

**Pendennis Shipyard (Holdings) Limited**

**Annual report and financial statements**

**Registered number 02281468**

**31 December 2016**



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## **Company information**

### **Registered office**

The Docks  
Falmouth  
Cornwall  
TR11 4NR

### **Directors**

Mr TJ Allies  
Mr JP Arnold  
Mr M Carr  
Mr IL Granville  
Mr AA Hill  
Mr T Mordaunt  
Mr CB Robertson  
Mr H Wiekens

### **Auditor**

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

## Strategic Report

The directors present their strategic report for the year ended 31 December 2016.

### Fair review of the business

Turnover for the group in the year, of which 69% was UK export (2015: 78%), has increased to £46,830,678 from £45,955,756 in the previous year. Operating profit of the Group has increased this year by 15.7% to £3,296,080 (7.03% turnover) from £2,849,047 in 2015 (6.2% of turnover).

The directors are content with these results.

### Delivering quality and value

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

The Group employed 36 apprentices in 2016 and celebrated its 200<sup>th</sup> apprentice enrolling onto the programme over the last 15 years. The Group will recruit an additional cohort of up to 20 apprentices in 2017 to further enhance the Group's long-term skill base.

In 2015 the Group completed the shore side and yacht basin investment works. 2016 was the first full years trading from the new facility and provided our clients and employees with what is now acknowledged in the yachting industry as one of the leading super yacht facilities in the world.

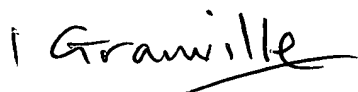
Trading conditions in new build and refit markets remain highly competitive. Enquiry levels are up on earlier years and the Group recognises that key to securing future workflows in addition to long term investment policies is driving cost value and embracing new production techniques. These are fundamental to the success of the business and to continue to deliver value to our clients. In addition to the Group's business improvement initiatives, the directors are delighted to report the appointment of a dedicated Business Improvement Manager to harness ideas and lead innovation into the production process.

### Risks and Uncertainties

The significant risks and uncertainties facing the Group are increased competition in the new build custom yacht market where there is over capacity at present, competitors similarly investing in facilities, exchange rate uncertainty when receiving stage payments and making payments in foreign currencies, cost exposure of working on fixed price contracts where labour hours and costs may overrun on the initial predictions.

The Group addresses these risks by maintaining an international profile through marketing and monitoring of industry trends and statistics and investment in the Pendennis brand. Material exchange risks are managed by forward contracts. Cost exposures are managed by detailed review of bid packages and strengthening supply chain relationships. Contract performance is monitored by a dedicated project manager for each yacht client and measured by KPI recording within the trades. KPI's used in the process include, contract profitability, bid vs. out-turn comparison during and on completion of the project, real time cost recording and strike rate analysis within each of the trade groups.

On behalf of the board



**IL Granville**  
Director

12 May 2017

## **Directors' report**

### **Principal activities**

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

### **Directors**

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

Mr TJ Allies  
Mr JP Arnold  
Mr M Carr  
Mr IL Granville  
Mr AA Hill  
Mr T Mordaunt  
Mr CB Robertson  
Mr H Wiekens

### **Results and dividends**

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £194,967 (2015: £194,967). The directors do not recommend payment of a final dividend.

### **Supplier payment policy**

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

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

Trade creditors of the group at the year-end were equivalent to 44 days' purchases based on the average daily amount invoiced by suppliers during the year, however, the group has negotiated 60 day credit terms with the majority of its suppliers.

### **Financial instruments**

#### ***Cash management***

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

#### ***Research development***

In the markets in which the group operates effective research, development and innovation is vital to maintaining competitive advantage and securing future income streams.

## **Directors' report** *(continued)*

### **Disabled persons**

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

### **Employee involvement**

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

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

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

### **Future developments**

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

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

### **Disclosure of information to auditor**

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

### **Other information**


An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

### **Auditor**

KPMG LLP were appointed as auditors on 17<sup>th</sup> March 2017.

