

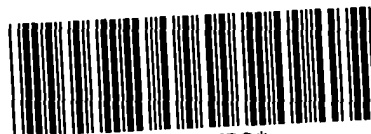
Registration number: 1382145

Newship Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2017

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Newship Group Limited

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Newship Group Limited

Company Information

Chairman	R J Newman
Directors	R J Newman J W Newman A J Parker J D Clarkson S E Leach
Company secretary	A S Harrison
Registered office	Fernside Place 179 Queens Road Weybridge Surrey KT13 0AH
Auditors	RSM UK Audit LLP Chartered Accountants Third Floor One London Square Cross Lanes Guildford GU1 1UN

Newship Group Limited

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

Principal activity

The principal activity of the company is that of a holding company. The activities of the subsidiary companies are building and packaging products.

Fair review of the business

Turnover for the year was £151.3 million, which was an increase of 16.2% compared to the previous year. The operating profit before interest charges was £8.7 million and, after interest charges of £0.8 million and other finance charges of £0.4 million, the profit before taxation was £7.5 million. After tax the profit amounted to £6.1 million.

Packaging Division - Beatson Clark Ltd

Turnover for the year ended 31 December 2017 was £49.9 million, an increase of 4.3% compared to the previous year. The profit before taxation amounted to £3.6 million (2016: £3.3 million). The company has continued to build upon the success of 2016 and improved profitability in the year. General trading conditions remained challenging. Management have continued to invest heavily in the Rotherham facility.

Pont Packaging

The Pont group of businesses generated turnover of £75.6 million, an increase of 8.6% compared to the previous year before allowing for exchange variances. Trading conditions remained challenging. The continued investment in new projects, markets and the organisations themselves have been beneficial and profitable.

Building Division - Rollalong Ltd

Turnover for the year ended 31 December 2017 was £43.7 million, an increase of 53% compared to the previous year. The operating profit before taxation amounted to £0.9 million (2016: £0.9 million loss). Following the completion of certain problematic contracts. It has continued to deliver high quality projects including accommodation units to military sites under a series of contracts across the South of England, as well as schools and welfare units to Local Authorities. The new building systems have continued to be successful with greater efficiencies being achieved. The company has completed construction of additional manufacturing facilities on its main site.

James Gibbons Format Ltd

Turnover for the year ended 31 December 2017 was £2.7 million. Trading conditions continued to be challenging in both the UK and abroad. The Company produced a respectable result in the year.

The group's key financial and other performance indicators during the year were as follows:

	Unit	2017	2016
Sales Value	£'000	151,251	130,205
Gross Profit	£'000	31,884	27,279
Inventory	£'000	22,061	21,981

Newship Group Limited

Strategic Report for the Year Ended 31 December 2017

Principal risks and uncertainties

The Board consider the following to be the principal risks and uncertainties facing the business.

Energy costs – prices are monitored on a daily basis and forward contracts negotiated where appropriate with key suppliers.

Pension funding – The group maintains four defined benefit pension schemes, three of which are now closed to new entrants. All three of these schemes have also been closed to future accrual. Fluctuations in financial markets can affect the value of assets in the schemes and may result in the need to increase contributions to the schemes, with a consequent reduction in operating cash flows available for future investment in the business.

Insurance – the group endeavours to maintain adequate insurance levels for all appropriate insurable risks.

Major disruption / disaster – business continuity planning is reviewed regularly.

Competitive risk – The group is exposed to competitive risk in the markets in which it operates. The group constantly monitors prices and undertakes regular market research to mitigate these risks.

Financial risk management objectives and policies.

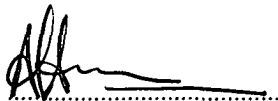
Financial risk - the group uses vanilla financial instruments to help manage liquidity, foreign currency and working capital risks. These include overdrafts, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and currency risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk - the group finances its operation through a mixture of retained profits, bank overdrafts and borrowing from group companies. The group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Liquidity risk - the group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest any cash assets safely and profitably. Short term flexibility is achieved by overdraft facilities. Debt is structured so repayments can be made out of cash generated through operations.

Currency risk - the group is exposed to transaction foreign exchange risk. These exposures, including those associated with forecast transactions, are hedged when known using forward currency contracts. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements.

Approved by the Board on 4 May 2018 and signed on its behalf by:



A S Harrison
Company secretary

Newship Group Limited

Directors' Report for the Year Ended 31 December 2017

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

Directors of the group

The directors who held office during the year were as follows:

R J Newman - Chairman

J W Newman

A J Parker

J D Clarkson

S E Leach

Objectives and policies

Financial risk management objectives and policies

Financial risk - the group uses vanilla financial instruments to help manage liquidity, foreign currency and working capital risks. These include overdrafts, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and currency risk. The directors review and agree policies for managing each of these risks and they are summarised below.

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Newship Group Limited

Directors' Report for the Year Ended 31 December 2017

Price risk, credit risk, liquidity risk and cash flow risk

The Board consider the following to be the principal risks and uncertainties facing the business.

Energy costs – prices on the wholesale market can be volatile and the volume of energy used has a direct impact on the cost of manufacture. Prices are monitored on a daily basis and forward contracts negotiated where appropriate with key suppliers.

Pension funding – the group maintains four defined benefit pension schemes, three of which are now closed to new entrants. Three of these schemes have also closed to future accrual. Volatility of financial markets can affect the value of assets in the schemes and may result in the need to increase contributions to the schemes, with a consequent reduction in operating cash flows available for future investment in the business.

Insurance – the group endeavours to maintain adequate insurance levels for all appropriate insurable risks.

Major disruption / disaster – business continuity planning is reviewed regularly.

Competitive risk – the group is exposed to competitive risk in the markets in which it operates. The group constantly monitors prices and undertakes regular market research to mitigate these risks.

Regulatory changes – the group monitors forthcoming and current legislation and ensures compliance.

Political donations

During the year the group made donations to EU political parties of:

The Conservative Party	£ 10,000
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The Board do not recommend payment of a dividend for the current year. The continuing uncertainty around macroeconomic conditions, combined with the volatility of some of the markets in which the group operates, means that the group needs to continue to invest in the businesses to both protect and assist in their future development.

