

# **Pendennis Shipyard (Holdings) Limited**

## **Directors' report and financial statements**

**For the year ended 31 December 1998**

Company registration number 2281468



# Pendennis Shipyard (Holdings) Limited

## Directors' report and financial statements

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# Pendennis Shipyard (Holdings) Limited

## Directors' report

*For the year ended 31 December 1998*

The directors present their report on the affairs of the group, together with the financial statements and auditors' report for the year ended 31 December 1998.

### Principal activity and business review

The principal activities of the group are the design and manufacture of luxury yachts and fitting out of medium sized yachts.

### Post balance sheet events

At an Extraordinary General Meeting of the company held on 25 January 1999 the authorised share capital was increased by £800,000 by the creation of an additional 800,000 Ordinary shares of £1 each and 1,100,000 of the existing Deferred shares were converted into Ordinary shares, both to rank pari passu with the original Ordinary shares. At an Extraordinary General Meeting held on 27 July 1999 the authorised capital was increased by a further £250,000 by the creation of a further 250,000 Ordinary shares of £1 each to rank pari passu with the existing Ordinary shares. The following Ordinary shares have been issued since the year end to provide additional working capital.

29 January 1999	£600,000
1 April 1999	£ 25,000
19 April 1999	£175,000
6 September 1999	£130,000

In addition £120,000 floating rate Convertible Loan Stock 2004 was issued on 6 September 1999. This stock may be converted into Ordinary shares to rank pari passu with the existing Ordinary shares at any time after 1 August 2004.

### Results and dividends

The results for the year are shown in the profit and loss account on page 5. The directors recommend that no dividend be paid.

### Year 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of the group's business depends not only on in-house computer and related systems, but also to some degree, on those of its suppliers and customers. This could expose the group to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no year 2000 problems will remain, because at least some level of failure may still occur. However, the directors believe that the risk to the group is not so significant as to disrupt their commercial activities.

# Pendennis Shipyard (Holdings) Limited

## Directors' report

*For the year ended 31 December 1998*

### Directors and their interests

The directors who served during the year and their interests in the ordinary and deferred share capital of the company were as follows:

	1998		1997	
	Ordinary	Deferred	Ordinary	Deferred
MJ Carr	34,000	887,807	34,000	887,807
H Wickens	34,000	887,807	34,000	887,807
D Bentley	24,000	626,637	24,000	626,687
PJ Wood	-	-	-	-
TJ Vernon	-	-	-	-
AA Hill	8,000	208,896	8,000	208,896
NJ Horton (resigned 26 May 1999)	-	-	-	-

Sir T Sainsbury and J Carter were appointed directors on 2 August 1999.

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Robinson Reed Layton as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

# Pendennis Shipyard (Holdings) Limited

## Directors' report

*For the year ended 31 December 1998*

### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss for that period. In preparing those 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

By order of the Board



**AA Hill**  
*Director*

The Docks  
**FALMOUTH**  
Cornwall

4 October 1999

# Pendennis Shipyard (Holdings) Limited

## Auditors' report to the members of Pendennis Shipyard (Holdings) Limited

We have audited the financial statements on pages 5 to 21.

### *Respective responsibilities of directors and auditors*

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### *Basis of opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

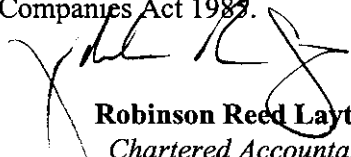
### *Fundamental uncertainty*

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the continued support of the groups creditors. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1998 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Peat House  
Newham Road  
TRURO  
Cornwall  
TR1 2DP