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

By order of the board



**IL Granville**  
Director

The Docks  
Falmouth  
Cornwall  
TR11 4NR  
12 May 2017

## **Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## KPMG LLP

Plym House  
3 Longbridge Road  
Plymouth  
PL6 8LT  
United Kingdom

### **Independent auditor's report to the members of Pendennis Shipyard (Holdings) Limited**

We have audited the financial statements of Pendennis Shipyard (Holdings) Limited for the year ended 31 December 2016 set out on pages 8 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



**Independent auditor's report to the members of Pendennis Shipyard (Holdings) Limited** *(continued)*

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

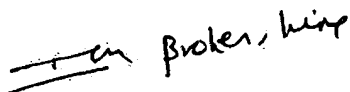
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

 Ian Brokenshire

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

**15 May 2017**

**Consolidated Statement of Total Comprehensive Income**  
*for the year ended 31 December 2016*

	<i>Note</i>	<b>2016</b> £	<b>2015</b> £
<b>Turnover</b>	3	<b>46,830,678</b>	45,955,756
Cost of sales		(35,735,438)	(35,921,754)
<b>Gross profit</b>		<b>11,095,240</b>	10,034,002
Administrative expenses		(7,799,160)	(7,184,955)
<b>Operating profit</b>	4	<b>3,296,080</b>	2,849,047
Interest receivable and similar income	8	10,233	15,163
Interest payable and similar expenses	9	(227,886)	(284,942)
<b>Profit before taxation</b>		<b>3,078,427</b>	2,579,268
Taxation	10	(276,775)	(145,334)
<b>Profit for the financial year</b>		<b>2,801,652</b>	2,433,934
<b>Other comprehensive income</b>			
Revaluation of investment property		-	500,000
<b>Total comprehensive income for the year</b>		<b>2,801,652</b>	2,933,934

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

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

*The notes on pages 14 to 33 form an integral part of these financial statements*

## Group Balance Sheet at 31 December 2016

	Note	£	2016 £	£	2015 £
<b>Fixed assets</b>					
Goodwill	12		37,871		47,405
Tangible assets	13		39,726,595		40,703,203
Investment property	14		1,074,102		1,074,102
			<u>40,838,568</u>		<u>41,824,710</u>
<b>Current assets</b>					
Stocks	16	247,915		177,543	
Debtors	17	3,894,557		4,371,041	
Cash at bank and in hand		5,540,587		3,795,962	
			<u>9,683,059</u>	<u>8,344,546</u>	
<b>Creditors: amounts falling due within one year</b>	18	(11,168,770)		(11,362,887)	
<b>Net current liabilities</b>			<u>(1,485,711)</u>	<u>(3,018,341)</u>	
<b>Total assets less current liabilities</b>			<u>39,352,857</u>	<u>38,806,369</u>	
<b>Creditors: amounts falling due after more than one year</b>	19		(4,965,786)		(6,551,175)
<b>Provisions for liabilities</b>	22		(3,689,713)		(3,156,347)
Deferred government grants	25		(5,182,318)		(6,190,492)
<b>Net assets</b>			<u>25,515,040</u>	<u>22,908,355</u>	
<b>Capital and reserves</b>					
Called up share capital	28		4,186,536		4,186,536
Share premium account			27,742		27,742
Revaluation reserve			8,500,000		8,500,000
Capital redemption reserve			216,811		216,811
Profit and loss reserves			12,551,951		9,945,266
Non-controlling interest			32,000		32,000
<b>Total equity</b>			<u>25,515,040</u>	<u>22,908,355</u>	

