Registered number: 00853053

Griffon Hoverwork Limited

Directors' report and financial statements

For the year ended 31 March 2017

Griffon Hoverwork Limited

Company Information

Directors	J P Gaggero A C Went M R Trench (resigned 31 January 2017) I Mackie (appointed 20 February 2017)
Company secretary	I Mackie
Registered number	00853053
Registered office	The Beehive Beehive Ring Road Gatwick West Sussex RH6 0PA
Trading Address	Merlin Quay Hazel Road Southampton SO19 7GB
Independent auditors	Grant Thornton UK LLP Statutory Auditor, Chartered Accountants 5 Benham Road Southampton Science Park Chilworth Southampton SO16 7QJ

Griffon Hoverwork Limited

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For the year ended 31 March 2017

Business review

It has continued to be a challenging period for Griffon Hoverwork. No new craft builds were secured in the financial year following the successful delivery of 2 passenger craft in 2015/16.

A number of tenders remain outstanding at the year end, with approximately £700m of sales opportunities in the pipeline and £36m in the late stages of the tender process. The directors of Griffon Hoverwork expect to be awarded one of the tenders in the next financial year.

The lack of craft build revenue has inevitably reduced total turnover from the previous period to £4.5m (2016 - £9.1m), however aftersales activity has remained stable with previous years at £4.5m (2016 - £5.1m). Substantial savings have been made in overheads in the period at £3.1m (2016 - £3.7m) which assisted in reducing the loss made for the year.

Our parent company continues to support Griffon Hoverwork, investing in stock craft over the past two financial years to keep staff utilised during the current and financial year. It has indicated ongoing support for the business and has retained confidence in the scale of opportunity the business has.

Principal risks and uncertainties

Operational risk

The principal risk to the business is the ability to provide a continuous supply of contracts in order to remain profitable and support the capacity available within the business.

Liquidity risk

Although many contracts require back to back arrangements for financing, which in turn ties up working capital, long term liquidity risk remains low as the Company has an enviable position of being backed by a strong parent company with significant balance sheet strength. In addition the Company has a contract finance facility, alleviating pressure on working capital requirements.

Credit risk

All major contracts are covered by letters of credit, bank guarantees or other suitable arrangements and, as such, credit risk remains relatively low especially as the Company's customer base is mainly governments and public sector bodies.

Foreign exchange risk

The Company has potential exposure due to some of its purchases being in Euros and US Dollars. To mitigate the risk the group retains funds in foreign bank accounts to settle any liabilities.

Additionally on contracts denominated in foreign currency, where appropriate, forward contracts have been obtained to hedge the currency risk. In some cases the contract inflows are naturally hedged against supplier payments.

Financial key performance indicators

The Company measures its financial performance on several bases. These include turnover and operating profit.

Turnover this financial year fell by 50% to £4,521,672 (2016 - £9,084,801), with an operating loss of £2,222,278 (2016 - £1,987,016). This is due to the lack of new contracts as described above.

Strategic report
For the year ended 31 March 2017

Future Developments

With open tenders at their highest level in the Company's history and an enviable record in winning bid processes there is good reason to be optimistic about the future in the medium term. However in the short term it has been necessary to undertake restructuring to tailor our workforce and overhead to the level of work we have available over the coming year.

The hiatus in build contracts has provided a welcome opportunity for strategic review of the existing business and technology developed over the previous years. This, in conjunction with the growth in aftersales, will help the Company become more diversified, with the ultimate aim of achieving underlying profitability irrespective of the contract volatility it is naturally exposed to in its core market.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this Strategic Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are also described in this Strategic Report. In addition, the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has the support of its parent company, Bland Group UK Holdings Limited. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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.

This report was approved by the board on 11th 09 2017 and signed on its behalf.

J P Gaggero
Director

Directors' report
For the year ended 31 March 2017

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 laws, 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 period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 and other information included in Directors' reports may differ from legislation in other jurisdictions.

Results and dividends

The loss for the year, after taxation, amounted to £2,436,602 (2016 - loss £1,778,487).

Directors

The directors who served during the year were:

J P Gaggero
A C Went
M R Trench (resigned 31 January 2017)
I Mackie (appointed 20 February 2017)

Research and development activities

The company has undertaken two key projects of research and development. The main development project which commenced in 2012/13 was the inception of Griffon Hoverwork's first attempt at a formalised product development program and this has continued into later years, including 2016/17. Having undertaken significant customer research and market analysis it was identified that the most significant gap in GHL's product offering was at the small scale craft range. More particularly a series of characteristics were identified by users of our existing small craft which crystalised a wish list of desirable attributes and areas where product improvement and innovation was required or desirable.

