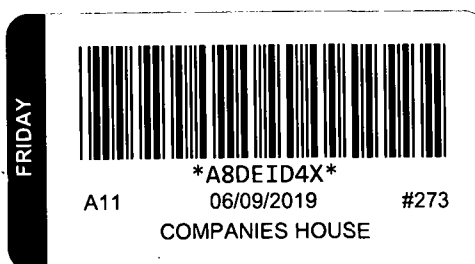


Pendennis Shipyard (Holdings) Limited

Annual report and financial statements

Registered number 02281468

31 December 2018



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Company information

Registered office

The Docks
Falmouth
Cornwall
TR11 4NR

Directors

Mr TJ Allies
Mr MJ Carr
Mr IL Granville
Mr AA Hill
Mr T Mordaunt
Mr CB Robertson
Mr H Wiekens

Auditor

KPMG LLP
Plym House
3 Longbridge Road
Marsh Mills
Plymouth
Devon
PL6 8LT

Strategic Report

The Directors present their strategic report for the year ended 31 December 2018.

Fair review of the business

Turnover for the Group in the year, of which 75% was UK export (2017: 87%), has increased to £59,629,449 from £52,462,058 in the previous year. The Group's profit arising from normal operations has increased this year by 5.00% to £3,586,769 from £3,414,682 in 2017. 2018 was an exceptional year for UK turnover growth and the Group forecasts a fall back in 2019.

The Directors are content with these results.

In the final quarter of 2018 the Group has expanded its European presence with the acquisition by Pendennis Palma Mallorca SL of a controlling interest in Vilanova Grand Marina, Barcelona, Spain to provide existing and new clients a Pendennis Service Centre in the Mediterranean with an existing 46 berths 30m to 120m marina with 200t travel lift and associated workshops and 3 acres of new haul out and layup facility with a 600t travel lift under construction. This investment will complement the wider offering in UK.

In the UK the Group have on order an 800T travel lift to bridge the gap for 50m – 60m vessels between the construction halls and the covered dry dock and will be available to haul out end of second quarter 2019.

Capital commitments for these projects at year end covered by agreed finance lines are £3.9m.

During the year the Group purchased an additional 2.8 acres of freehold land within the Falmouth Docks estate.

The Directors believe the Group has a strong asset base to meet the current and future demands of the market.

Delivering quality and value

The Directors believe the policy of long-term investment in the Pendennis brand, employee development, yard facilities and commitment to quality will deliver value to our clients and stakeholders now and in the future.

The Group has achieved planned employment growth in skilled trades to match forecast demand and is increasing training for the future by expanding its award-winning apprentice scheme from bi-annual to an annual cohort of 12 – 14 apprentices, there are currently 64 apprentices in employment training.

Risks and uncertainties

The risks and uncertainties facing the Group are competition in both the new build custom yacht market and retrofit markets, consolidation of competitors and new investment in facilities to match those existing in the Group.

Additional risk and uncertainty exists from exchange rates when receiving stage payments and making payments in foreign currencies, and cost exposure from working on fixed price contracts where labour hours and costs may overrun on the initial predictions.

The Company addresses these risks by maintaining an international profile through marketing and monitoring of industry trends and statistics and investment in the Pendennis brand.

As stated in the Report the Group continues to expand client reach and offering by investment in facilities and training.

Material exchange risks are managed by forward contracts. Cost exposures are managed by detailed review of bid packages and strengthening supply chain relationships. Contract performance is monitored by a dedicated project manager for each yacht client and measured by KPI recording within the trades. KPI's used in the process include, contract profitability, bid vs. out-turn comparison during and on completion of the project, real time cost recording and strike rate analysis within each of the trade groups.

Macro-economic uncertainty in the trading relationships with the remaining EU member states post BREXIT has been considered by the Company. As noted earlier in the Report the Group has expanded its European base and is experienced in exporting and importing goods and services worldwide and customs regulation outside free of movement of goods. There is not sufficient maturity of information to plan in detail for BREXIT but in the opinion of the Directors, the Company is resourced and alert to adapting to a new trading and regulatory framework.

Due to the size and structure of the business, the Directors do not consider any additional disclosures necessary regarding the use of KPI's.

On behalf of the board

A handwritten signature in black ink, appearing to read 'Ian Granville'.

IL Granville
Director

9th May 2019

Directors' Report

Principal activities

The principal activity of the Group continued to be that of the design and manufacture and refitting of luxury yachts.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr TJ Allies
Mr MJ Carr
Mr IL Granville
Mr AA Hill
Mr T Mordaunt
Mr CB Robertson
Mr H Wiekens

Results and dividends

The results for the year are set out on page 11.