**Robinson Reed Layton**  
Chartered Accountants  
Registered Auditors

4 October 1999

# Pendennis Shipyard (Holdings) Limited

## Group profit and loss account

For the year ended 31 December 1998

	Note	1998 £	1997 £
<b>Turnover</b>	3	<b>13,292,587</b>	12,727,324
Cost of sales		<b>(12,203,556)</b>	(11,371,190)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>1,089,031</b>	1,356,134
Administrative expenses		<b>(1,552,522)</b>	(1,984,955)
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(463,491)</b>	(628,821)
Interest receivable and similar income		<b>26,765</b>	18,064
Interest payable and similar charges	4	<b>(125,786)</b>	(107,228)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	5	<b>(562,512)</b>	(717,985)
Taxation on loss on ordinary activities	8	-	(821)
		<hr/>	<hr/>
<b>Loss on ordinary activities after taxation being the loss for the financial year</b>		<b>(562,512)</b>	(718,806)
Accumulated deficit brought forward		<b>(1,967,984)</b>	(1,249,178)
		<hr/>	<hr/>
<b>Accumulated deficit carried forward</b>		<b>(2,530,496)</b>	(1,967,984)
		<hr/> <hr/>	<hr/> <hr/>

There were no acquisitions or discontinued operations within the group during 1998 or 1997.

The group has no recognised gains or losses in either 1998 or 1997 other than those passing through the profit and loss account.

# Pendennis Shipyard (Holdings) Limited

## Balance sheet

As at 31 December 1998

	Note	The Company		The Group	
		1998	1997	1998	1997
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9	2,443,892	2,515,670	3,137,432	3,295,820
Investments	10	5	5	-	-
<b>Current assets</b>					
Stocks	11	-	-	40,443	77,792
Debtors:					
- due within one year	12	11,510	5,690	1,475,726	941,915
- due after more than one year	12	-	-	668,443	741,700
Cash at bank and in hand		295	-	53,235	217,935
		<u>11,805</u>	<u>5,690</u>	<u>2,237,847</u>	<u>1,979,342</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(776,373)</u>	<u>(724,840)</u>	<u>(4,495,641)</u>	<u>(3,719,483)</u>
<b>Net current liabilities</b>		<u>(764,568)</u>	<u>(719,150)</u>	<u>(2,257,794)</u>	<u>(1,740,141)</u>
<b>Total assets less current liabilities</b>		<u>1,679,329</u>	<u>1,796,525</u>	<u>879,638</u>	<u>1,555,679</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(646,192)</u>	<u>(731,059)</u>	<u>(698,937)</u>	<u>(812,466)</u>
<b>Provisions for liabilities and charges</b>	15	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>		<u>1,033,137</u>	<u>1,065,466</u>	<u>180,701</u>	<u>743,213</u>
<b>Capital and reserves</b>					
Called up share capital	16	2,711,197	2,711,197	2,711,197	2,711,197
Profit and loss account		(1,678,060)	(1,645,731)	(2,530,496)	(1,967,984)
<b>Shareholders' funds including non-equity interests</b>	17,18	<u>1,033,137</u>	<u>1,065,466</u>	<u>180,701</u>	<u>743,213</u>

These financial statements were approved by the board of directors on 4 October 1999 and were signed on its behalf by:



**AA Hill**  
Director



# Pendennis Shipyard (Holdings) Limited

## Group cash flow statement for the year ended 31 December 1998

	Note	1998 £	1997 £
<b>Net cash (outflow)/inflow from operating activities</b>	1	(401,253)	440,965
<b>Return on investments and servicing of finance</b>			
Interest received		256	27,169
Interest paid		(107,192)	(90,157)
Interest element of finance lease payments		(18,594)	(15,594)
<b>Net cash outflow from returns on investment and servicing of finance</b>		(125,530)	(78,582)
<b>Taxation</b>			
Taxation paid		-	(821)
<b>Tax paid</b>		-	(821)
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(54,491)	(436,048)
Proceeds from the disposal of tangible fixed assets		-	9,400
<b>Net cash outflow from capital expenditure</b>		(54,491)	(426,648)
		(581,274)	(65,086)
<b>Financing</b>			
<i>Debt due within a year:</i>			
Capital element of lease purchase payments		(57,894)	(54,514)
Repayment of loan capital		(55,313)	(56,526)
<b>Net cash outflow from financing</b>		(119,984)	(111,040)
<b>Decrease in cash and cash equivalents</b>	2	(701,258)	(176,126)