In response to the identification of these areas Griffon Hoverwork personnel began a significant period of work on the conceptual and then the detailed design of a craft, which would incorporate the ideas proposed to resolve the various existing problems. The construction of the prototype, the first operating craft and work required to develop the craft continued into 2016/17. It is therefore unsurprising that this constitutes the largest R&D spend in the company's history and ongoing development and extension of the concepts to larger craft have kept significant R&D cost being incurred.

The other project, 12000TD, was designed as the replacement craft to the existing craft operating on the hovercraft route between Ryde and Southsea operated by Hovertravel Limited; a company in the same corporate group. The replacement of those craft was taken as an opportunity to explore new ideas and technologies to see if performance and efficiency could be optimised through a more integrated hovercraft design. The challenges to overcome were faster turnaround at each route stop, less maintenance cost, improved fuel efficiency, better craft performance, optimised capacity, reduced build time and increased compliance standards with new regulatory regimes.

Further to the figures mentioned in the Strategic report, Griffon Hoverwork has a strong pipeline for future craft opportunities, which includes multiple units of the newly developed craft mentioned above.

Development costs of £737,920 (2016 - £2,397,992) have been capitalised during the year, and the net book value of capitalised development costs at 31 March 2017 is £3,010,815 (2016 - £2,397,992).

Matters covered in the strategic report

Financial risk management policies and future developments are all disclosed in the Strategic report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report (continued)
For the year ended 31 March 2017

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 11th 09 2017 and signed on its behalf.

J P Gaggero
Director

Independent auditors' report to the shareholders of Griffon Hoverwork Limited

We have audited the financial statements of Griffon Hoverwork Limited for the year ended 31 March 2017, set out on pages 8 to 28. The financial reporting framework that has been applied in their preparation is applicable law and the 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 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 Auditors' 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 Auditors

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its 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 other matters prescribed by the Companies Act 2006

In our opinion 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.

In our opinion the directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

Independent auditors' report to the shareholders of Griffon Hoverwork 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Norman Armstrong (Senior Statutory Auditor)

for and on behalf of
Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Southampton
Date: 4 Octo 2017

Griffon Hoverwork Limited

Statement of comprehensive income
For the year ended 31 March 2017

	Note	2017 £	2016 £
Turnover		**4,521,672**	9,084,801
Cost of sales		**(3,716,934)**	(7,387,744)
Gross profit		**804,738**	1,697,057
Administrative expenses		**(3,119,344)**	(3,682,894)
Other operating income	5	**32,547**	-
Fair value movements		**59,781**	(1,179)
Operating loss	6	**(2,222,278)**	(1,987,016)
Interest receivable and similar income	10	**23,338**	215,626
Interest payable and expenses	11	**(433,383)**	(406,291)
Loss before tax		**(2,632,323)**	(2,177,681)
Tax on loss	12	**195,721**	399,194
Loss for the financial year		**(2,436,602)**	(1,778,487)
Other comprehensive income for the year			
Total comprehensive income for the year		**(2,436,602)**	(1,778,487)

The notes on pages 11 to 28 form part of these financial statements.

Griffon Hoverwork Limited
Registered number: 00853053

Balance sheet
As at 31 March 2017

	Note		2017 £		2016 £
Fixed assets					
Intangible assets	13		**3,052,078**		2,446,243
Tangible assets	14		**1,325,437**		1,429,962
			4,377,515		3,876,205
Current assets					
Stocks	15	**7,724,523**		5,688,238	
Debtors: amounts falling due within one year	16	**2,747,884**		9,108,168	
Cash at bank and in hand	17	**451,614**		404,291	
		10,924,021		15,200,697	
Creditors: amounts falling due within one year	18	**(11,334,419)**		(12,273,183)	
Net current (liabilities)/assets			**(410,398)**		2,927,514
Total assets less current liabilities			**3,967,117**		6,803,719
Creditors: amounts falling due after more than one year	19		**(1,200,000)**		(1,600,000)
Net assets			**2,767,117**		5,203,719
Capital and reserves					
Called up share capital	22		**8,000,000**		8,000,000
Share premium account	23		**500,000**		500,000
Profit and loss account	23		**(5,732,883)**		(3,296,281)
			2,767,117		5,203,719

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
11th 09 2017

J P Gaggero
Director

The notes on pages 11 to 28 form part of these financial statements.