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

  
MJ Carr  
Director

12 May 2017 and were

Company registered number: 2281468

**Company Balance Sheet**  
**at 31 December 2016**

	<i>Note</i>	2016	2015
		£	£
<b>Fixed assets</b>			
Tangible assets	13	12,046,874	12,135,257
Investment property	14	1,074,102	1,074,102
Investments	15	199,341	199,341
		<u>13,320,317</u>	<u>13,408,700</u>
<b>Current assets</b>			
Debtors	17	3,170,242	4,373,636
Cash at bank and in hand		1,965,991	1,005,944
		<u>5,136,233</u>	<u>5,379,580</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(688,332)</u>	<u>(510,352)</u>
<b>Net current assets</b>		<u>4,447,901</u>	<u>4,869,228</u>
<b>Total assets less current liabilities</b>		<u>17,768,218</u>	<u>18,277,928</u>
<b>Creditors: amounts falling due after more than one year</b>	19	<u>(1,819,683)</u>	<u>(3,109,502)</u>
<b>Provisions for liabilities</b>	22	<u>(1,625,996)</u>	<u>(1,583,143)</u>
<b>Net assets</b>		<u>14,322,539</u>	<u>13,585,283</u>
<b>Capital and reserves</b>			
Called up share capital	28	4,186,536	4,186,536
Share premium account		27,742	27,742
Revaluation reserve		8,500,000	8,500,000
Capital redemption reserve		216,811	216,811
Profit and loss reserves		1,391,450	654,194
<b>Total equity</b>		<u>14,322,539</u>	<u>13,585,283</u>

These financial statements were approved by the board of directors on 12 May 2017 and were signed on its behalf by:



**MJ Carr**  
*Director*

Company registered number: 2281468

## Group Statement of Changes in Equity

	<i>Notes</i>	Share capital £	Share Premium account £	Revaluatio n reserve £	Capital redemption reserve £	Profit and loss reserves £	Total equity £	Non- controlling interest £	Total £
<b>Balance at 1 January 2015</b>		4,186,536	27,742	8,000,000	216,811	7,706,299	20,137,388	32,500	20,169,888
<b>Period ended 31 December 2015:</b>									
Profit for the year		-	-	-	-	2,433,934	2,433,934	-	2,433,934
Revaluation of investment property		-	-	500,000	-	-	500,000	-	500,000
<b>Total comprehensive income for the year</b>		-	-	500,000	-	2,433,934	2,933,935	-	2,933,935
Dividends		-	-	-	-	(194,967)	(194,967)	-	(194,967)
Reduction in minority interest		-	-	-	-	-	-	(500)	(500)
<b>Balance at 31 December 2015</b>		4,186,536	27,742	8,500,000	216,811	9,945,266	22,876,355	32,000	22,908,355
<b>Period ended 31 December 2016:</b>									
Profit for the year		-	-	-	-	2,801,652	2,801,652	-	2,801,652
<i>Other comprehensive income:</i>									
Revaluation of tangible fixed assets		-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	-	2,801,652	2,801,652	-	2,801,652
Dividends		-	-	-	-	(194,967)	(194,967)	-	(194,967)
<b>Balance at 31 December 2016</b>		4,186,536	27,742	8,500,000	216,811	12,551,951	25,483,040	32,000	25,515,040

## Company Statement of Changes in Equity

<i>Notes</i>	Share capital £	Share Premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2015</b>	4,186,536	27,742	8,000,000	216,811	10,286	12,441,375
<b>Period ended 31 December 2015:</b>						
Profit for the year	-	-	-	-	838,875	838,875
Revaluation of investment property	-	-	500,000	-	-	500,000
<b>Total comprehensive income for the year</b>	-	-	500,000	-	838,875	1,338,875
Dividends	-	-	-	-	(194,967)	(194,967)
<b>Balance at 31 December 2015</b>	4,186,536	27,742	8,500,000	216,811	654,194	13,585,283
<b>Period ended 31 December 2016:</b>						
Profit for the year	-	-	-	-	932,224	182,224
<b>Total comprehensive income for the year</b>	-	-	-	-	932,224	932,224
Dividends	-	-	-	-	(194,967)	(194,967)
<b>Balance at 31 December 2016</b>	4,186,536	27,742	8,500,000	216,811	1,391,450	14,322,540