# Pendennis Shipyard (Holdings) Limited

## Notes to the cashflow statement

For the year ended 31 December 1998

### 1 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	1998 £	1997 £
Operating loss	(463,491)	(628,821)
Depreciation charge	220,759	202,579
Profit on sale of tangible fixed assets	-	(3,278)
Decrease/(Increase) in stocks	37,349	(49,965)
Increase in debtors	(434,046)	(335,672)
Increase in creditors	238,176	1,256,122
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(401,253)	440,965
	<hr/>	<hr/>

### 2 Reconciliation of net cashflow to movement in net debt

	1998 £	1997 £
Decrease in cash	(701,258)	(176,126)
Cash inflow from decrease in debt and lease financing	119,984	111,040
	<hr/>	<hr/>
Change in net debt resulting from cash flows	(581,274)	(65,086)
	<hr/>	<hr/>
New finance leases	(7,880)	(108,000)
	<hr/>	<hr/>
Movement in net debt in the period	(589,154)	(173,086)
Net debt at 1 January 1998	(938,515)	(765,429)
	<hr/>	<hr/>
Net debt at 31 December 1998	(1,527,669)	(938,515)
	<hr/>	<hr/>

# Pendennis Shipyard (Holdings) Limited

## Notes to the cashflow statement For the year ended 31 December 1998

### 3 Analysis of changes in net debt

	At 1 January 1998 £	Cash flow £	Other non cash changes £	At 31 December 1998 £
Cash at bank and in hand	217,935	(164,700)		53,235
Bank overdraft	(225,970)	(536,558)		(762,528)
		<hr/>		
		(701,258)		
<b>Loans and lease purchase liabilities:</b>				
Due within one year	(118,014)	119,984	(121,409)	(119,439)
Due after one year	(812,466)		113,529	(698,937)
	<hr/>	<hr/>	<hr/>	<hr/>
	(938,515)	(581,274)	(7,880)	(1,527,669)
	<hr/>	<hr/>	<hr/>	<hr/>

# Pendennis Shipyard (Holdings) Limited

## Notes to the financial statements

*For the year ended 31 December 1998*

### 1 **Basis of accounting**

These financial statements have been prepared under the historical cost convention. They have also been prepared on a going concern basis which assumes the continued support of the group's creditors. Should this support be withdrawn the group would be unable to continue trading. Adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise and to reclassify fixed assets and long-term liabilities as current assets and liabilities.

Since the year end the company has raised additional finance (see note 23).

### 2 **Principal accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### 2.1 **Consolidation**

The consolidated financial statements incorporate the financial statements of Pendennis Shipyard (Holdings) Limited and its subsidiary undertaking. In accordance with the exemptions granted under Section 230(4) of the Companies Act 1985, a separate profit and loss account dealing with the results of the company only has not been presented.

#### 2.2 **Tangible fixed assets and depreciation**

All fixed assets are shown at cost. Depreciation is provided at rates calculated to write-off the cost of each asset less estimated residual value on a straight-line basis over its expected useful life as follows:

Long term leasehold property	-	2%
Plant and equipment	-	10 - 25%
Fixtures and fittings	-	10 - 33%

No depreciation is charged on leasehold land. The period of lease is 996 years from 21 May 1993.

Assets in the course of construction represents the capital cost of separately identifiable assets which are incomplete at the year end. On completion the costs incurred will be analysed into the appropriate class of asset and depreciation charged accordingly.

#### 2.3 **Stocks**

Stocks are stated at the lower of cost and net realisable value.

# Pendennis Shipyard (Holdings) Limited

## Notes to the financial statements

*For the year ended 31 December 1998*

### **2 Principal accounting policies (*continued*)**

#### **2.4 *Turnover and long term contracts***

Turnover represents in the case of long term contracts the proportion of contract value applicable to the activity in the year, ascertained by reference to the state of completion of each contract. The related costs are matched with this turnover, resulting in the reporting of attributable profit proportionate to the contract activity. Where the outcome of a contract cannot be foreseen with reasonable certainty but no loss is expected, turnover and costs are recorded as activity progresses using a zero estimate of profit.