Employment of disabled persons

The group gives equal opportunities to disabled persons wherever possible both in recruitment and career development.

Employee involvement

The group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group.

The directors recognise the importance of employee involvement throughout the group which is fostered by the development of communications through the normal group reporting procedures.

Future developments

Packaging

The difficult global economic situation is expected to continue to present challenges and opportunities for all of the packaging division companies in 2018. The key to future success for the division lies in its ongoing commitment to product innovation. However the timing of orders remains unpredictable.

Building

Rollalong Ltd continues to win significant contracts and is expected to further improve on its 2017 performance. James Gibbons Format Ltd remains committed to growth in both its UK and its export markets.

Newship Group Limited

Directors' Report for the Year Ended 31 December 2017

Research and development

The group places a strong emphasis on research and development which is needed to expand the scope of the products and manufacturing facilities and techniques required to meet the changing demands of the customers and the markets which it serves.

Directors' liabilities

Internal control and risk assessment

The directors have responsibility for the systems of internal control and risk management. These processes are designed to manage rather than eliminate risk of failure to achieve the group's objectives. The company utilises the group's operating procedures including a comprehensive system for reporting financial and non-financial information to the directors. This includes management accounts, business plans and budgets. Regular meetings are held by the directors which include focusing on any new risks.

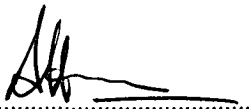
Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of RSM UK Audit LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 4 May 2018 and signed on its behalf by:



A S Harrison
Company secretary

Newship Group Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

Newship Group Limited

Independent Auditor's Report

Opinion

We have audited the financial statements of Newship Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise consolidated Profit and Loss Account, The consolidated Statement of Comprehensive Income, The consolidated and company Balance Sheet, The consolidated and company Statement of Changes in Equity, The consolidated Statements of Cash Flows and notes to the financial statements, 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 FRS 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 group's and the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

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 group's or the parent 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

Newship Group Limited

Independent Auditor's Report

Opinion 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.

Matters on which we are required to report by exception

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

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 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 7), 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 group's and the 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 the directors 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 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 auditor's 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Newship Group Limited

Independent Auditor's Report

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.

RSM UK Audit LLP

Christopher Hurren BA FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
Third Floor
One London Square
Cross Lanes
Guildford
GU1 1UN

16 May 2018

Newship Group Limited

Consolidated Profit and Loss Account for the Year Ended 31 December 2017

		2017	(As restated) 2016
	Note	£ 000	£ 000
Turnover	3	151,251	130,205
Cost of sales		<u>(119,367)</u>	<u>(102,926)</u>
Gross profit		31,884	27,279
Distribution costs		(17,108)	(15,437)
Administrative expenses		(6,802)	(6,664)
Other operating income		<u>775</u>	<u>961</u>
Operating profit	4	<u>8,749</u>	<u>6,139</u>
Interest payable on defined benefit pension scheme		(396)	(355)
Income from other fixed asset investments		-	39
Interest payable and similar expenses	6	<u>(849)</u>	<u>(667)</u>
		<u>(1,245)</u>	<u>(983)</u>
Profit before taxation		7,504	5,156
Taxation	10	<u>(1,396)</u>	<u>(697)</u>
Profit after taxation and profit for the financial year		<u>6,108</u>	<u>4,459</u>
Profit attributable to:			
Owners of the company		5,844	4,315
Minority interests		<u>264</u>	<u>144</u>
		<u>6,108</u>	<u>4,459</u>

The notes on pages 19 to 49 form an integral part of these financial statements.

Newship Group Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2017

	2017 £ 000	(As restated) 2016 £ 000
Profit for the year	6,108	4,459
Foreign currency translation gains	543	1,302
Actuarial gain/(loss) on defined benefit pension scheme	6,149	(5,527)
	6,692	(4,225)
Total comprehensive income for the year	12,800	234
Total comprehensive income attributable to:		
Owners of the company	12,216	300
Minority interests	584	(66)
	12,800	234

The notes on pages 19 to 49 form an integral part of these financial statements.

Newship Group Limited

(Registration number: 1382145)

Consolidated Balance Sheet as at 31 December 2017

		2017	(As restated) 2016
	Note	£ 000	£ 000
Negative goodwill	11	-	(819)
Tangible assets	12	47,652	48,463
Investment property	13	1,498	-
		<u>49,150</u>	<u>47,644</u>
Current assets			
Stocks	15	22,061	21,981
Debtors	16	28,749	27,241
Cash at bank and in hand	17	8,056	595
		<u>58,866</u>	<u>49,817</u>
Creditors: Amounts falling due within one year	18	<u>(41,402)</u>	<u>(37,682)</u>
Net current assets		<u>17,464</u>	<u>12,135</u>
Total assets less current liabilities		66,614	59,779
Creditors: Amounts falling due after more than one year	18	(20,061)	(19,232)
Provisions for liabilities	10	<u>(1,258)</u>	<u>(1,462)</u>
Net assets excluding pension liability		<u>45,295</u>	<u>39,085</u>
Defined benefit pension liability	20	(7,200)	(15,140)
Deferred tax on defined benefit pension liability		1,224	2,574
		<u>(5,976)</u>	<u>(12,566)</u>
Net assets		<u>39,319</u>	<u>26,519</u>
Capital and reserves			
Called up share capital	21	-	-
Fair value reserve	22	2,224	2,235
Profit and loss account	22	<u>34,901</u>	<u>22,674</u>
Equity attributable to owners of the company		37,125	24,909
Minority interests		<u>2,194</u>	<u>1,610</u>
Total equity		<u>39,319</u>	<u>26,519</u>

Approved and authorised by the Board on 4 May 2018 and signed on its behalf by:



R J Newman
Chairman

The notes on pages 19 to 49 form an integral part of these financial statements.