## Consolidated Cash Flow Statement

for year ended 31 December 2016

	2016 £	2015 £
<b>Cash flows from operating activities</b>		
Profit for the year	2,801,652	2,433,934
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	1,814,375	1,390,427
Foreign exchange losses	(173,368)	(82,753)
Interest receivable and similar income	(10,233)	(15,163)
Interest payable and similar charges	227,886	284,942
Loss on sale of tangible fixed assets	1,663	-
Deferred government grant	(1,008,000)	(654,000)
Taxation	276,775	145,334
	<hr/>	<hr/>
Decrease/(increase) in trade and other debtors	3,930,750	3,502,721
Increase in stocks	475,129	(16,202)
Increase in trade and other creditors	(70,372)	(37,587)
Increase/(decrease) in provisions	31,671	1,952,151
	<hr/>	<hr/>
	331,634	(227,030)
	<hr/>	<hr/>
	4,698,812	5,174,053
	<hr/>	<hr/>
Dividends paid	(194,967)	(194,967)
Interest paid	(222,486)	(284,942)
Tax received	(58,881)	94,204
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>4,222,478</b>	<b>4,788,348</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Proceeds from sale of tangible fixed assets	2,000	-
Interest received	10,233	15,163
Acquisition of tangible fixed assets	(672,514)	(5,193,997)
Receipt of government grants	-	1,412,164
	<hr/>	<hr/>
<b>Net cash from investing activities</b>	<b>(660,281)</b>	<b>(3,766,670)</b>
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Purchase of shares	-	(500)
Repayment of borrowings	(1,637,618)	(724,227)
Payment of finance lease liabilities	(179,954)	(88,221)
	<hr/>	<hr/>
<b>Net cash from financing activities</b>	<b>(1,817,572)</b>	<b>(812,948)</b>
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	1,744,625	208,730
Cash and cash equivalents at 1 January	3,795,962	3,587,232
	<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December</b>	<b>5,540,587</b>	<b>3,795,962</b>
	<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Company information

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

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

#### 1.1 Accounting conventions

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

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

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

These group and company financial statements for the year ended 31 December 2016 are prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £932,224 (2015: £838,875 profit) including intra group dividend of £750,000 (2015: £750,000).

#### 1.2 Basis of consolidation

The consolidated financial statements incorporate those of Pendennis Shipyard (Holdings) Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2016.

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

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

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

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

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

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



## **Notes (continued)**

### **1.3 Going concern**

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

### **1.4 Turnover and construction contracts**

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

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

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

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

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

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

### **1.5 Intangible fixed assets – goodwill**

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

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

## Notes (continued)

### 1.6 Tangible fixed assets

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

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

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

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

No depreciation is charged on land.

### 1.7 Investment properties

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

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

### 1.8 Borrowing costs related to fixed assets

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

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

### 1.9 Impairment of fixed assets

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

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

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

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

## **Notes (continued)**

### **1.9 Impairment of fixed assets (continued)**

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

### **1.10 Stocks**

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

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

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

### **1.11 Cash and cash equivalents**

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

### **1.12 Financial instruments**

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

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

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

## Notes (continued)

### 1.13 Financial instruments (continued)

#### **Basic financial assets**

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

#### **Other financial assets**

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

#### **Impairment of financial assets**

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

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

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

#### **Derecognition of financial assets**

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

#### **Classification of financial liabilities**

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

### 1.14 Equity instruments

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

### 1.15 Taxation

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

#### **Current tax**

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

## **Notes (continued)**

### **1.15 Taxation (continued)**

#### **Deferred tax**

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

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

### **1.16 Provisions**

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

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

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

### **1.17 Employee benefits**

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

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

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

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

### **1.18 Retirement benefits**

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

## Notes (continued)

### 1.19 Leases

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

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

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

### 1.20 Foreign exchange

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

### 1.21 Government grants

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

## 2 Judgements and key sources of estimation uncertainty

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

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

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

## 3 Turnover and other revenue

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

	2016 £	2015 £
<b>Turnover</b>	<b>46,830,678</b>	<b>45,955,756</b>
Turnover analysed by geographical market		
	2016 £	2015 £
United Kingdom	14,324,818	10,176,974
Rest of world	32,505,860	35,778,782
	<b>46,830,678</b>	<b>45,955,756</b>