Estimates of total contract costs and revenues are reviewed periodically, and the cumulative effects of changes are recognised in the period in which they are identified. All known or anticipated losses are provided for in full as soon as they are foreseen.

Net costs incurred in excess of amounts transferred to cost of sales are classified as long-term contract balances. Revenue recognised in excess of amounts billed are classified as amounts recoverable on contracts and included in debtors. Amounts billed in excess of revenues recognised to date are deducted from related long term contract balances with any residual balance being classified as long term contract payments on account and included in creditors. Long term contract balances are stated at contract cost incurred less amounts transferred to cost of sales, foreseeable losses and payments on account.

#### **2.5 *Pensions***

The group operates two defined contribution pension schemes. Contributions are charged to the profit and loss account as they become payable.

#### **2.6 *Leases***

Where an asset is acquired under a lease which entails taking substantially all the risks and rewards of ownership it is recorded in the balance sheet as a tangible asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### **2.7 *Taxation***

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

# Pendennis Shipyard (Holdings) Limited

## Notes to the financial statements

For the year ended 31 December 1998

### 2.8 Foreign currency

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of transaction, unless settlement has been covered by a forward exchange contract, in which case the contract rate is used. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

### 2.9 Investments

Investments are stated at cost less any amounts written off to reflect a permanent diminution in value.

### 3 Analysis of turnover

Analysis of turnover by geographical area is as follows:

	1998 £	1997 £
United Kingdom	2,899,904	2,115,821
Rest of world	10,392,683	10,611,503
	<hr/>	<hr/>
	13,292,587	12,727,324
	<hr/>	<hr/>

All turnover is derived from the group's principal activities.

### 4 Interest payable and similar charges

	1998 £	1997 £
On bank loans and overdraft	107,192	91,634
On lease purchase agreements	18,594	15,594
	<hr/>	<hr/>
	125,786	107,228
	<hr/>	<hr/>

### 5 (Loss)/profit on ordinary activities before taxation

	1998 £	1997 £
<i>(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Directors' emoluments (see note 6)		
Remuneration as executives	190,297	195,981
Pension contributions	23,541	29,033
Pension paid to past director	15,661	15,134
Depreciation	220,759	202,580
Profit on disposal of fixed assets	-	(3,278)
Hire of plant and machinery	38,546	44,860
Auditors' remuneration	9,700	10,400
	<hr/>	<hr/>

# Pendennis Shipyard (Holdings) Limited

## Notes to the financial statements

For the year ended 31 December 1998

### 6 Directors' remuneration

The directors' emoluments included:

	1998 £	1997 £
Chairman	6,255	6,054
Highest paid director	51,766	52,993
	<u>          </u>	<u>          </u>

Pension contributions were paid to a defined contribution scheme on behalf of 2 directors (1997 : 2).

### 7 Staff numbers and costs

The average number of persons (including directors) employed by the group was as follows:

	1998	1997
Production	153	135
Administration	46	42
	<u>          </u>	<u>          </u>
	199	177
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	1998 £	1997 £
Wages and salaries	3,311,694	2,634,315
Social security	329,184	255,204
Other pension costs	33,303	41,526
	<u>          </u>	<u>          </u>
	3,674,181	2,931,045
	<u>          </u>	<u>          </u>

### 8 Taxation

	1998 £	1997 £
UK corporation tax	-	821
	<u>          </u>	<u>          </u>

The group has tax losses of approximately £2,544,000 (1997:£1,833,000) to carry forward and offset against future profits from the same trades.