Newship Group Limited

(Registration number: 1382145)

Company Balance Sheet as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Tangible assets	12	3,205	3,262
Investments	14	6,001	7,659
		<u>9,206</u>	<u>10,921</u>
Current assets			
Debtors	16	8,210	11,522
Creditors: Amounts falling due within one year	18	(4,019)	(8,914)
Net current assets		<u>4,191</u>	<u>2,608</u>
Total assets less current liabilities		13,397	13,529
Creditors: Amounts falling due after more than one year	18	(11,564)	(11,564)
Provisions for liabilities	10	(189)	(189)
Net assets		<u>1,644</u>	<u>1,776</u>
Capital and reserves			
Called up share capital	21	-	-
Revaluation reserve	22	1,725	1,725
Profit and loss account	22	(81)	51
Total equity		<u>1,644</u>	<u>1,776</u>

The company's loss and total comprehensive income for the year was £132,000 and £132,000 respectively.

Approved and authorised by the Board on 4 May 2018 and signed on its behalf by:



R J Newman
Chairman

The notes on pages 19 to 49 form an integral part of these financial statements.

Newship Group Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2017
Equity attributable to the parent company

	Fair value reserve £ 000	Profit and loss account £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 January 2016	2,246	22,363	24,609	1,676	26,285
Profit/(loss) for the year	-	4,315	4,315	(66)	4,249
Other comprehensive income	-	(4,015)	(4,015)	-	(4,015)
Total comprehensive income	-	300	300	(66)	234
Transfers	(11)	11	-	-	-
At 31 December 2016	2,235	22,674	24,909	1,610	26,519
	Fair value reserve £ 000	Profit and loss account £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 January 2017	2,235	22,674	24,909	1,610	26,519
Profit for the year	-	5,844	5,844	584	6,428
Other comprehensive income	-	6,372	6,372	-	6,372
Total comprehensive income	-	12,216	12,216	584	12,800
Transfers	(11)	11	-	-	-
At 31 December 2017	2,224	34,901	37,125	2,194	39,319

Transfers between the fair value reserve and the profit and loss account are the difference between depreciation on historical cost and the accelerated depreciation rate charged following the fair value adjustment.

Newship Group Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2017

	Fair value reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016	1,725	10,208	11,933
Loss for the year	-	(10,157)	(10,157)
Total comprehensive income	-	(10,157)	(10,157)
At 31 December 2016	1,725	51	1,776
	Fair value reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2017	1,725	51	1,776
Loss for the year	-	(132)	(132)
Total comprehensive income	-	(132)	(132)
At 31 December 2017	1,725	(81)	1,644

The notes on pages 19 to 49 form an integral part of these financial statements.

Newship Group Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Cash flows from operating activities			
Profit for the year	4	6,108	4,459
Adjustments to cash flows from non-cash items			
Depreciation and amortisation		7,165	6,604
Release of negative goodwill		(819)	(1,886)
Profit on disposal of tangible fixed assets		(14)	-
Loss on disposal of investment		-	83
Defined benefit pension schemes		396	(55)
Finance income		-	(39)
Interest payable	6	849	667
Corporation tax expense	10	1,396	644
Foreign exchange losses		(157)	559
		<u>14,924</u>	<u>11,036</u>
Working capital adjustments			
Increase in stocks	15	(80)	(1,028)
(Increase)/Decrease in debtors	16	(2,522)	53
Increase/(Decrease) in creditors	18	3,061	(23)
Decrease in deferred income, including government grants		(183)	(188)
Cash generated from operations		<u>15,200</u>	<u>9,850</u>
Income taxes paid	10	(711)	(967)
		<u>14,489</u>	<u>8,883</u>
Cash flows from investing activities			
Interest received		-	39
Acquisitions of tangible assets		(6,149)	(8,650)
Acquisition of investment property		(1,498)	-
Proceeds from the sale of investments		1,014	-
Proceeds from sale of tangible assets		57	156
Net cash flows from investing activities		<u>(6,576)</u>	<u>(8,455)</u>
Cash flows from financing activities			
Interest paid	6	(502)	(319)
Proceeds from new borrowings		2,479	750
Interest on preference shares		(347)	(348)
Repayment of borrowings		(2,028)	(1,460)
Net cash used in financing activities		<u>(398)</u>	<u>(1,377)</u>
Net Increase/(Decrease) in cash and cash equivalents		<u>7,515</u>	<u>(949)</u>

The notes on pages 19 to 49 form an integral part of these financial statements.

Newship Group Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Net increase / (decrease) in cash and cash equivalents		7,515	(949)
Cash and bank overdrafts at 1 January		(818)	283
Effect of foreign exchange rates		(18)	(152)
Cash and bank overdrafts at 31 December	17	<u>6,679</u>	<u>(818)</u>
Relating to:-			
Bank balances and short term deposits included in 'Cash at bank and in hand'		8,056	595
Bank overdrafts in 'Loans and borrowings'	17	<u>(1,377)</u>	<u>(1,413)</u>
		<u>6,679</u>	<u>(818)</u>

Reconciliation of net cash flow to movement in net debt

		2017 £ 000	2016 £ 000
Increase/(decrease) in cash		7,515	(949)
Cash inflows from increase in loans		(2,479)	(750)
Cash outflows from repayment of loans		2,028	1,460
Change in net debt resulting from cash flows		<u>7,064</u>	<u>(239)</u>
Exchange differences		(150)	(154)
Movement in net debt		<u>6,914</u>	<u>(393)</u>
Net debt at 1 January		<u>(20,897)</u>	<u>(20,504)</u>
Net debt at 31 December	24	<u>(13,983)</u>	<u>(20,897)</u>

The notes on pages 19 to 49 form an integral part of these financial statements.

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 General information

The company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office and principal place of business is:

Fernside Place
179 Queens Road
Weybridge
Surrey
KT13 0AH

These financial statements were authorised for issue by the Board on 4 May 2018.

The principal activity of the company is that of a holding company. The activities of the subsidiary companies are building and packaging products.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Summary of disclosure exemptions - Company

The company has taken advantage of the exemption from disclosing the following information, as permitted by the reduced disclosure regime within FRS 102:

- Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

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, including the provisions of the Large and Medium-sized Companies (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include investment properties and certain financial instruments at fair value.

The group has early adopted the amendment to FRS102. No transitional adjustments arose as a result of this change at group level. At company level the investment property of £3,297,000 has been re classified to freehold land and buildings as at 1 January 2016. The freehold land and buildings have been depreciated from that date. As a result a depreciation charge of £52,000 has gone through in the year to 31 December 2016.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2017.