Statement of changes in equity
For the year ended 31 March 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2016	8,000,000	500,000	(3,296,281)	5,203,719
Comprehensive income for the year				
Loss for the year	-	-	(2,436,602)	(2,436,602)
At 31 March 2017	8,000,000	500,000	(5,732,883)	2,767,117

Statement of changes in equity
For the year ended 31 March 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2015	8,000,000	500,000	(1,517,794)	6,982,206
Comprehensive income for the year				
Loss for the year	-	-	(1,778,487)	(1,778,487)
At 31 March 2016	8,000,000	500,000	(3,296,281)	5,203,719

The notes on pages 11 to 28 form part of these financial statements.

Notes to the financial statements
For the year ended 31 March 2017

1. General information

Griffon Hoverwork Limited is a private company limited by shares, incorporated in England. The address of its registered office is The Beehive, Beehive Ring Road, Gatwick, West Sussex and its principal place of business is Merlin Quay, Hazel Road, Southampton.

The principal activity of the company is that of hovercraft design, design consultancy, chartering, manufacture, operational training, aftersales support and maintenance services.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Bland Group UK Holdings Limited as at 31 March 2017 and these financial statements may be obtained from the Registrar of Companies.

At 31 March 2017, the company was a wholly owned subsidiary of Bland Group UK Holdings Limited. The company has taken advantage of the exemption in FRS 102 from the requirement to disclose key management personnel compensation in total.

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

On long-term contracts for new craft sales, refurbishments and consultancy work, profit is recognised, if the final outcome can be assessed with reasonable certainty, by including in the statement of comprehensive income turnover and related costs as build activity progresses. Turnover recognised in the period is calculated with reference to the stage of completion of the project reached at the year end.

Revenue for spares orders are recognised when the goods have been dispatched, revenue and costs are then included within the statement of comprehensive income.

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

2.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Software	-	25% reducing balance
Development expenditure	-	over 20 years

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following basis:

Freehold property	- over 50 years
Long term leasehold property	- over the term of the lease
Plant & machinery	- 15% on a reducing balance basis
Motor vehicles	- 25% on a reducing balance basis
Office equipment	- 25% on a reducing balance basis
Hovercraft	- over 10 years on a straight line basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.6 Research and development costs

Research expenditure is written off the in the statement of comprehensive income in the year in which it is incurred.

Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects.

2.7 Stock and work in progress

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Accounting policies (continued)

2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost 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 at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.13 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.17 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Accounting policies (continued)

2.19 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates.

The company has recognised provisions for impairment of trade receivables in its financial statements which requires management to make judgements. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

The company uses long term contract accounting for valuing work completed on crafts in build across the end of financial periods. This is done with reference to actual versus expected completion time on each craft build which represents a judgement made about the state of completion of each relevant build. No crafts were in build at 31 March 2017.

Intangible assets in respect of development costs have been recognised in relation to new craft designs. Key estimates have been made in respect of the longevity and future commercial viability of these designs, based on experience of existing craft types and the valuation included in the financial statements has been justified using a Net Present Value method of assessing future cash flows. This will be reviewed at the end of each financial period to ensure the carrying value of the asset remains appropriate. The carrying valuation at year end of the intangible assets in question is £3,010,815 (2016 - £2,397,992)

By recognising a deferred tax asset in respect of trading losses incurred by the Company amounting to £1,060,951 (2016 - £667,354), an assumption has been made as to the future profitability of the business. This conclusion has been reached based on the quantum of tenders for which a bid has been submitted, the future sales pipeline and our historic record of securing contracts from these processes.

4. Analysis of turnover

	2017	2016
	£	£
United Kingdom	**820,255**	3,909,735
North America	**706,172**	38,942
Rest of the world	**2,995,245**	5,136,124
	4,521,672	9,084,801

5. Other operating income

	2017	2016
	£	£
Net rents receivable	**32,547**	-
	32,547	-

6. Operating loss

The operating loss is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets	**224,102**	183,316
Amortisation of intangible assets, including goodwill	**137,160**	16,084
Exchange differences	**4,409**	(18,544)
Operating lease charge	**669,997**	484,427
Defined contribution pension cost	**144,036**	222,064

7. Auditors' remuneration

	2017	2016
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**13,650**	13,250
	13,650	13,250
Fees payable to the Company's auditor and its associates in respect of:		
Tax advice	**2,675**	2,600
	2,675	2,600

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	**2,838,129**	4,189,376
Social security costs	**309,142**	527,137
Cost of defined contribution scheme	**144,036**	222,064
	3,291,307	4,938,577

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 Restated No.
Engineering	**65**	115
Sales and administration	**22**	25
	87	140

9. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	**213,472**	242,737
Company contributions to defined contribution pension schemes	**19,392**	22,251
	232,864	264,988

During the year retirement benefits were accruing to 2 directors (2016 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £147,036 (2016 - £147,036).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,731 (2016 - £12,731).