# Pendennis Shipyard (Holdings) Limited

## Notes to the financial statements

For the year ended 31 December 1998

### 9 Tangible fixed assets - Company

	Long term leasehold property £	Plant and equipment £	Total £
<b>Cost</b>			
At 1 January 1998	2,590,180	173,915	2,764,095
Additions	16,470	-	16,470
At 31 December 1998	2,606,650	173,915	2,780,565
<b>Depreciation</b>			
At 1 January 1998	171,783	76,642	248,425
Charge for year	68,618	19,630	88,248
At 31 December 1998	240,401	96,272	336,673
<b>Net book value</b>			
At 31 December 1998	2,366,249	77,643	2,443,892
At 31 December 1997	2,418,397	97,273	2,515,670

The net book value of plant and equipment includes £77,642 (1997 : £97,273) in respect of assets held under lease purchase agreements. Depreciation for the year on these assets was £19,360 (1997 : £24,713).

### Tangible fixed assets - Group

	Long term leasehold property £	Plant and equipment £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 January 1998	2,590,180	1,090,399	309,078	3,989,657
Additions	16,470	23,238	22,663	62,371
At 31 December 1998	2,606,650	1,113,637	331,741	4,052,028
<b>Depreciation</b>				
At 1 January 1998	171,783	298,357	223,697	693,837
Charge for year	68,618	111,361	40,780	220,759
At 31 December 1998	240,401	409,718	264,477	914,596
<b>Net book value</b>				
At 31 December 1998	2,366,249	703,919	67,264	3,137,432
At 31 December 1997	2,418,397	792,042	85,381	3,295,820

The net book value of plant and equipment includes £241,566 (1997 : £284,648) in respect of assets held under lease purchase agreements. Depreciation for the year on these assets was £42,821 (1997 : £45,364).



# Pendennis Shipyard (Holdings) Limited

## Notes to the financial statements

For the year ended 31 December 1998

### 10 Fixed asset investments - Company

	Shares in subsidiary undertaking £	Total £
<b>Cost</b>		
At beginning and end of year	5	5
	<hr/>	<hr/>
<b>Provisions</b>		
At beginning and end of year	-	-
	<hr/>	<hr/>
<b>Net book value</b>		
At 31 December 1998	5	5
	<hr/>	<hr/>
At 31 December 1997	5	5
	<hr/>	<hr/>

The subsidiary undertaking which is included in the group's results, is Pendennis Shipyard Limited, a company registered in England and Wales. The company obtained 100% of its ordinary share capital on 1 January 1997. The subsidiary's trade is that of the design and manufacture of luxury yachts and fitting out of medium sized yachts.

### 11 Stocks

	The Company		The Group	
	1998	1997	1998	1997
	£	£	£	£
Raw materials	-	-	40,443	77,792
	<hr/>	<hr/>	<hr/>	<hr/>

# Pendennis Shipyard (Holdings) Limited

## Notes to the financial statements

For the year ended 31 December 1998

### 12 Debtors

	The Company		The Group	
	1998	1997	1998	1997
	£	£	£	£
<i>Amounts falling due within one year:</i>				
Trade debtors	3,936	3,862	599,955	147,137
Amounts recoverable on long term contracts	-	-	339,966	272,676
VAT recoverable	-	-	120,907	74,179
Other debtors	6,500	-	374,658	329,631
Prepayments and accrued income	1,074	1,828	40,240	118,292
	<u>11,510</u>	<u>5,690</u>	<u>1,475,726</u>	<u>941,915</u>
<i>Amounts falling due after more than one year:</i>				
Trade debtors	-	-	54,700	496,240
Amounts recoverable on long term contracts	-	-	613,743	245,460
	<u>11,510</u>	<u>5,690</u>	<u>2,144,169</u>	<u>1,683,615</u>

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

	The Company		The Group	
	1998	1997	1998	1997
	£	£	£	£
Bank overdraft	-	7,505	762,528	225,970
Bank loans (see note 14)	68,867	62,090	68,867	62,090
Obligations under lease purchase agreements (see note 14)	16,000	23,979	50,572	55,924
Long term contracts payments on account	-	-	1,589,860	1,507,197
Trade creditors	44,764	-	1,330,380	1,108,191
Corporation tax	-	-	-	-
Other creditors:				
Social security and PAYE	10,232	3,215	243,557	81,116
Other	6,580	3,166	82,277	3,166
Accruals and deferred income	11,618	3,082	367,600	675,829
Amount owed to subsidiary company	618,312	621,803	-	-
	<u>776,373</u>	<u>724,840</u>	<u>4,495,641</u>	<u>3,719,483</u>

The bank overdraft and loan are secured by a charge over all assets of the company.