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

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

The results of subsidiaries acquired or disposed of during the year are included in the profit and loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders share of changes in equity since the date of the combination.

Company statement of comprehensive income

As permitted by s408 Companies Act, the company has not presented its own statement of comprehensive income.

During the year the company wrote down the value of an investment in one of its subsidiary undertakings. The impairment value was £1,377,000 (2016: £10,063,000).

The company's loss and total comprehensive income for the year were £132,000 (2016: £10,157,000 loss) and £132,000 (2016: £10,157,000 loss), respectively.

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

Judgements

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

Long term contracts

The group undertakes long term contracts which extend over reporting dates. The group makes estimates and assumptions as to the stage of completion of each contract. The contract is separated into clearly identifiable elements, usually on a building by building basis. Each individual element is measured and estimates of the stage of completion are calculated based on known costs and time to complete the project.

Valuation of properties

The key accounting estimate in preparing these financial statements relates to the carrying value of the property which is stated at fair value. The group and company use reports provided by Chartered Surveyors employed by the group's in house management company as a basis for determining the directors' estimation of the fair value of the properties. However, the valuation of the group and company's property is inherently subjective, as it is made on the basis of valuation assumptions which may in future not prove to be accurate.

Pension scheme

Significant impacts arise within the financial statements as a result of the changes in the assumptions in respect of the valuation of the pension schemes. In order to obtain a fair valuation, the directors take advice from external actuaries as to the assumptions to be used taking account of market data and conditions at the year end.

Deferred taxation

Deferred tax assets and liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

Leases

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the group as lessee, or the lessee, where the group is a lessor.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from time of approval. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The group recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the group's activities.

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Notes to the Financial Statements for the Year Ended 31 December 2017

Contract revenue recognition

Long term contracts

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long-term contracts are included in stock or amounts recoverable on contracts to the extent that they cannot be matched with contract work accounted for as turnover. Long-term contract balances included in stocks are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

The financial statements of overseas subsidiary undertakings are translated at the balance sheet date. The exchange differences arising on the retranslation of opening net assets are taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises. Tax charges and credits attributable to exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also taken to reserves.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

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Notes to the Financial Statements for the Year Ended 31 December 2017

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold buildings	Straight line over 20 to 50 years
Leasehold property	Straight line over period of the lease
Fixtures and fittings	Straight line over 10 years
Plant and machinery	Straight line over 2 to 25 years on cost according to asset type

The group as lessee - operating leases

All leases are operating leases and annual rents are charged to profit and loss on a straight line basis over the lease term.

The group as lessor - operating leases

Rental income from assets leased under operating leases is recognised on a straight line basis over the term of the lease. Rent free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight line basis over the lease term.

Investment property

Investment property is initially held at cost and subsequently measured at fair value through profit and loss. The investment property comprises long leasehold and freehold land and buildings. The fair value of the property has been arrived at on the basis of the returns generated by the property.

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

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Notes to the Financial Statements for the Year Ended 31 December 2017

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Negative goodwill

Negative goodwill arising on an acquisition is recognised on the face of the balance sheet on the acquisition date and subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class

Negative goodwill

Amortisation method and rate

Released against non monetary assets as they are used in the course of the business

Investments

Company

In the separate accounts of the company, interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Interests in subsidiaries, associates and jointly controlled entities are assessed for impairment at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in profit or loss.

Inventories

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial instruments

Financial assets

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Notes to the Financial Statements for the Year Ended 31 December 2017

Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

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Notes to the Financial Statements for the Year Ended 31 December 2017

Financial liabilities and equity

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar expenses.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Preference share capital is classified as a liability as it is redeemable on a specific date or at the option of the shareholders and as the dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

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Notes to the Financial Statements for the Year Ended 31 December 2017

Defined benefit pension obligation

The group has four defined benefit schemes three of which are closed to future accrual.

Net interest on the net defined benefit liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations. The net interest is recognised in the profit and loss account.

Gains and losses arising from changes in actuarial assumptions and the difference between the interest income on the plan assets and the return on the plan assets are recognised in other comprehensive income.

The defined benefit schemes are funded, with the assets held separately from the group in separate trustee-administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected credit unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency, for three of the four group schemes, the fourth scheme assets and liabilities are measured based on an estimate made by management. This estimate is based on the triennial funding assessments performed by a qualified actuary for the benefit of the trustees of the scheme and takes into account actual performance experience of the other defined benefit pension schemes operated by the wider Newship group. A pension scheme liability is recognised to the extent that the group has a legal or constructive obligation to settle the liability and as asset recognised where the group has a right to recover monies from the scheme.

Financial instruments

Classification

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments.

Recognition and measurement

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the group is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as an interest expense in the profit and loss account.

3 Turnover

The analysis of the group's turnover for the year from continuing operations is as follows:

	2017	(As restated) 2016
	£ 000	£ 000
Sale of goods	150,897	129,838
Rendering of services	-	14
Rental income	354	353
	<u>151,251</u>	<u>130,205</u>

Total contract revenue recognised in the year, and included within sale of goods, was £43,094,000 (2016: £28,218,000).

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Notes to the Financial Statements for the Year Ended 31 December 2017

The analysis of the group's turnover for the year by class of business is as follows:

	2017 £ 000	2016 £ 000 (As restated)
Packaging	104,911	98,720
Building	45,986	31,132
Rental	354	353
	<u>151,251</u>	<u>130,205</u>

The analysis of the group's turnover for the year by market is as follows:

	2017 £ 000	2016 £ 000 (As restated)
UK	96,639	78,864
Europe	50,921	47,477
Rest of world	3,691	3,864
	<u>151,251</u>	<u>130,205</u>

4 Operating profit

Arrived at after charging/(crediting)

	2017 £ 000	2016 £ 000
Stock charged as an expense	81,458	67,339
Depreciation expense	7,165	6,604
Amortisation	(819)	(1,886)
Research and development cost	51	57
Foreign exchange gains	(157)	(152)
Operating lease expense - property	1,097	1,465
Operating lease expense - plant and machinery	386	667
(Profit)/loss on disposal of property, plant and equipment	<u>(14)</u>	<u>6</u>

5 Government grants

The group has benefited from the receipt of capital investment grants.