## Notes (continued)

### 4 Operating profit

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

	2016 £	2015 £
Exchange losses/(gains)	(173,368)	(82,753)
Depreciation of owned tangible fixed assets	1,702,384	1,161,841
Depreciation of tangible fixed assets held under finance leases	102,453	219,052
Loss on disposal of tangible fixed assets	1,663	-
Amortisation of intangible assets	9,534	9,534
Operating lease charges	57,153	86,916
Release of government grants	(1,008,000)	(654,000)
	<u>          </u>	<u>          </u>

### 5 Auditors' remuneration

	2016 £	2015 £
<b>Fees payable to the company's auditor and its associates:</b>		
<b>For audit services</b>		
Audit of the financial statements of the group and company	31,500	28,000
	<u>          </u>	<u>          </u>
<b>For other services</b>		
Taxation compliance services	7,500	3,000
All other non-audit services	23,740	3,650
	<u>          </u>	<u>          </u>
	31,240	6,650
	<u>          </u>	<u>          </u>

The audit fee in respect of the company was £4,000 (2015: £3,000).

### 6 Employees

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

	2016 Number	2015 Number
Production	290	285
Administration	82	85
	<u>          </u>	<u>          </u>
	372	370
	<u>          </u>	<u>          </u>

## Notes (continued)

### 6 Employees (continued)

	2016 £	2015 £
Wages and salaries	11,039,113	10,259,494
Social security costs	1,087,863	999,402
Pension costs	396,447	284,196
	<u>12,523,423</u>	<u>11,543,092</u>

### 7 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	763,111	698,412
Company pension contributions to defined benefit contribution schemes	154,750	147,563
	<u>917,861</u>	<u>845,975</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2015:3).

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

Remuneration for qualifying services	248,874	232,131
Company pension contributions to defined contribution schemes (included above)	40,907	36,469
	<u>289,781</u>	<u>268,600</u>

### 8 Interest receivable and similar income

	2016 £	2015 £
<b>Interest income</b>		
Interest on bank deposits	10,233	14,931
Other interest income	-	232
	<u>10,233</u>	<u>15,163</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	10,233	14,931
	<u>10,233</u>	<u>14,931</u>



## Notes (continued)

### 9 Interest payable and similar charges

	2016 £	2015 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	66,514	66,191
Interest on finance leases and hire purchase contracts	37,566	42,097
Interest on other loans	123,806	176,654
	<u>227,886</u>	<u>284,942</u>

Borrowing costs excluded from interest payable and included in the cost of assets during the year are as follows:

Tangible fixed assets	-	51,679
	<u>-</u>	<u>51,679</u>

### 10 Taxation

	2016 £	2015 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	75,044	67,230
Adjustments in respect of prior periods	-	33,681
	<u>75,044</u>	<u>100,911</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	171,792	269,580
Previously unrecognised tax loss, tax credit or timing difference	-	269,750
Adjustment in respect of prior periods	29,939	(494,907)
	<u>201,731</u>	<u>44,423</u>
<b>Total tax charge</b>	<u>276,775</u>	<u>145,334</u>

## Notes (continued)

### 10 Taxation (continued)

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

	2016 £	2015 £
Profit for the year	2,801,652	2,433,934
Tax charge	276,775	145,334
Profit before taxation	3,078,427	2,579,268
Expected tax charge based on the standard rate of corporation tax in the UK of 20% (2015: 20%)	615,685	515,854
Net tax effect of expenses that are not deductible in determining taxable profit	(119,242)	(71,601)
Adjustments in respect of prior years	29,939	(461,226)
R&D tax deductions	(246,343)	-
Other tax adjustments	(3,264)	162,307
Tax expense for the year	276,775	145,334

