Registered number: 00853053

Griffon Hoverwork Limited

Directors' report and financial statements

For the year ended 31 March 2018

Griffon Hoverwork Limited

Company Information

Directors	J P Gaggero A C Went I Mackie
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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Strategic report
For the year ended 31 March 2018

Business review

Griffon Hoverwork secured the sale of three new Hovercraft for the 2018/19 financial year, and despite it being a low volume current year for new or used craft sales, it has been successful for spares, training and consultancy revenue streams. The sales pipeline for craft sales remains in excess of £900m, with £12m in the late stages of the tender process and likely to be awarded in the next financial year.

Revenue is made up of £0.6m craft sales (2017 - nil) and £7.7m after sales (2017 - £4.5m). The business has increased its focus on its aftersales activity, not only from achieving higher sales volume, but also on becoming a more efficient operation and meeting delivery targets on a more consistent basis. The directors expect this level of revenue in aftersales to continue to grow in future years.

Our parent company continues to support Griffon Hoverwork, investing in research & development and stock craft over the past two financial years. 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 increased by 83% to £8,296,164 (2017 - £4,521,672), with an operating loss of £1,285,388 (2017 - £2,222,278). This is due to the increase volume of aftersales revenue, as mentioned in the Business Review.

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 short, medium and long term. The directors are particularly confident about the short term following the contract awards for the delivery of two large and one small craft, combined with a substantial sales pipeline.

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 15/10/2018 and signed on its behalf.

J P Gaggero
Director

Directors' report
For the year ended 31 March 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

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 £1,617,552 (2017 - loss £2,436,602).

Directors

The directors who served during the year were:

J P Gaggero
A C Went
I Mackie

Directors' report (continued)
For the year ended 31 March 2018

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. 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 continues. It is therefore unsurprising that this constitutes the largest R and D spend in the company's history, and ongoing development and extension of the concepts to larger craft have kept significant R and 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 £19,668 (2017 - £737,920) have been capitalised during the year, and the net book value of capitalised development costs at 31 March 2018 is £2,872,950 (2017 - £3,010,815).

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 2018

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 15th October 2018 and signed on its behalf.

J P Gaggero
Director

Independent auditors' report to the shareholders of Griffon Hoverwork Limited

Opinion

We have audited the financial statements of Griffon Hoverwork Limited (the 'Company') for the year ended 31 March 2018, which comprise the Statement of income and retained earnings, the Balance sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the shareholders of Griffon Hoverwork Limited (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Grant Thornton UK LLP

Norman Armstrong BSc FCA (Senior Statutory Auditor)

for and on behalf of
Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Southampton
Date: 1/11/18

Griffon Hoverwork Limited

Statement of income and retained earnings
For the year ended 31 March 2018

	Note	2018 £	2017 £
Turnover		**8,296,164**	4,521,672
Cost of sales		**(6,816,265)**	(3,716,934)
Gross profit		**1,479,899**	804,738
Administrative expenses		**(3,122,315)**	(3,119,344)
Other operating income	5	**357,028**	32,547
Fair value movements		**-**	59,781
Operating loss	6	**(1,285,388)**	(2,222,278)
Interest receivable and similar income	10	**340**	23,338
Interest payable and expenses	11	**(450,754)**	(433,383)
Loss before tax		**(1,735,802)**	(2,632,323)
Tax on loss	12	**118,250**	195,721
Loss after tax		**(1,617,552)**	(2,436,602)
Retained earnings at the beginning of the year		**(5,732,883)**	(3,296,281)
Loss for the year		**(1,617,552)**	(2,436,602)
Retained earnings at the end of the year		**(7,350,435)**	(5,732,883)

The notes on pages 11 to 27 form part of these financial statements.

Griffon Hoverwork Limited
Registered number: 00853053

Balance sheet
As at 31 March 2018

	Note		2018 £		2017 £
Fixed assets					
Intangible assets	13		**2,937,485**		3,052,078
Tangible assets	14		**1,120,419**		1,325,437
Investments	15		**5,519**		-
			4,063,423		4,377,515
Current assets					
Stocks	16	**7,687,439**		7,724,523	
Debtors: amounts falling due within one year	17	**2,838,800**		2,747,884	
Cash at bank and in hand	18	**2,106,846**		451,614	
		12,633,085		10,924,021	
Creditors: amounts falling due within one year	19	**(14,746,943)**		(11,334,419)	
Net current liabilities			**(2,113,858)**		(410,398)
Total assets less current liabilities			**1,949,565**		3,967,117
Creditors: amounts falling due after more than one year	20		**(800,000)**		(1,200,000)
Net assets			**1,149,565**		2,767,117
Capital and reserves					
Called up share capital	23		**8,000,000**		8,000,000
Share premium account	24		**500,000**		500,000
Profit and loss account	24		**(7,350,435)**		(5,732,883)
			1,149,565		2,767,117

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
15th October 2018

J P Gaggero
Director

The notes on pages 11 to 27 form part of these financial statements.