Grant income is the unwinding of a regional development grant received by the group towards the rebuilding of one of the furnaces. The income is being recognised over the life of the furnace.

The amount of grants recognised in the financial statements was £183,000 (2016 - £188,000).

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Notes to the Financial Statements for the Year Ended 31 December 2017

6 Interest payable and similar expenses

	2017 £ 000	2016 £ 000
Interest on bank overdrafts and borrowings	442	319
Related party interest	60	-
Interest on preference shares	347	348
	<u>849</u>	<u>667</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

Group

	2017 £ 000	2016 £ 000
Wages and salaries	24,192	22,615
Social security costs	3,076	2,891
Pension costs, defined contribution scheme	838	626
Redundancy costs	39	15
	<u>28,145</u>	<u>26,147</u>

Company

	2017 £ 000	2016 £ 000
Wages and salaries	629	589
Social security costs	88	82
Pension costs, defined contribution scheme	26	62
Other employee expense	26	35
	<u>769</u>	<u>768</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

Group

	2017 No.	2016 No.
Production	413	390
Administration and support	47	53
Sales, marketing and distribution	141	163
	<u>601</u>	<u>606</u>

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Notes to the Financial Statements for the Year Ended 31 December 2017

Company

	2017 No.	2016 No.
Administration and support	<u>9</u>	<u>9</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 £ 000	2016 £ 000
Remuneration	317	288
Contributions paid to money purchase schemes	<u>12</u>	<u>45</u>
	<u>329</u>	<u>333</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2017 No.	2016 No.
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director:

	2017 £ 000	2016 £ 000
Remuneration	184	198
Company contributions to money purchase pension schemes	<u>12</u>	<u>45</u>

9 Auditors' remuneration

	2017 £ 000	2016 £ 000
Payable to auditors of consolidation and UK subsidiaries	<u>97</u>	<u>90</u>

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Notes to the Financial Statements for the Year Ended 31 December 2017

10 Taxation

Tax charged/(credited) in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	935	309
UK corporation tax adjustment to prior periods	<u>(108)</u>	<u>56</u>
	827	365
Foreign tax	<u>687</u>	<u>588</u>
Total current income tax	<u>1,514</u>	<u>953</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(86)	(226)
Arising from changes in tax rates and laws	<u>(32)</u>	<u>(30)</u>
Total deferred taxation	<u>(118)</u>	<u>(256)</u>
Tax expense in the income statement	<u>1,396</u>	<u>697</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	(As restated) 2016 £ 000
Profit before tax	<u>7,504</u>	<u>5,156</u>
Corporation tax at standard rate	1,426	1,031
Effect of foreign tax rates	75	71
Net impact of movement in deferred tax	(118)	(256)
Tax increase/(decrease) from effect of capital allowances and depreciation	(34)	(45)
Other tax effects for reconciliation between accounting profit and tax expense/(income)	<u>47</u>	<u>(104)</u>
Total tax charge	<u>1,396</u>	<u>697</u>

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000
2017		
Tax on fair value property plant and equipment	-	460
Losses bought forward	46	-
Difference between depreciation and capital allowances	-	844
	<u>46</u>	<u>1,304</u>

	Asset £ 000	Liability £ 000
2016		
Tax on fair value property plant and equipment	-	460
Losses bought forward	50	-
Difference between depreciation and capital allowances	-	1,055
	<u>50</u>	<u>1,515</u>

Company

Deferred tax assets and liabilities

	Liability £ 000
2017	
Tax on fair value property plant and equipment	<u>189</u>

	Liability £ 000
2016	
Tax on fair value property plant and equipment	<u>189</u>

The corporation tax rate for the UK Group profits was 19% at the year end. The rate will be reduced at 1 April 2018 to 18% and at 1 April 2020 to 17%. Deferred tax has been recognised at a rate of 17%, which is the rate that was substantively enacted at the year end.

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Notes to the Financial Statements for the Year Ended 31 December 2017

11 Intangible assets

Group

	Negative Goodwill on consolidation £ 000	Total £ 000
Cost or valuation		
At 1 January 2017	<u>(22,330)</u>	<u>(22,330)</u>
At 31 December 2017	<u>(22,330)</u>	<u>(22,330)</u>
Amortisation		
At 1 January 2017	(21,511)	(21,511)
Amortisation credit	<u>(819)</u>	<u>(819)</u>
At 31 December 2017	<u>(22,330)</u>	<u>(22,330)</u>
Carrying amount		
At 31 December 2017	<u>-</u>	<u>-</u>
At 31 December 2016	<u>(819)</u>	<u>(819)</u>

The negative goodwill has been allocated to the non-monetary assets within the acquired business at the date of acquisition. The negative goodwill is recognised and matched in the profit and loss account as the assets are sold or depreciated.

Negative goodwill recognised within cost of sales relates to the amount allocated to the stock in the acquired balance sheet.

Negative goodwill recognised in distribution and administration expenses relates to the depreciation in the current period of certain fixed assets in the acquired balance sheet.

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12 Tangible assets

Group

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Properties under construction £ 000	Other property, plant and equipment £ 000	Total £ 000
Cost or valuation					
At 1 January 2017	19,996	2,080	485	34,977	57,538
Foreign exchange movements	218	-	-	339	557
Additions	988	6	-	5,155	6,149
Disposals	-	-	-	(2,297)	(2,297)
Transfers	2,379	(1,894)	(485)	-	-
At 31 December 2017	23,581	192	-	38,174	61,947
Depreciation					
At 1 January 2017	655	798	-	7,622	9,075
Foreign exchange movements	33	-	-	276	309
Charge for the year	746	11	-	6,408	7,165
Eliminated on disposal	-	-	-	(2,254)	(2,254)
Transfers	629	(629)	-	-	-
At 31 December 2017	2,063	180	-	12,052	14,295
Carrying amount					
At 31 December 2017	21,518	12	-	26,122	47,652
At 31 December 2016	19,341	1,282	485	27,355	48,463

Included within the net book value of land and buildings above is £21,171,000 (2016: £20,259,000) in respect of freehold land and buildings and £347,000 (2016: £347,000) in respect of long leasehold land and buildings.