Ordinary dividends were paid amounting to £1,194,967 (2017: £194,967). The Directors do not recommend payment of a final dividend.

Supplier payment policy

The Group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the Company's contractual and other legal obligations.

Trade creditors of the Group at the year end were equivalent to 39 days purchases based on the average daily amount invoiced by suppliers during the year, however, the Group has negotiated 60 day credit terms with the majority of its suppliers.

Cash management

The Company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of the businesses.

Research development

In the markets in which the Group operates, effective research and development, innovation, and embracing of technical challenge is vital to maintaining competitive advantage and securing future income streams.

Directors' Report *(continued)*

Disabled persons

The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitudes and abilities. All new construction is built to BREEAM (Building Research Establishment Environmental Assessment Methodology) excellence standard, including accessibility.

Employee involvement

The Group's policy is to consult and discuss with employees, staff development forums and at team briefings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which aim to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

All staff involved in recruitment follow a programme to ensure Equality and Diversity in the workforce.

Future developments

The Group continues to invest in staff training and development beyond the apprentice training by providing existing staff with access to graduate programs, management development courses, and international secondments.

The Directors believe that by providing employees with strong career prospects, a continued investment in management information systems together with the facilities upgrade, in combination will provide a world class offering to meet and exceed clients' expectations.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 5.

Auditor

KPMG LLP were appointed as auditors on 17th March 2017.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



IL Granville
Director

9th May 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENDENNIS SHIPYARD (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Pendennis Shipyard (Holdings) Limited ("the company") for the year ended 31 December 2018 which comprise the Consolidated Statement of Total Comprehensive Income, Group Balance Sheet, Company Balance Sheet, Group Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Ian Brokenshire

Ian Brokenshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Plym House
3 Longbridge Road
Plymouth
PL6 8LT

13 May 2019

Consolidated Statement of Total Comprehensive Income
for the year ended 31 December 2018

	<i>Note</i>	2018 £	2017 £
Turnover	3	59,629,449	52,462,058
Cost of sales		(45,254,661)	(39,961,429)
Gross profit		14,374,788	12,500,629
Administrative expenses		(10,788,019)	(9,085,947)
Profit arising from normal operations		3,586,769	3,414,682
Profit on disposal of fixed asset		(6,161)	828,514
Long-term share incentive plan settlement	28	-	(2,192,000)
Operating profit	4	3,580,608	2,051,196
Interest receivable and similar income	8	23,467	1,105
Interest payable and similar expenses	9	(83,824)	(158,597)
Profit before taxation		3,520,251	1,893,704
Taxation	10	271,545	(305,037)
Profit and total comprehensive income for the year		3,791,796	1,588,667

Total comprehensive income for the year is all attributable to the owners of the parent company.

The consolidated statement of total comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 17 to 35 form an integral part of these financial statements

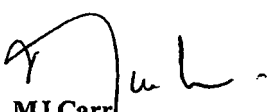
Group Balance Sheet at 31 December 2018

	Note	£	2018 £	£	2017 £
Fixed assets					
Goodwill	12		213,135		28,337
Tangible assets	13		50,645,095		39,712,210
			<u>50,858,230</u>		<u>39,740,547</u>
Current assets					
Stocks	15	594,581		512,114	
Debtors	16	6,645,521		9,937,971	
Cash at bank and in hand		8,946,518		5,524,710	
			<u>16,186,620</u>	<u>15,974,795</u>	
Creditors: amounts falling due within one year	17	(21,203,056)		(17,709,287)	
Net current liabilities			<u>(5,016,436)</u>	<u>(1,734,492)</u>	
Total assets less current liabilities			<u>45,841,794</u>	<u>38,006,055</u>	
Creditors: amounts falling due after more than one year	18		(7,499,903)		(2,529,060)
Provisions for liabilities	21		(3,577,223)		(3,967,937)
Deferred government grants	24		(4,192,318)		(4,600,318)
Net assets			<u>30,572,350</u>	<u>26,908,740</u>	
Capital and reserves					
Called up share capital	27		4,314,576		4,186,536
Share premium account			962,434		27,742
Revaluation reserve			8,000,000		8,000,000
Capital redemption reserve			216,811		216,811
Profit and loss reserves			17,042,417		14,445,651
Non-controlling interest			36,112		32,000
Total equity			<u>30,572,350</u>	<u>26,908,740</u>	

These financial statements were approved by the board of directors on its behalf by:

9th May

2019 and were signed on


MJ Carr
Director

Company registered number: 2281468

The notes on pages 17 to 35 form an integral part of these financial statements

Company Balance Sheet at 31 December 2018

	Note	£	2018 £	£	2017 £
Fixed assets					
Tangible assets	13		19,673,381		12,577,283
Investments	14		242,332		199,341
			<u>19,915,713</u>		<u>12,776,624</u>
Current assets					
Debtors	16	2,981,644		6,056,431	
Cash at bank and in hand		1,397,346		1,379,603	
		<u>4,378,990</u>		<u>7,436,034</u>	
Creditors: amounts falling due within one year	17	(5,691,358)		(5,327,667)	
Net current (liabilities) / assets			<u>(1,312,368)</u>		<u>2,108,367</u>
Total assets less current liabilities			<u>18,603,345</u>		<u>14,884,991</u>
Creditors: amounts falling due after more than one year	18		-		-
Provisions for liabilities	21		(1,091,921)		(1,487,406)
Deferred government grants	24		(2,325,000)		-
Net assets			<u>15,186,424</u>		<u>13,397,585</u>
Capital and reserves					
Called up share capital	27		4,314,576		4,186,536
Share premium account			962,434		27,742
Revaluation reserve			8,000,000		8,000,000
Capital redemption reserve			216,811		216,811
Profit and loss reserves			1,692,603		966,496
Total equity			<u>15,186,424</u>		<u>13,397,585</u>

These financial statements were approved by the board of directors on its behalf by:



MJ Carr
Director

Company registered number: 2281468

9th May

2019 and were signed on

The notes on pages 17 to 35 form an integral part of these financial statements

Group Statement of Changes in Equity

	Share capital £	Share Premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total equity £	Non- controlling interest £	Total £
Balance at 1 January 2017	4,186,536	27,742	8,500,000	216,811	12,551,951	25,483,040	32,000	25,515,040
Period ended 31 December 2017:								
Profit for the year	-	-	-	-	1,588,667	1,588,667	-	1,588,667
Total comprehensive income for the year	-	-	-	-	1,588,667	1,588,667	-	1,588,667
Transfer from revaluation reserve upon realisation	-	-	(500,000)	-	500,000	-	-	-
Dividends	-	-	-	-	(194,967)	(194,967)	-	(194,967)
Balance at 31 December 2017	4,186,536	27,742	8,000,000	216,811	14,445,651	26,876,740	32,000	26,908,740
Period ended 31 December 2018:								
Profit for the year	-	-	-	-	3,791,733	3,791,733	63	3,791,796
Total comprehensive income for the year	-	-	-	-	3,791,733	3,791,733	63	3,791,796
Share transactions in year	128,040	934,692	-	-	-	1,062,732	4,049	1,066,781
Dividends	-	-	-	-	(1,194,967)	(1,194,967)	-	(1,194,967)
Balance at 31 December 2018	4,314,576	962,434	8,000,000	216,811	17,042,417	30,536,238	36,112	30,572,350

The notes on pages 17 to 35 form an integral part of these financial statements

Company Statement of Changes in Equity

	Share capital £	Share Premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2017	4,186,536	27,742	8,500,000	216,811	1,391,450	14,322,539
Period ended 31 December 2017:						
Loss for the year	-	-	-	-	(729,987)	(729,987)
Total comprehensive income for the year	-	-	-	-	(729,987)	(729,987)
Transfer from revaluation reserve upon realisation	-	-	(500,000)	-	500,000	-
Dividends	-	-	-	-	(194,967)	(194,967)
Balance at 31 December 2017	4,186,536	27,742	8,000,000	216,811	966,496	13,397,585
Period ended 31 December 2018:						
Profit for the year	-	-	-	-	1,921,074	1,921,074
Total comprehensive income for the year	-	-	-	-	1,921,074	1,921,074
Share transactions in year	128,040	934,692	-	-	-	1,062,732
Dividends	-	-	-	-	(1,194,967)	(1,194,967)
Balance at 31 December 2018	4,314,576	962,434	8,000,000	216,811	1,692,603	15,186,424