# Pendennis Shipyard (Holdings) Limited

## Notes to the financial statements

For the year ended 31 December 1998

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

	The Company		The Group	
	1998	1997	1998	1997
	£	£	£	£
Bank loans	638,192	707,059	638,192	707,059
Obligations under lease purchase agreements (payable in second to fifth years inclusive)	8,000	24,000	60,745	105,407
	<u>646,192</u>	<u>731,059</u>	<u>698,937</u>	<u>812,466</u>

The bank loans are repayable by monthly instalments as follows:

	The Company		The Group	
	1998	1997	1998	1997
	£	£	£	£
Within one year	68,867	62,090	68,867	62,090
Between two and five years	354,577	321,280	354,577	321,280
After five years	283,615	385,779	283,615	385,779
	<u>707,059</u>	<u>769,149</u>	<u>707,059</u>	<u>769,149</u>

The bank loans are secured by a charge over all assets of the company and interest is charged at rates of 10.5% to 10.75% per annum.

Obligations under lease purchase agreements are secured on the assets to which they relate.

### 15 Provision for liabilities and charges

	The Company		The Group	
	1998	1997	1998	1997
	£	£	£	£
The amounts provided for deferred tax are as follows:				
Accelerated capital allowances	30,000	33,000	72,000	65,000
Losses	(30,000)	(33,000)	(72,000)	(65,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Pendennis Shipyard (Holdings) Limited

## Notes to the financial statements

For the year ended 31 December 1998

### 16 Called up share capital

	1998 £	1997 £
<i>Authorised</i>		
100,000 ordinary shares of £1 each	100,000	100,000
2,611,197 deferred shares of £1 each	2,611,197	2,611,197
	<hr/>	<hr/>
	2,711,197	2,711,197
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
100,000 ordinary shares of £1 each	100,000	100,000
2,611,197 deferred shares of £1 each	2,611,197	2,611,197
	<hr/>	<hr/>
	2,711,197	2,711,197
	<hr/>	<hr/>

### 17 Reconciliation of movements on shareholders' funds

	The Company		The Group	
	1998 £	1997 £	1998 £	1997 £
Loss for financial year	(32,329)	(263,199)	(562,512)	(718,806)
Opening shareholders' funds	1,065,466	1,328,665	743,213	1,462,019
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	1,033,137	1,065,466	180,701	743,213
	<hr/>	<hr/>	<hr/>	<hr/>

### 18 Analysis of shareholders' funds

	The Company		The Group	
	1998 £	1997 £	1998 £	1997 £
Equity interest	(1,578,060)	(1,545,731)	(2,430,496)	(1,867,984)
Non-equity interests	2,611,197	2,611,197	2,611,197	2,611,197
	<hr/>	<hr/>	<hr/>	<hr/>
	1,033,137	1,065,466	180,701	743,213
	<hr/>	<hr/>	<hr/>	<hr/>

Holders of deferred shares have no voting rights or rights to dividends. They rank immediately after ordinary shareholders in the event of a winding up.

# Pendennis Shipyard (Holdings) Limited

## Notes to the financial statements

For the year ended 31 December 1998

### 19 Pension schemes

The group operates two pension schemes.

- (i) The subsidiary is an Independent Participating Employer with its own section of The Shipbuilding Industries Pension Scheme ('SIPS'). This money purchase scheme is administered by trustees and is separate from the company finances.

The pension charge for the year to 31 December 1998 and contributions payable (included in creditors) are as follows:

	The Company		The Group	
	1998	1997	1998	1997
	£	£	£	£
Pension charge	3,262	3,568	10,966	14,003
Contributions payable	487	485	1,988	2,018

- (ii) The group operates a further defined contribution pension scheme.