Fixtures and fittings, relating to leasehold improvements, held in a subsidiary company, which relate to freehold land and buildings held within the group have been transferred to land and buildings.

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Notes to the Financial Statements for the Year Ended 31 December 2017

Company

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost			
At 1 January 2017	3,297	186	3,483
Additions	-	6	6
At 31 December 2017	<u>3,297</u>	<u>192</u>	<u>3,489</u>
Depreciation			
At 1 January 2017	52	169	221
Charge for the year	<u>52</u>	<u>11</u>	<u>63</u>
At 31 December 2017	<u>104</u>	<u>180</u>	<u>284</u>
Carrying amount			
At 31 December 2017	<u>3,193</u>	<u>12</u>	<u>3,205</u>
At 31 December 2016	<u>3,245</u>	<u>17</u>	<u>3,262</u>

13 Investment properties

Group

	2017
	£ 000
Additions and carrying amounts at 31 December 2017	<u>1,498</u>
The investment property comprises freehold land and buildings. The value of the group's investment property at 31 December 2017 has been arrived at on the basis of cost. The group has calculated a fair value of the property based on the returns generated by the tenant and feel the cost is a fair carrying value for the investment. The property was purchased in 2017 and has a standing tenant. The rental income from the incumbent has not changed in the period so the group feel's that the valuation should be retained at the present level.	

If the investment property was stated on a historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2017	2016
	£'000	£'000
Cost	1,498	-
Accumulated depreciation	<u>-</u>	<u>-</u>
Carrying amount	<u>1,498</u>	<u>-</u>

Within the cost of the property £1,498,000 (2016: £nil) relates to freehold land and buildings.

There has been no valuation of investment property by an independent valuer.

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Notes to the Financial Statements for the Year Ended 31 December 2017

14 Investments

Company

	2017 £ 000	2016 £ 000
Investments in subsidiaries	6,001	7,659
Subsidiaries		£ 000
Cost		
At 1 January 2017		24,503
Disposals		(18,502)
At 31 December 2017		6,001
Provision		
At 1 January 2017		16,844
Provision		1,377
Eliminated on disposals		(18,221)
At 31 December 2017		-
Carrying amount		
At 31 December 2017		6,001
At 31 December 2016		7,659

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2017	2016
Subsidiary undertakings				
Newship Ltd	England and Wales	Ordinary	95.15%	95.15%

During the year Newship Group Limited transferred its investment in Newship Industries Limited to Newship Limited.

The principal activity of Newship Ltd is a holding company.

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

Newship Limited is the parent company and owns 100% of the ordinary share capital of the following companies, either directly or indirectly:

Beatson Clark Ltd, a company registered in England and Wales and whose principal activity is the manufacture and distribution of hollow glass containers.

Lewis & Towers Ltd, a company registered in England and Wales and whose principal activity is the manufacture and distribution of hollow glass containers.

Rollalong Holdings Ltd, a company registered in England and Wales and whose principal activity is that of an intermediate holding company.

Rollalong Ltd, a company registered in England and Wales and whose principal activity is the manufacture and installation of permanent modular buildings.

Rollalong Properties Ltd, a company registered in England and Wales and is a dormant company.

Pont Packaging BV, a company registered in the Netherlands and whose principal activity is the manufacture and distribution of packaging solutions.

Pont Packaging GmbH, a company registered in Germany and whose principal activity is the distribution of packaging.

Pont Emballage SAS, a company registered in France and whose principal activity is the distribution of packaging.

Pont Packaging Ltd, a company registered in England and Wales and whose principal activity is the distribution of packaging.

Johnsen & Jorgensen Ltd, a company registered in England and Wales and is a dormant company.

Pont Europe Ltd, a company registered in England and Wales and is a dormant company.

James Gibbons Format Ltd, a company registered in England and Wales and whose principal activity is the manufacture and distribution of architectural ironmongery.

Beatson Clark (Trustees) Ltd, a company registered in England and Wales and is a dormant company.

James Gibbons Ltd, a company registered in England and Wales and is in liquidation.

Newship Industries Ltd, a company registered in England and Wales and whose principal activity is that of an intermediate holding company.

Newship Investments Ltd, a company registered in England and Wales and is a dormant company.

Newship Distribution Ltd, a company registered in England and Wales and is a dormant company.

Registered and operating addresses along with telephone numbers are shown on the group website: www.newship.co.uk.

Dormant companies above are exempt from audit.

15 Stocks

	Group		Company	
	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Raw materials and consumables	2,107	2,068	-	-
Work in progress	880	499	-	-
Finished goods and goods for resale	19,074	19,414	-	-
	<u>22,061</u>	<u>21,981</u>	<u>-</u>	<u>-</u>

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

16 Debtors

	Group		Company	
	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Trade debtors	15,996	15,483	105	188
Amounts owed by related parties	-	-	7,619	11,247
Other debtors	703	1,487	371	-
Prepayments	3,429	2,297	115	81
Amounts recoverable on contracts	8,489	7,793	-	-
Corporation tax	132	181	-	6
	<u>28,749</u>	<u>27,241</u>	<u>8,210</u>	<u>11,522</u>

17 Cash and cash equivalents

	Group		Company	
	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Cash at bank	8,056	595	-	-
Bank overdrafts	<u>(1,377)</u>	<u>(1,413)</u>	<u>(106)</u>	<u>(154)</u>
Cash and cash equivalents in statement of cash flows	<u>6,679</u>	<u>(818)</u>	<u>(106)</u>	<u>(154)</u>

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

18 Creditors

		Group		Company	
	Note	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Due within one year					
Bank loans and overdrafts	23	2,979	3,443	106	154
Trade creditors		18,159	17,128	41	114
Amounts due to related parties		-	-	-	2,565
Social security and other taxes		2,911	1,884	82	138
Other payables		449	513	38	390
Accruals and deferred income		12,423	8,815	296	46
Corporation tax		1,146	392	121	-
Directors' loan account		3,335	5,507	3,335	5,507
		<u>41,402</u>	<u>37,682</u>	<u>4,019</u>	<u>8,914</u>
Due after one year					
Bank and other loans	23	7,496	6,485	-	-
Deferred income		1,001	1,183	-	-
Preference shares	23	<u>11,564</u>	<u>11,564</u>	<u>11,564</u>	<u>11,564</u>
		<u>20,061</u>	<u>19,232</u>	<u>11,564</u>	<u>11,564</u>
		Group		Company	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000

Included in bank and other loans are:

Amounts repayable other than by instalments
falling due after five years

<u>2,060</u>	<u>-</u>	<u>-</u>	<u>-</u>
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The bank overdrafts are secured by a fixed and floating charge over the assets of the group.