The notes on pages 17 to 35 form an integral part of these financial statements

Consolidated Cash Flow Statement
for year ended 31 December 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the year	3,791,796	1,588,667
Adjustments for:		
Depreciation, amortisation and impairment	1,780,098	1,896,565
Foreign exchange losses	(164,119)	(115,238)
Interest receivable and similar income	(23,467)	(1,105)
Interest payable and similar charges	83,824	158,597
Loss / (gain) on sale of tangible fixed assets	6,161	(828,514)
Deferred government grant	(408,000)	(582,000)
Long-term share incentive plan	-	2,192,000
Taxation	(271,545)	305,037
	<hr/> 4,794,748	<hr/> 4,614,009
Decrease/(increase) in trade and other debtors	3,323,043	(6,043,414)
Increase in stocks	(82,467)	(264,199)
Increase in trade and other creditors	5,444,559	5,304,398
(Decrease)/increase in provisions	(390,714)	278,224
	<hr/> 13,089,169	<hr/> 3,889,018
Dividends paid	(1,194,967)	(194,967)
Interest paid	(83,824)	(158,597)
Tax received / (paid)	69,252	(112,538)
	<hr/> 11,879,630	<hr/> 3,422,916
Net cash from operating activities		
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	-	21,095
Interest received	23,467	1,105
Cash settlement of long-term share incentive plan	(1,129,250)	-
Acquisition of tangible fixed assets	(12,556,861)	(2,040,472)
Acquisition costs on purchase of subsidiary	(442,272)	-
Cash acquired on purchase of subsidiary	246,841	-
	<hr/> (13,858,075)	<hr/> (2,018,272)
Net cash from investing activities		
Cash flows from financing activities		
Repayment / (increase) of borrowings	4,520,726	(1,237,177)
Payment of finance lease liabilities	(187,317)	(183,344)
Receipts from equity transactions	1,066,844	-
	<hr/> 5,400,253	<hr/> (1,420,521)
Net cash from financing activities		
Net increase/(decrease) in cash and cash equivalents	3,421,808	(15,877)
Cash and cash equivalents at 1 January	5,524,710	5,540,587
	<hr/> 8,946,518	<hr/> 5,524,710
Cash and cash equivalents at 31 December		

The notes on pages 17 to 35 form an integral part of these financial statements

Notes

(forming part of the financial statements)

1 Company information

Pendennis Shipyard (Holdings) Limited ('the Company') is a limited company domiciled and incorporated in England and Wales. The registered office is the Docks, Falmouth, Cornwall, TR11 4NR.

The Group consists of Pendennis Shipyard (Holdings) Limited and all of its subsidiaries.

1.1 Accounting conventions

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These group and company financial statements for the year ended 31 December 2018 are prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company made a profit in the year of £1,921,074 (2017: £729,987 loss after the long-term incentive share repurchase per note 28) including an intra-group dividend of £1,500,000 (2017: £750,000).

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Pendennis Shipyard (Holdings) Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2017.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

The consolidated income statement and balance sheet include the financial statements of the Company and its subsidiary undertakings. Intra-group sales and profits are eliminated fully on consolidation.

Notes (continued)

1.3 *Going concern*

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 *Turnover and construction contracts*

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account any discounts offered.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

The Company determines the stage of completion and appropriate amount to recognise in a given period, of a new build or long-term refit contract, by measuring the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

1.5 *Intangible fixed assets – goodwill*

Goodwill represents the excess arising from the fair value of the consideration given over the fair value of the separable net assets acquired. Fair values are attributed to the identifiable assets and liabilities that existed at the date of acquisition reflecting their condition at that date. Adjustments are also made to bring the accounting policies of acquired businesses into alignment with those of the Group, where considered appropriate. The costs of integrating and reorganising acquired businesses are charged to the post-acquisition profit and loss account.

Goodwill is amortised through the profit and loss account on a straight-line basis over a period of 10-27 years, which is considered by management to be a fair reflection of useful economic life of the underlying assets acquired.

Notes (continued)

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets, less their residual values, over their useful lives on the following bases:

Freehold property	2% per annum
Long term leasehold property	2 % per annum
Plant and machinery	10-33 % per annum
Fixtures and fittings	10-50% per annum
Assets in the course of construction	no depreciation is charged

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

No depreciation is charged on land.

1.7 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the income statement.

Where fair value cannot be measured without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.8 Borrowing costs related to fixed assets

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.9 Impairment of fixed assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Notes (continued)

1.9 Impairment of fixed assets (continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash and cash equivalents

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

1.12 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

Notes (continued)

1.13 Financial instruments (continued)

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

1.14 Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Notes (continued)

1.15 Taxation (continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.16 Provisions

Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

1.17 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

The Group also participate in a long-term incentive plan in respect of an option to purchase growth shares in Pendennis Shipyards Limited which are owned by management of Pendennis Shipyard Limited.