Notes to the financial statements
For the year ended 31 March 2018

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 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 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 2018 and these financial statements may be obtained from the Registrar of Companies.

2. Accounting policies (continued)

2.3 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 income and retained earnings 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 income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of income and retained earnings within 'other operating income'.

2.4 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. Accounting policies (continued)

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of income and retained earnings 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 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.6 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 20 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.

2.7 Interest income

Interest income is recognised in the Statement of income and retained earnings using the effective interest method.

2.8 Finance costs

Finance costs are charged to the Statement of income and retained earnings 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.

2.9 Borrowing costs

All borrowing costs are recognised in the Statement of income and retained earnings in the year in which they are incurred.

2.10 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 income and retained earnings 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. Accounting policies (continued)

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings, 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.

2.12 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
Patents	-	over 20 years

2.13 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)

2.13 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 and 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 income and retained earnings.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.15 Associates and joint ventures

Associates and Joint Ventures are held at cost less impairment.

2.16 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.

2.17 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.

2.18 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)

2.19 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.

2.20 Financial instruments

The Company only enters into basic financial instrument 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 the 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 that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

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.

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.

Judgements

By recognising a deferred tax asset in respect of trading losses incurred by the Company amounting to £870,438 (2017 - £812,802), 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.

Estimates

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 £2,872,950 (2017 - £3,010,815).

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 2018.

4. Analysis of turnover

	2018	2017
	£	£
United Kingdom	**1,081,006**	820,255
North America	**332,482**	706,172
Rest of the world	**6,882,676**	2,995,245
	8,296,164	4,521,672

5. Other operating income

	2018	2017
	£	£
Net rents receivable	**357,028**	32,547
	357,028	32,547

6. Operating loss

The operating loss is stated after charging:

	2018	2017
	£	£
Depreciation of tangible fixed assets	**215,536**	224,102
Exchange differences	**75,109**	4,409
Operating lease charge	**765,418**	669,997
Amortisation of intangible assets, including goodwill	**177,010**	137,160

7. Auditors' remuneration

	2018	2017
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**14,075**	13,650
	14,075	13,650

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company, Bland Group UK Holdings Limited.

8. Employees

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

	2018	2017
	£	£
Wages and salaries	**2,518,142**	2,838,129
Social security costs	**281,569**	309,142
Cost of defined contribution scheme	**120,084**	144,036
	2,919,795	3,291,307

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

	2018	2017
	No.	No.
Engineering	**57**	65
Sales and administration	**19**	22
	76	87

9. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	**135,286**	213,472
Company contributions to defined contribution pension schemes	**12,731**	19,392
	148,017	232,864

During the year retirement benefits were accruing to 1 director (2017 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £148,017 (2017 - £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 (2017 - £12,731).

10. Interest receivable

	2018 £	2017 £
Other interest receivable	**340**	23,338
	340	23,338

11. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	**2,491**	135,468
Loans from group undertakings	**448,263**	297,915
	450,754	433,383

12. Taxation

	2018 £	2017 £
Total current tax	-	-
Deferred tax		
Effect of tax rate change on opening balance	-	44,633
Losses recognised	**(118,250)**	(238,489)
Adjustments in respect of prior periods	-	(1,865)
Total deferred tax	**(118,250)**	(195,721)
Taxation on loss on ordinary activities	**(118,250)**	(195,721)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	**(1,735,802)**	(2,632,323)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	**(329,802)**	(526,465)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**3,900**	6,201
Adjustments to tax charge in respect of prior periods - deferred tax	-	(1,865)
Other timing differences leading to an increase (decrease) in taxation	**(1)**	1
Income not taxable for tax purposes	**(33,632)**	(27,432)
Amounts charged directly to equity or otherwise transferred	-	(330)
Adjustments to losses	-	(3,217)
Research and development expenditure credits	-	3,546
Fixed asset differences	**6,649**	6,998
Adjust closing deferred tax to average rate of 19% (2017 - 20%)	**131,236**	175,986
Adjust opening deferred tax to average rate of 19% (2017 - 20%)	**(117,299)**	(89,266)
Group relief	**220,492**	260,122
Deferred tax not recognised	**207**	-
Total tax charge for the year	**(118,250)**	(195,721)

13. Intangible assets

	Patents £	Develop-ment £	Software £	Total £
Cost				
At 1 April 2017	-	3,135,912	263,171	3,399,083
Additions	34,611	19,668	8,138	62,417
At 31 March 2018	34,611	3,155,580	271,309	3,461,500
Amortisation				
At 1 April 2017	-	125,097	221,908	347,005
Charge for the year	8,220	157,533	11,257	177,010
At 31 March 2018	8,220	282,630	233,165	524,015
Net book value				
At 31 March 2018	26,391	2,872,950	38,144	2,937,485
At 31 March 2017	-	3,010,815	41,263	3,052,078