The pension charge for the year to 31 December 1998 and contributions payable (included in creditors) are as follows:

	The Company		The Group	
	1998	1997	1998	1997
	£	£	£	£
Pension charge	9,984	15,170	22,337	27,523
Contributions payable	-	-	-	-

### 20 Contingent liabilities

- (i) There is a cross guarantee between all members of the group and Pendennis Shipyard (Composite) Limited in respect of bank borrowings. The amounts guaranteed at the year end for Pendennis Shipyard (Composite) Limited was £22,354 (1997 : £5,570) and the highest balance during the year was £44,137 (1997 : £138,178).
- (ii) The group companies are members of a VAT group together with Pendennis Shipyard (Composite) Limited and as such are jointly liable for any outstanding liability. At the year end there was no liability and the maximum amount owed by the group during the year was £Nil (1997 : £Nil).
- (iii) The company has guaranteed hire purchase agreements entered into by Pendennis Shipyard Limited. The liability at the year end owed by Pendennis Shipyard Limited was £87,316 (1997 : £113,352).
- (iv) The subsidiary Pendennis Shipyard Limited has a bond of £150,000 in place at the year end in favour of Marylebone Cricket Club, which was cancelled on 16 March 1999.

# Pendennis Shipyard (Holdings) Limited

## Notes to the financial statements

For the year ended 31 December 1998

### 21 Capital commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made:

	The Company		The Group	
	1998	1997	1998	1997
	£	£	£	£
Contracted but not provided	-	-	-	-

- (ii) Annual commitments under non-cancellable operating leases for plant and machinery expire as follows:

	The Company		The Group	
	1998	1997	1998	1997
	£	£	£	£
After five years	-	-	1,767	1,666

### 22 Related party disclosures

The accounts include in turnover £30,000 (1997 : £24,000) in respect of rent receivable from Pendennis Shipyard (Composite) Limited, a company of which all the directors of Pendennis Shipyard (Holdings) Limited at 31 December 1998, except NJ Horton, are also directors.

The accounts include the following transactions with Pendennis Shipyard (Composite) Limited:

	1998	1997
	£	£
Cost of sales	809,498	469,531
Administrative income	218,179	232,828

The balance at 31 December 1998 with Pendennis Shipyard (Composite) Limited is £620,243 (debtor) (1997 : £496,240 (debtor)).

The group has also received goods and purchases of £4,953 (1997:£2,334) from British Marine Industries Federation Limited, a company of which NJ Horton is also a director. The balance at 31 December 1998 is £Nil (1997:£739 creditor). The group has also received services of £42,496 (1997:£22,317) from Grant and Horton, marine solicitors, a firm of which NJ Horton is a partner. The balance at 31 December 1998 is £27,657 (creditor) (1997:£8,328 creditor).

During the year the directors purchased goods and services from the group under normal commercial terms. The balance due from the directors to the group at 31 December 1998 was £16,243 (1997:£16,765).

The group's bank borrowings are secured up to £300,000 by personal guarantees given by three directors.

# Pendennis Shipyard (Holdings) Limited

## Notes to the financial statements

*For the year ended 31 December 1998*

### 23 Post balance sheet events

At an Extraordinary General Meeting of the company held on 25 January 1999 the authorised share capital was increased by £800,000 by the creation of an additional 800,000 Ordinary shares of £1 each and 1,100,000 of the existing Deferred shares were converted into Ordinary shares, both to rank pari passu with the original Ordinary shares. At an Extraordinary General Meeting held on 27 July 1999 the authorised capital was increased by a further £250,000 by the creation of a further 250,000 Ordinary Shares of £1 each to rank pari passu with the existing Ordinary shares. The following Ordinary shares have been issued since the year end to provide additional working capital:

29 January 1999	£600,000
1 April 1999	£ 25,000
19 April 1999	£175,000
6 September 1999	£130,000

In addition £120,000 floating rate Convertible Loan Stock 2004 was issued on 6 September 1999. The stock may be converted into Ordinary shares to rank pari passu with the existing Ordinary shares at any time after 1 August 2004.