1.18 Retirement benefits

The Company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

Notes (continued)

1.19 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.20 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.21 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

2 Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The Directors believe the key areas of judgement / estimation are:

- The recognition of revenue and profit on long-term contracts
- The release of government grants
- The financial impact of liabilities under the share-based payment arrangement

3 Turnover and other revenue

An analysis of the Group's turnover is as follows:

	2018 £	2017 £
Turnover	59,629,449	52,462,058
Turnover analysed by geographical market		
	2018 £	2017 £
United Kingdom	15,085,814	7,081,022
Rest of world	44,543,635	45,381,036
	59,629,449	52,462,058

Notes (continued)

4 Operating profit

Operating profit for the year is state after charging/(crediting):

	2018 £	2017 £
Exchange (gains)	(164,119)	(115,238)
Depreciation of owned tangible fixed assets	1,650,755	1,775,649
Depreciation of tangible fixed assets held under finance leases	118,710	111,382
Loss / (gain) on disposal of assets	6,161	(828,514)
Amortisation of intangible assets	10,633	9,534
Operating lease charges	85,064	78,063
Release of government grants	(408,000)	(582,000)

5 Auditor's remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates:		
For audit services		
Audit of the financial statements of the Group and Company	35,000	31,500
For other services		
Taxation compliance services	7,050	7,875
All other non-audit services	79,406	66,674
	86,456	74,549

The audit fee in respect of the Company was £4,000 (2017: £4,000).

6 Employees

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

	2018 Number	2017 Number
Production	346	320
Administration	91	82
	437	402

	2018 £	2017 £
Wages and salaries	13,740,532	12,216,093
Social security costs	1,351,763	1,213,331
Pension costs	257,459	311,682
	15,349,754	13,741,106

Notes (continued)

7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	943,425	887,757
Company pension contributions to defined benefit contribution schemes	64,398	85,733
	<u> </u>	<u> </u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2017:4).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	301,911	302,050
Company pension contributions to defined contribution schemes	10,000	907
	<u> </u>	<u> </u>

8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	23,467	1,105
Other interest income	-	-
	<u> </u>	<u> </u>
Total income	23,467	1,105
	<u> </u>	<u> </u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	23,467	1,105
	<u> </u>	<u> </u>

9 Interest payable and similar charges

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	48,950	46,400
Interest on finance leases and hire purchase contracts	30,209	33,546
Interest on other loans	4,665	78,651
	<u> </u>	<u> </u>
	83,824	158,597
	<u> </u>	<u> </u>

Notes (continued)

10 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	34,979	270,487
Adjustments in respect of prior periods	(19,733)	(1,959)
Overseas taxation	19,989	11,549
	<hr/>	<hr/>
Total current tax	35,235	280,077
	<hr/>	<hr/>
Deferred tax		
Origination and reversal of timing differences	(51,669)	21,023
Previously unrecognised tax loss, tax credit or timing difference	-	(38,590)
Adjustment in respect of prior periods	(255,111)	42,527
	<hr/>	<hr/>
Total deferred tax	(306,780)	24,960
	<hr/>	<hr/>
Total tax (credit)/charge	(271,545)	305,037
	<hr/>	<hr/>

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2018 £	2017 £
Profit for the year	3,791,796	1,588,667
Tax (credit)/charge	(271,545)	305,037
	<hr/>	<hr/>
Profit before taxation	3,520,251	1,893,704
	<hr/>	<hr/>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	668,848	364,538
Net tax effect of expenses that are not deductible in determining taxable profit	(60,464)	488,656
Adjustments in respect of prior years	(274,844)	40,568
R&D tax deductions	(428,094)	(439,620)
Other tax adjustments	(176,991)	(149,105)
	<hr/>	<hr/>
Tax (income) / expense for the year	(271,545)	305,037
	<hr/>	<hr/>

11 Dividends

	2018 £	2017 £
Interims paid	1,194,967	194,967
	<hr/>	<hr/>

Notes (continued)

10 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	34,979	270,487
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Tax (income) / expense for the year	(271,545)	305,037

11 Dividends

	2018 £	2017 £
Interims paid	1,194,967	194,967

Notes (continued)

12 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 January 2018	95,341
Acquired in year	195,431
At 31 December 2018	290,772
Amortisation and impairment	
At 1 January 2018	67,004
Amortisation charged for the year	10,633
At 31 December 2018	77,637
Carrying amount	
At 31 December 2018	213,135
At 31 December 2017	28,337

The Company had no intangible fixed assets at 31 December 2018 or 31 December 2017.