14. Tangible fixed assets

	Land and buildings £	Plant and machinery £	Motor vehicles £	Furniture, fittings and equipment £	Hovercraft £	Total £
Cost or valuation						
At 1 April 2017	**1,384,041**	**1,247,552**	**25,733**	**460,571**	**104,738**	**3,222,635**
Additions	**-**	**-**	**-**	**10,518**	**-**	**10,518**
At 31 March 2018	**1,384,041**	**1,247,552**	**25,733**	**471,089**	**104,738**	**3,233,153**
Depreciation						
At 1 April 2017	**876,099**	**573,020**	**19,145**	**366,090**	**62,844**	**1,897,198**
Charge for the year on owned assets	**66,913**	**110,792**	**1,671**	**25,686**	**10,474**	**215,536**
At 31 March 2018	**943,012**	**683,812**	**20,816**	**391,776**	**73,318**	**2,112,734**
Net book value						
At 31 March 2018	**441,029**	**563,740**	**4,917**	**79,313**	**31,420**	**1,120,419**
At 31 March 2017	507,942	674,532	6,588	94,481	41,894	1,325,437

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

	2018 £	2017 £
Freehold	**19,591**	36,858
Long leasehold	**421,438**	471,084
	441,029	507,942

15. Fixed asset investments

	Investment in joint ventures £
Cost or valuation	
Additions	**5,519**
At 31 March 2018	**5,519**
Net book value	
At 31 March 2018	**5,519**
At 31 March 2017	-

On 6 November 2017, Adrian Went, the managing director of Griffon Hoverwork Limited, became a director of GriffonSwiss GmbH, a new company incorporated in Germany. Griffon Hoverwork Limited have a 25.1% share in the joint venture with SwissMarine. The GriffonSwiss GmbH nominal share capital is €25,000.

16. Stocks

	2018 £	2017 £
Raw materials and consumables	**844,139**	854,345
Work in progress	**6,843,300**	6,870,178
	7,687,439	7,724,523

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

Stock recognised in cost of sales during the year as an expense was £10,206 (2017 - £71,035).

An impairment loss of £nil (2017 - £nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Notes to the financial statements
For the year ended 31 March 2018

17. Debtors

	2018 £	2017 £
Trade debtors	**1,246,806**	631,022
Amounts owed by group undertakings	**3,250**	316,932
Other debtors	**63,984**	108,631
Prepayments and accrued income	**409,258**	694,047
Deferred taxation	**1,115,502**	997,252
	2,838,800	2,747,884

An impairment loss of £500 (2017 - £500) was recognised against trade debtors.

18. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	**2,106,846**	451,614
Less: bank overdrafts	**-**	(164,889)
	2,106,846	286,725

19. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank overdrafts	**-**	164,889
Other loans	**400,000**	400,000
Payments received on account	**1,283,286**	308,000
Trade creditors	**310,646**	521,122
Amounts owed to group undertakings	**11,723,198**	9,077,568
Other taxation and social security	**82,288**	75,197
Other creditors	**45,441**	26,745
Accruals and deferred income	**902,084**	760,898
	14,746,943	11,334,419

Amounts owed to group undertakings includes a loan of £11,414,739 (2017 - £8,765,000). There were no terms or conditions attached to the loan, other than interest charged at a rate of 4% per year (2017 - 4%).

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.

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

	2018 £	2017 £
Other loans	**800,000**	1,200,000
	800,000	1,200,000

21. Loans

Analysis of the maturity of loans is given below:

	2018 £	2017 £
Amounts falling due within one year		
Other loans	**400,000**	400,000
	400,000	400,000
Amounts falling due 1-2 years		
Other loans	**400,000**	400,000
	400,000	400,000
Amounts falling due 2-5 years		
Other loans	**400,000**	800,000
	400,000	800,000
	1,200,000	1,600,000

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

22. Deferred taxation

	2018 £
At beginning of year	**997,252**
Charged to the profit or loss	**118,250**
At end of year	**1,115,502**

The deferred tax asset is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	**225,322**	164,538
Tax losses carried forward	**870,438**	812,802
Timing differences	**19,742**	19,912
	1,115,502	997,252

There are tax losses available to carry forward against future trading profits of approximately £5,120,225 (2017 - £4,718,189). 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.

23. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
8,000,000 (2017 - 8,000,000) Ordinary shares of £1.00 each	**8,000,000**	8,000,000

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

24. 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.

25. 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 (2017 - £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 £34,819 (2017 - £25,268).

26. Commitments under operating leases

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	£	£
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	**1,425,000**	1,900,000
	3,800,000	4,275,000

27. 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.

28. 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.