10. Interest receivable

	2017 £	2016 £
Other interest receivable	**23,338**	215,626
	23,338	215,626

11. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	**135,468**	176,955
Loans from group undertakings	**297,915**	229,336
	433,383	406,291

12. Taxation

	2017 £	2016 £
Corporation tax		
Adjustments in respect of previous periods	-	(135,292)
	-	(135,292)
Total current tax	-	(135,292)
Deferred tax		
Effect of tax rate change on opening balance	**44,633**	53,762
Losses recognised	**(238,489)**	(317,664)
Adjustments in respect of prior periods	**(1,865)**	-
Total deferred tax	**(195,721)**	(263,902)
Taxation on loss on ordinary activities	**(195,721)**	(399,194)

12. Taxation (continued)

Factors affecting tax charge for the year

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

	2017	2016
	£	£
Loss on ordinary activities before tax	**(2,632,323)**	(2,177,681)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	**(526,465)**	(435,536)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**6,201**	-
Adjustments to tax charge in respect of prior periods	**-**	(107,433)
Adjustments to tax charge in respect of prior periods - deferred tax	**(1,865)**	-
Other timing differences leading to an increase (decrease) in taxation	**1**	(2)
Income not taxable for tax purposes	**(27,432)**	-
Amounts charged directly to equity or otherwise transferred	**(330)**	-
Adjustments to losses	**(3,217)**	-
Research and development expenditure credits	**3,546**	6,965
Fixed asset differences	**6,998**	6,999
Adjustment to brought forward values	**-**	(23,118)
Research and development tax credit repayable	**-**	(27,859)
Adjust closing deferred tax to average rate of 20%	**175,986**	89,059
Adjust opening deferred tax to average rate of 20%	**(89,266)**	-
Group relief	**260,122**	71,660
Deferred tax not recognised	**-**	20,071
Total tax charge for the year	**(195,721)**	(399,194)

13. Intangible assets

	Software £	Develop-ment £	Total £
Cost			
At 1 April 2016	**258,096**	**2,397,992**	**2,656,088**
Additions	**5,075**	**737,920**	**742,995**
At 31 March 2017	**263,171**	**3,135,912**	**3,399,083**
Amortisation			
At 1 April 2016	**209,845**	**-**	**209,845**
Charge for the year	**12,063**	**125,097**	**137,160**
At 31 March 2017	**221,908**	**125,097**	**347,005**
Net book value			
At 31 March 2017	**41,263**	**3,010,815**	**3,052,078**
At 31 March 2016	48,251	2,397,992	2,446,243

14. Tangible fixed assets

	Freehold land and buildings £	Plant & machinery £	Motor vehicles £	Furniture, fittings and equipment £	Hovercraft £	Total £
Cost or valuation						
At 1 April 2016	1,384,041	1,133,989	25,733	454,557	104,738	3,103,058
Additions	-	113,563	-	6,014	-	119,577
At 31 March 2017	1,384,041	1,247,552	25,733	460,571	104,738	3,222,635
Depreciation						
At 1 April 2016	809,186	459,703	16,917	334,920	52,370	1,673,096
Charge for the year on owned assets	66,913	113,317	2,228	31,170	10,474	224,102
At 31 March 2017	876,099	573,020	19,145	366,090	62,844	1,897,198
Net book value						
At 31 March 2017	507,942	674,532	6,588	94,481	41,894	1,325,437
At 31 March 2016	574,855	674,286	8,816	119,637	52,368	1,429,962

The net book value of land and buildings may be further analysed as follows:

	2017 £	2016 £
Freehold	36,858	54,125
Long leasehold	471,084	520,730
	507,942	574,855

21. Deferred taxation

	2017 £
At beginning of year	**801,531**
Charged to the profit or loss	**195,721**
At end of year	**997,252**

The deferred tax asset is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	**164,538**	115,488
Tax losses carried forward	**812,802**	667,354
Timing differences	**19,912**	18,689
	997,252	801,531

There are tax losses available to carry forward against future trading profits of approximately £4,781,189 (2016 - £3,707,519). A deferred tax asset in respect of these losses has been recognised in the accounts as suitable future profits are more likely than not to occur from which the future reversal of the underlying timing differences can be deducted.

22. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
8,000,000 Ordinary shares of £1 each	**8,000,000**	8,000,000

All the ordinary shares carry equal participation in assets, rights to dividends and voting power.

23. Reserves

Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit & loss account

Includes all current and prior period retained profits and losses.

20. Loans

Analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year		
Bank loans	-	4,916,947
Other loans	**400,000**	400,000
	400,000	5,316,947
Amounts falling due 1-2 years		
Other loans	**400,000**	400,000
	400,000	400,000
Amounts falling due 2-5 years		
Other loans	**800,000**	1,200,000
	800,000	1,200,000
	1,600,000	6,916,947

The bank loan is that portion of the trade financing facility that falls due within one year based on the maturity of the related contracts. This loan is secured against the future cash flows of the relevant contracts and also against security provided by Bland Group UK Holdings Limited as part of the group financing facility.

The other loan is a Local Enterprise Partnership loan from Portsmouth Council in relation to the work on the Hovertravel replacement craft. It is secured against the freehold buildings owned by the company.

17. Cash and cash equivalents

	2017	2016
	£	£
Cash at bank and in hand	**451,614**	404,291
Less: bank overdrafts	**(164,889)**	-
	286,725	404,291

18. Creditors: Amounts falling due within one year

	2017	2016
	£	£
Bank overdrafts	**164,889**	-
Bank loans	**-**	4,916,947
Other loans	**400,000**	400,000
Payments received on account	**308,000**	-
Trade creditors	**521,122**	303,584
Amounts owed to group undertakings	**9,077,568**	5,526,838
Other taxation and social security	**75,197**	127,081
Other creditors	**26,745**	39,237
Accruals and deferred income	**760,898**	899,715
Financial instruments	**-**	59,781
	11,334,419	12,273,183

Amounts owed to group undertakings includes a loan of £8,765,000 (2016 - £5,260,000). There were no terms or conditions attached to the loan, other than interest charged at a rate of 4% per year (2016 - 8%).

In the year the company has utilised a contract financing facility from the bank. Lending is made against existing contracts at a rate of 2.5% over base. The facility is entirely repayable within one year.

19. Creditors: Amounts falling due after more than one year

	2017	2016
	£	£
Other loans	**1,200,000**	1,600,000
	1,200,000	1,600,000

15. Stocks

	2017	2016
	£	£
Raw materials and consumables	**854,345**	925,380
Work in progress	**6,870,178**	4,762,858
	7,724,523	5,688,238

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Work in progress balances consist of:

	2017	2016
	£	£
Costs to date less provision for losses	**6,870,178**	4,762,858
	6,870,178	4,762,858

Stock recognised in cost of sales during the year as an expense was £71,035 (2016 - £120,836).

An impairment loss of £nil (2016 - £nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

16. Debtors

	2017	2016
	£	£
Trade debtors	**631,022**	2,034,604
Amounts owed by group undertakings	**316,932**	657,342
Other debtors	**108,631**	178,516
Prepayments and accrued income	**694,047**	434,611
Amounts recoverable on long term contracts	**-**	5,001,564
Deferred taxation	**997,252**	801,531
	2,747,884	9,108,168

An impairment loss of £500 (2016 - £51,137) was recognised against trade debtors.

24. Pension commitments

The company participates in a defined benefit pension scheme operated by Hovertravel Limited, another group undertaking. The pension charge amounted to £40,000 (2016 - £40,000).

The company also participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund for each individual. At year end there was a creditor of £25,268 (2016 - £31,441).

25. Commitments under operating leases

At 31 March 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	**475,000**	475,000
Later than 1 year and not later than 5 years	**1,900,000**	1,900,000
Later than 5 years	**1,900,000**	2,375,000
	4,275,000	4,750,000

26. Related party transactions

The company has taken advantage of the exemption not to disclose transactions with members of the group headed by Bland Group UK Holdings Limited on the grounds that at least 100% of the voting rights in the company are controlled within that group and the company is included in the consolidated financial statements.

27. Controlling party

The immediate parent undertaking of Griffon Hoverwork Limited is Bland Group UK Holdings Limited, a company incorporated in England and Wales. The registered office of Bland Group UK Holdings Limited is The Beehive, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA.

The directors consider the ultimate controlling party to be Jargo Holdings Limited, a company registered in Guernsey.

The largest and smallest group in which the results of the company are consolidated is that headed by Bland Group UK Holdings Limited. The consolidated accounts of Bland Group UK Holdings Limited are available to the public and may be obtained from the Registrar of Companies.