13 Tangible fixed assets

Group

	Freehold property £	Long term Leasehold property £	Plant and machinery £	Fixtures and Fittings £	Assets in the course of construction £	Total £
Cost or valuation						
At 1 January 2018	36,869,364	814,764	11,094,233	1,056,664	314,982	50,150,007
Additions	1,488,897	7,948,872	1,142,381	200,253	1,928,109	12,708,512
Disposals	-	-	(223,917)	(128,377)	-	(352,294)
At 31 December 2018	38,358,261	8,763,636	12,012,697	1,128,540	2,243,091	62,506,225
Depreciation and impairment						
At 1 January 2018	4,124,862	205,807	5,411,468	695,660	-	10,437,797
Depreciation charged in the year	973,014	75,138	541,568	179,745	-	1,769,465
Eliminated in respect of disposals	-	-	(217,917)	(128,215)	-	(346,132)
At 31 December 2018	5,097,876	280,945	5,735,119	747,190	-	11,861,130
Net book value:						
At 31 December 2018	33,260,385	8,482,691	6,277,578	381,350	2,243,091	50,645,095
At 31 December 2017	32,744,502	608,957	5,682,765	361,004	314,982	39,712,210

Notes (continued)

13 Tangible fixed assets (continued)

Company	Freehold property £	Plant and machinery £	Fixtures and Fittings £	Total £
Cost or valuation				
At 1 January 2018	13,657,182	214,917	-	13,872,099
Additions	7,149,700	-	6,600	7,156,300
Disposals	-	(214,917)	-	(214,917)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	20,806,882	-	6,600	20,813,482
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation and impairment				
At 1 January 2018	1,079,899	214,917	-	1,294,816
Depreciation charged for the year	59,652	-	550	60,202
Disposals	-	(214,917)	-	(214,917)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	1,139,551	-	550	1,140,101
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:				
At 31 December 2018	19,667,331	-	6,050	19,673,381
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	12,577,283	-	-	12,577,283
	<hr/>	<hr/>	<hr/>	<hr/>

The net carrying value of group tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £118,710 (2017: £111,382) for the year.

	Group 2018 £	2017 £	Company 2018 £	2017 £
Plant and machinery	1,411,800	1,393,706	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Company and Group

Freehold property includes land at cost of £4,007,756 (2017: £1,861,866) on which no depreciation is charged.

Company and Group Property Revaluation: The Dry Dock basin included in long term leasehold property was professionally valued in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors by a qualified valuer in accordance with Financial Reporting Standard 15 "Tangible Assets in 2019". The valuation basis for this specialist asset is on a depreciated replacement value. The Directors are not aware of any material change in value.

If revalued assets were sold at their carrying value a tax liability of £1,600,000 (2017: £1,600,000) would arise.

On a historical cost basis the revalued assets would have been included at:

- Freehold property – cost £106,253 (2017: £106,253)
- Freehold property – accumulated depreciation £nil (2017: £nil)

Notes (continued)

14 Fixed asset investments

	Group 2018	2017	Company 2018	2017
Investments in subsidiaries	-	-	242,332	199,341

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held direct/indirect
Pendennis Shipyard Limited - UK	Design, manufacture refitting out of luxury yachts	Ordinary	100.00
Pendennis Plus Limited - UK	Yacht design and construction	Ordinary	100.00
Pendennis Palma Mallorca SL – Spain	Refitting out of luxury yachts	Ordinary	100.00
Pendennis Brokerage Limited – UK	Dormant	Ordinary	100.00
Pendennis Superyachts Limited – UK	Dormant	Ordinary	100.00
FMP Limited	Build of pleasure boats	Ordinary	100.00
Marina Far Vilanova SA – Spain	Marina and service centre	Ordinary	98.00 (indirect)

Acquisitions in the period

On 1st October 2018 Pendennis Palma Mallorca SL acquired 98% of the shares in Marina Far Vilanova SA. Marina Far Vilanova SA is the holder of a 27-year concession to operate a 46 berth Marina and shipyard. The business contributed revenue of £1,061,539 and net profit of £3,128 to the revenue and net profit for the year.

The acquisition had the following effect on the Groups assets and liabilities:

Acquiree's net assets at the acquisition date	Notes	Recognised values on acquisition £
Marina and shipyard		7,946,641
Plant & machinery		624,131
Deferred tax asset		630,858
Debtors and prepayments		442,246
Cash at bank		246,843
Trade creditors		(443,278)
Accruals		(2,433,309)
Banks and term loans	19	(2,523,432)
Group loans		(3,604,903)
Other taxes payable		(422,675)
Net identifiable assets and liabilities		463,122
Costs directly attributable to business combination and total consideration		658,553
Goodwill on acquisition		195,431

The Marina and Shipyard fair value is based on external valuation on the basis of economic value.

Plant and machinery is shown at net book value which approximates to fair value by considering condition and future use.

Deferred tax assets are tax losses confirmed as available for relief against future revenue.

The expected useful life on goodwill stemming from this acquisition is 10 years. No amortization is charged in the year of acquisition.