The bank loans are secured on land and buildings pertaining to the particular facility and a floating charge over the relevant assets of the group.

Bank overdrafts are annual facilities, subject to review at 31 May 2018 and are repayable on demand. The average interest rate on bank overdrafts was 3.00% (2016: 2.75%), based on Bank of England Base rate plus 2.5%.

Other loans are unsecured and are subject to an interest charge of 2.50% above Bank of England base rate. The loan matures on 30 November 2056.

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

19 Deferred tax and other provisions

Group

	Deferred tax £ 000	Total £ 000
At 1 January 2017	1,462	1,462
Provisions used	<u>(204)</u>	<u>(204)</u>
At 31 December 2017	<u>1,258</u>	<u>1,258</u>

20 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £838,000 (2016 - £626,000).

The company charged contributions totalling £26,000 (2016: £62,000) to the scheme in the year. Contributions totalling £8,000 (2016: £37,000) were payable to the scheme at the end of the year and are included in creditors.

Defined benefit pension schemes

Defined benefit pension schemes - group

The group operates four defined benefit pension schemes in the UK. The full actuarial valuations were carried out in accordance with scheme requirements.

Three of the schemes' valuations have been updated to 31 December 2017 by qualified independent actuaries. The fourth scheme has shown a surplus under the current reporting standards for more than five years. Under the standards the surplus is not disclosable on the balance sheet. The valuation of this scheme has not been updated, however the directors have taken necessary steps to satisfy themselves that if the scheme valuation was updated it would still show a surplus.

Based on the performance of the other three schemes which have had their valuations updated, it is considered fair to assume that the fourth scheme would remain in surplus.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2017 £ 000	2016 £ 000
Fair value of scheme assets	136,131	129,219
Present value of defined benefit obligation	<u>(136,577)</u>	<u>(138,974)</u>
	(446)	(9,755)
Amounts not recognised as an asset	<u>(6,754)</u>	<u>(5,385)</u>
Defined benefit pension scheme deficit	<u>(7,200)</u>	<u>(15,140)</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

	2017 £ 000
Present value at start of year	138,974
Interest cost	3,651
Actuarial gains and losses	906
Benefits paid	(6,954)
Present value at end of year	<u>136,577</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2017 £ 000
Fair value at start of year	129,219
Interest income	3,255
Return on plan assets, excluding amounts included in interest income	9,671
Employer contributions	940
Benefits paid	(6,954)
Fair value at end of year	<u>136,131</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2017 £ 000	2016 £ 000
Cash and cash equivalents	5,035	1,060
Equity instruments	78,886	57,012
Debt instruments	49,924	70,150
Property	2,286	997
	<u>136,131</u>	<u>129,219</u>

Return on scheme assets

	2017 £ 000	2016 £ 000
Return on scheme assets	<u>12,926</u>	<u>17,684</u>

The pension scheme has not invested in any of the group's or company's own financial instruments or in properties or other assets used by the group or company.

Amounts recognised in the profit and loss account

	2017 £ 000	2016 £ 000
Amounts recognised in other finance income		
Net interest payable on defined benefit pension schemes	<u>(396)</u>	<u>(355)</u>

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

Amounts recognised in other comprehensive income

	2017 £ 000	2016 £ 000
Return on scheme assets less interest income	9,671	13,238
Experienced gains and (losses) arising on the defined benefit obligation	776	1,325
Changes in actuarial assumptions used to calculate the defined benefit obligation	(1,682)	(20,998)
Change in the amount of irrecoverable surplus	(1,369)	96
Effect of deferred tax on pension scheme liability	(1,247)	812
Total recognised in comprehensive income	<u>6,149</u>	<u>(5,527)</u>

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	2017 %	2016 %
Discount rate	2.55	2.70
Future salary increases	3.20	3.20
Inflation	<u>3.20</u>	<u>3.20</u>

Post retirement mortality assumptions

	2017 Years	2016 Years
Current UK pensioners at retirement age	21	21
Future UK pensioners at retirement age	<u>22</u>	<u>22</u>

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

21 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
488 Ordinary shares of £1 each	-	-	-	-
11,563,653 3% Preference shares of £1 each	11,564	11,564	11,564	11,564
	<u>11,564</u>	<u>11,564</u>	<u>11,564</u>	<u>11,564</u>

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

The company's ordinary shares, which carry no right to a fixed income, each carry the right to one vote at general meetings of the company.

Preference shares have the following rights, preferences and restrictions:

The preference shares are classified as liabilities. The holder is entitled to a fixed dividend based on the nominal value of each share and the right to vote at general meetings of the company.

