |
|    | Cash inflow from decrease in debt                                        | 61,575                       | 69,124                      |
|    |                                                                          | <u>          </u>            | <u>          </u>           |
|    | Change in net debt in the year                                           | 400,854                      | (541,228)                   |
|    | NET DEBT AT FIRST DAY OF YEAR                                            | <u>(797,128)</u>             | <u>(255,900)</u>            |
|    |                                                                          | <u>          </u>            | <u>          </u>           |
|    | NET DEBT AT LAST DAY OF YEAR                                             | <u>(396,274)</u>             | <u>(797,128)</u>            |
|    | (d) Analysis of net debt                                                 |                              |                             |
|    |                                                                          | At first day<br>of year<br>£ | Cash flows<br>£             |
|    |                                                                          |                              | At last day<br>of year<br>£ |
|    | Cash in hand and at bank                                                 | 3,186                        | 19,772                      |
|    | Bank overdrafts                                                          | (550,337)                    | 319,507                     |
|    |                                                                          | <u>          </u>            | <u>          </u>           |
|    |                                                                          | (547,151)                    | 339,279                     |
|    |                                                                          | <u>          </u>            | <u>          </u>           |
|    | Debt due after 1 year                                                    | (117,240)                    | 27,198                      |
|    | Debt due within 1 year                                                   | (132,737)                    | 34,337                      |
|    |                                                                          | <u>          </u>            | <u>          </u>           |
|    |                                                                          | (249,977)                    | 61,575                      |
|    |                                                                          | <u>          </u>            | <u>          </u>           |
|    | Total                                                                    | <u>(797,128)</u>             | <u>400,854</u>              |
|    |                                                                          | <u>          </u>            | <u>          </u>           |