As part of the transaction there are future share based payment arrangements which are not deemed material given the fair value of net assets acquired.

Notes (continued)

15 Stocks

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Raw materials and consumables	594,581	512,114	-	-

Included in cost of sales for the year was raw materials and consumables of £994,462 (2017: £1,008,505). This excludes direct project material purchases.

16 Debtors

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	3,671,777	4,727,188	3,332	3,345
Gross amounts due from contract customers	508,758	841,545	-	-
Corporation tax recoverable	23,797	11,492	-	-
Amounts due from subsidiary undertakings	-	-	2,968,602	4,163,647
Other debtors	1,376,642	2,933,407	472	1,880,777
Prepayments and incurred income	1,064,547	1,424,339	9,238	8,662
	6,645,521	9,937,971	2,981,644	6,056,431

The amounts due from subsidiary undertakings are repayable on demand and are interest free.

Included in amounts due from subsidiary undertakings is an amount due from FMP Limited. This debt is secured by a charge over the property held within FMP Limited.

17 Creditors: falling due within one year

		Group		Company	
	Notes	2018	2017	2018	2017
		£	£	£	£
Loans	19	568,143	1,441,489	-	1,250,000
Obligations under finance leases	20	573,076	189,651	-	-
Corporation tax payable		77,215	267,203	57,226	255,654
Other taxation and social security		349,090	351,967	22,927	23,677
Trade creditors		4,222,644	4,105,985	36,600	70,042
Amounts due to fellow group undertakings		-	-	4,931,725	1,000,000
Other creditors		153,817	257,353	-	-
Long-term share incentive plan	28	-	2,192,000	-	2,192,000
Accruals and deferred income		15,259,071	8,903,639	642,880	536,294
		21,203,056	17,709,287	5,691,358	5,327,667

Amounts due to fellow group undertakings are interest free and have no specified date of repayment.

Notes (continued)

18 Creditors: amounts falling due after more than one year

	Notes	Group		Company	
		2018	2017	2018	2017
		£	£	£	£
Loans	19	6,958,966	1,564,894	-	-
Obligations under finance leases	20	540,937	964,166	-	-
		<u>7,499,903</u>	<u>2,529,060</u>	<u>-</u>	<u>-</u>

19 Loans

		Group		Company	
		2018	2017	2018	2017
		£	£	£	£
Bank and other loans		7,527,109	3,006,383	-	1,250,000
Payable within one year		568,143	1,441,489	-	1,250,000
Payable within 2 to 5 years		6,958,966	1,564,894	-	-
		<u>14,054,218</u>	<u>5,912,766</u>	<u>-</u>	<u>2,500,000</u>

Within the long-term loan balance is a £2,523,432 (€2.8m) loan to Marina Far Vilanova SA which will mature in five years and convert to equity in that company. The interest rate for this loan is 1.00% per annum which is rolled up to be cancelled upon conversion. The remaining two loans are secured by fixed charges over the Group's assets and incur an average current interest rate of 2.67%.

20 Finance lease obligations

		Group		Company	
		2018	2017	2018	2017
		£	£	£	£
Future minimum lease payments due under finance leases:					
Payable within one year		573,076	189,651	-	-
In two and five years		298,861	715,038	-	-
Over five years		242,076	249,128	-	-
		<u>1,114,013</u>	<u>1,153,817</u>	<u>-</u>	<u>-</u>

Finance lease payments represent rentals payable by the Company or Group for certain items of plant and machinery and are secured on the assets to which they relate.

Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years for plant and machinery and 20 years for land and buildings. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

21 Provisions for liabilities

	Notes	Group		Company	
		2018	2017	2018	2017
		£	£	£	£
Deferred contract balances	22	1,303,636	1,387,570	-	-
Deferred tax liabilities	23	2,273,587	2,580,367	1,091,921	1,487,406
		<u>3,577,223</u>	<u>3,967,937</u>	<u>1,091,921</u>	<u>1,487,406</u>

Notes (continued)

22 Deferred contract balances

Group	Deferred contract balances
	£
At 1st December 2017	1,387,570
Movement in provision	(83,934)
	<u>1,303,636</u>

The provision relates to the expected value of future work under customer contracts.