22 Reserves

Group

Fair value reserve

Cumulative impact of fair value adjustments to Property, Plant and Equipment

Profit and loss account

The profit and loss account is made up of retained profits of the group

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

	Retained earnings £ 000	Total £ 000
Foreign currency translation gains	543	543
Remeasurement gain on defined benefit pension schemes	<u>6,149</u>	<u>6,149</u>
	<u>6,692</u>	<u>6,692</u>

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

	Retained earnings £ 000	Total £ 000
Foreign currency translation gains	1,302	1,302
Remeasurement loss on defined benefit pension schemes	(5,527)	(5,527)
	<u>(4,225)</u>	<u>(4,225)</u>

Company

Fair value reserve

Cumulative impact of fair value adjustments to Land and Buildings

Profit and loss

The profit and loss account is made up of retained profits of the company

23 Loans and borrowings

	Group		Company	
	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Current loans and borrowings				
Bank borrowings	1,602	2,030	-	-
Bank overdrafts	1,377	1,413	106	154
	<u>2,979</u>	<u>3,443</u>	<u>106</u>	<u>154</u>
	Group		Company	
	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Non-current loans and borrowings				
Bank borrowings	5,436	6,485	-	-
Redeemable preference shares	11,564	11,564	11,564	11,564
Other borrowings	2,060	-	-	-
	<u>19,060</u>	<u>18,049</u>	<u>11,564</u>	<u>11,564</u>

Borrowings are denominated and repaid in pounds sterling and have the following contractual interest rates:

Bank of England Base plus 2.00% and LIBOR plus 2.00%, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

Overseas borrowings have been converted to pounds sterling and have the following contractual interest rates:

Fixed rates between 2.95 - 4.89% and EURIBOR plus 2.15 - 2.40%.

Bank borrowings of £4,040,000 (2016: £4,070,000) are secured against the land and buildings of the group (as detailed in note 12)

Other loans are unsecured and are subject to an interest charge of 2.50% above Bank of England base rate. The loan matures on 30 November 2056.

Preference shares carry a 3.00% fixed dividend based on the nominal value of each share.

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

24 Analysis of net debt

	At 1 January 2017	Cash Flow	Exchange movement	At 31 December 2017
	£'000	£'000	£'000	£'000
Cash at bank and in hand	595	7,441	20	8,056
Bank overdraft	(1,413)	74	(38)	(1,377)
	<u>(818)</u>	<u>7,515</u>	<u>(18)</u>	<u>6,679</u>
Debt due within one year	(2,030)	493	(65)	(1,602)
Debt due in more than one year	(18,049)	(944)	(67)	(19,060)
	<u>(20,897)</u>	<u>7,064</u>	<u>(150)</u>	<u>(13,983)</u>
Net debt				

25 Obligations under leases

Group

Operating leases

The total of future minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Not later than one year	1,048	1,942
Later than one year and not later than five years	2,453	4,935
	<u>3,501</u>	<u>6,877</u>

The group receives rental income under non-cancellable contracts. The current contracts are due to expire in February 2018, September 2020 and June 2023.

Operating leases - lessor

The total of future minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Not later than one year	218	166
Later than one year and not later than five years	365	297
	<u>583</u>	<u>463</u>

Total contingent rents recognised as income in the period are £175,000 (2016 - £144,000).

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

Company

Operating leases - lessor

The total of future minimum lease payments is as follows:

Amounts receivable

	2017 £ 000	2016 £ 000
Not later than one year	166	166
Later than one year and not later than five years	131	297
	<u>297</u>	<u>463</u>

Total contingent rents recognised as income in the period are £131,000 (2016 - £131,000).

26 Commitments

Group

Capital commitments

The group is committed to make capital purchases in respect of additional manufacturing facilities and plant and machinery.

The total amount contracted for but not provided in the financial statements was £199,000 (2016 - £1,071,000).

Other financial commitments

Currency forwards

The group enters into forward foreign currency contracts for the purchase of known currency positions. At the balance sheet date the fair value of these contracts is not materially different from cost.

The total amount of other financial commitments not provided in the financial statements was £Nil (2016 - £Nil).

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

27 Related party transactions

Group

Income and receivables from related parties

	Entities with joint control or significant influence £ 000
2017	
Personnel costs	67
Leases	83
	<u>150</u>
	Entities with joint control or significant influence £ 000
2016	
Personnel costs	<u>73</u>

The total net amount due from related parties at the balance sheet date is £102,000 (2016: £218,000). This amount is included in trade debtors and amounts due from related parties at the year end.

Expenditure with and payables to related parties

	Entities with joint control or significant influence £ 000
2017	
Purchase of goods	219
Rendering of services	270
Leases	446
Transfers under licence agreements	56
Settlement of liabilities	60
	<u>1,051</u>
	Entities with joint control or significant influence £ 000
2016	
Leases	<u>386</u>

The total net amount due to related parties at the balance sheet date is £370,000 (2016: £104,000). This amount is included in trade creditors and amounts due to related parties at the year end.

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

During the year the group and company paid a dividend of £348,000 (2016: £348,000) on the 3% preference shares to a director of the company.

At the year end a total of £3,335,000 (2016: £5,507,000) was due to a director in the form of loans to the group and company.

The amounts outstanding are unsecured, non-interest bearing and will be settled in cash.

Company

Income and receivables from related parties

	Entities with joint control or significant influence £ 000
2017	
Personnel recharges	1,001
Leases	332
Interest on loan	371
	<u>1,704</u>
	Entities with joint control or significant influence £ 000
2016	
Personnel recharges	1,137
Sale of property or other assets	1,291
Leases	166
Recharge of office costs	156
	<u>2,750</u>

The total net amount due from related parties at the balance sheet date is £12,359,000 (2016: £149,000). This amount is included in amounts owed by related parties and trade debtors at the year end.

Newship Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

Expenditure with and payables to related parties

	Entities with joint control or significant influence £ 000
2017	
Personnel recharges	171
Leases	270
	<hr/>
	441
	<hr/>
	Entities with joint control or significant influence £ 000
2016	
Personnel recharges	68
Leases	386
	<hr/>
	454
	<hr/>

At the year end a total net amount of £6,677,000 (2016: £2,203,000) was due to related parties. These balances are included within trade creditors and amounts due to related parties.

28 Ultimate controlling party

These financial statements are available upon request from the registered office.

The ultimate controlling party is J W Newman.

29 Prior year adjustments

The group has restated their revenue and other operating income figures for 2016 following a decision to disclose only core operating income as turnover in the current year.

The ancillary revenues included in 2016 turnover, totaling £324,000, have been moved to other operating income to provide an accurate comparative.

30 Adoption of new FRS 102

The group has early adopted the changes under the FRS 102 triennial review. As a result property leased to group entities of £3,297,000 has been transferred from investment property as at 1 January 2016. The previous valuation of these assets is treated as the deemed cost. In the year to 31 December 2016 depreciation of £52,000 has been charged.