23 Deferred taxation

Deferred tax assets and liabilities are offset where the Group or Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2018 £	Liabilities 2017 £
Accelerated capital allowances	1,204,350	1,127,822
Tax losses	(530,763)	(147,455)
Investment property	-	-
Other timing differences	1,600,000	1,600,000
	<u>2,273,587</u>	<u>2,580,367</u>

Company	Liabilities 2018 £	Liabilities 2017 £
Accelerated capital allowances	10,095	22,272
Tax losses	(518,174)	(134,866)
Investment property	-	-
Other timing differences	1,600,000	1,600,000
	<u>1,091,921</u>	<u>1,487,406</u>

Movements in the year	Group 2018 £	Company 2018 £
Liability at 1 January 2018	2,580,367	1,487,406
Credit to profit or loss	(306,780)	(395,485)
	<u>2,273,587</u>	<u>1,091,921</u>

Notes (continued)

24 Government grants

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Arising from government grants	4,192,318	4,600,318	2,325,000	-

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the income statement in line with the related depreciation expense. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred. When it is not possible to split the grant between capital and revenue expenditure it is released over the project term.

The balance at 1 January 2018 was £4,600,318, grants of £nil (2017: £nil) were received during the year, £408,000 (2017: £582,000) was credited to the income statement. £2,325,000 followed the intragroup sale of related assets from Pendennis Shipyard Limited to Pendennis Shipyard (Holdings) Limited. The Group balance at 31 December 2018 was £4,192,318.

25 Derivative instruments

The Group had derivatives which are included at fair value in the accounts at the year end. The derivatives comprise of forward exchange contracts which are used by the company to hedge exposure to movements in foreign currency exchange rates.

EUR

Principal €3,317,540 (2017: none).

Fair Value €3,324,128 (2017: none).

The Company had no derivatives at the year end (2017: none).

26 Retirement benefit schemes

Defined contribution schemes	2018	2017
	£	£
Charge to profit and loss in respect of defined contributions schemes	257,459	311,682

A defined contribution pension scheme is operated for all qualifying employees under compulsory enrolment. The assets of the scheme are held separately from those of the Group in an independently administered fund.

27 Share capital

	Group and Company	
	2018	2017
	£	£
Ordinary share capital Issued and fully paid		
Ordinary shares of £1 each (see page 14)	4,314,576	4,186,536

Notes (continued)

28 Financial commitments, guarantees and contingent liabilities

Group

A debenture is held by National Westminster Bank Plc over all the assets of the Company and the Group to secure the current and future amounts due to them.

Company

There is a cross guarantee with the parent undertaking and its subsidiaries in respect of all borrowings. The amounts outstanding at the year end were £nil (2017: £nil) and the highest balance during the year was £1,413,979 (2017: £658,206).

The Company is part of a group VAT registration with the parent undertaking and its subsidiaries and as such is jointly liable for any outstanding liability. At the year end the amount of VAT owed by the parent company and its subsidiaries was £nil (2017: £nil).

Group and Company

A subsidiary, Pendennis Shipyard Limited, ("the Company") had 'A' ordinary shares in issue which were long term incentive shares, subject to certain performance criteria for the Company being met in the future. At June 2018 the targets were met and the shareholders exercised their option requiring Pendennis Shipyard (Holdings) Limited to repurchase the shares. The value of the shares based on profits and gearing to determine the excess over the hurdle rate, was £2,192,000 (2017: contingency of £2,192,000).

29 Operating lease commitments

Lessee

At the reporting end date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Within one year	245,773	73,885	-	-
Between two and five years	749,943	112,224	-	-
In over five years	4,256,353	693,300	-	-
	<u>5,252,069</u>	<u>879,409</u>	<u>-</u>	<u>-</u>

30 Capital commitments

At 31 December 2018 the Group had capital commitments as follows:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Contracted for but not provided in the financial statements:				
Acquisition of property, plant and equipment	3,909,517	-	-	-
	<u>3,909,517</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group has agreed asset finance and credit lines in place to meet these future commitments.

Notes (continued)

31 Related party transactions

No guarantees have been given or received.

Included in turnover is work carried out on normal commercial terms for the following directors/shareholders: Mr T Mordaunt £883 (2017: £13,422), Mr and Mrs G Lindemann £3,042,564 (2017: £47,860), Mr M Walters £124 (2017: £121) and Dr J Wolle £2,956,175. The amount included in trade debtors is £306,492 (2017: £1,692). The Group also made sales to the directors, totalling £33,691 (2017: £80,060). The balance due from the directors to the Group at 31 December 2018 was £nil (2017: £nil).

Included in purchases are amounts for goods and services provided on normal commercial terms by Mrs M Wiekens, wife of Mr H Wiekens (director/shareholder) of £nil (2017: £550); by Trago Mills (Falmouth) Limited, a company of which Mr CB Robertson (director/shareholder) is a director, £12,514 (2017: £3,212) and by SMS Business Limited, a company of which Mr M Walters (shareholder) is a director, £53,341 (2017: £31,982).

32 Controlling party

There is no one individual who is the ultimate controlling party.