### 11 Dividends

	2016 £	2015 £
Interim paid	194,967	194,967

### 12 Intangible fixed assets

Group	Goodwill £
<b>Cost</b>	
At 1 January 2016 and 31 December 2016	95,341
<b>Amortisation and impairment</b>	
At 1 January 2016	47,936
Amortisation charged for the year	9,534
At 31 December 2016	57,470
<b>Carrying amount</b>	
At 31 December 2016	37,871
At 31 December 2015	47,405

The company had no intangible fixed assets at 31 December 2016 or 31 December 2015.

## Notes (continued)

### 13 Tangible fixed assets

#### Group

	Freehold property £	Long term Leasehold property £	Plant and machinery £	Fixtures and Fittings £	Assets in the course of construction £	Total £
<b>Cost</b>						
At 1 January 2016	35,870,769	801,743	10,138,772	694,898	-	47,506,182
Additions	77,164	11,817	534,616	113,017	95,278	831,892
Disposals	-	-	(5,495)	-	-	(5,495)
At 31 December 2016	35,947,933	813,560	10,667,893	807,915	95,278	48,332,579
<b>Depreciation and impairment</b>						
At 1 January 2016	2,032,211	84,332	4,273,855	412,581	-	6,802,979
Depreciation charged in the year	1,131,986	15,865	519,605	137,381	-	1,804,837
Eliminated in respect of disposals	-	-	(1,832)	-	-	(1,832)
At 31 December 2016	3,164,197	100,197	4,791,628	549,962	-	8,605,984
<b>Net book value:</b>						
At 31 December 2016	32,783,736	713,363	5,876,265	257,953	95,278	39,726,595
At 31 December 2015	33,838,558	717,411	5,864,917	282,317	-	40,703,203

## Notes (continued)

### 13 Tangible fixed assets (continued)

Company	Freehold property £	Plant and machinery £	Total £
<b>Cost</b>			
At 1 January 2016	12,916,517	214,917	13,131,434
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2016	12,916,517	214,917	13,131,434
	<hr/>	<hr/>	<hr/>
<b>Amortisation and impairment</b>			
At 1 January 2016	948,753	47,424	996,177
Depreciation charged for the year	72,575	15,808	88,383
	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,021,328	63,232	1,084,560
	<hr/>	<hr/>	<hr/>
<b>Net book value:</b>			
At 31 December 2016	11,895,189	151,685	12,046,874
	<hr/>	<hr/>	<hr/>
At 31 December 2015	11,967,764	167,493	12,135,257
	<hr/>	<hr/>	<hr/>

The net carrying value of group tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £102,453 (2015: £109,526) for the year.

	Group 2016 £	2015 £	Company 2016 £	2015 £
Plant and machinery	1,364,716	1,334,802	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

### Company and Group

Freehold property includes land at cost of £1,861,866 (2015: £1,861,866) on which no depreciation is charged.

**Company and Group Property Revaluation:** The Dry Dock basin included in long term leasehold property was professionally valued in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors by a qualified valuer in accordance with Financial Reporting Standard 15 "Tangible Assets on 27 March 2013. The valuation basis for this specialist asset is on a depreciated replacement value. The directors are not aware of any material change in value.

If revalued assets were sold at their carrying value a tax liability of £1,800,000 (2015: £1,800,000) would arise.

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

- Freehold property – cost £106,253 (2015: £106,253)
- Freehold property – accumulated depreciation £nil (2015: £nil)

### Borrowing costs capitalised – Group

Assets in the course of construction includes interest capitalised of £nil (2015: £51,679).

## Notes (continued)

### 14 Investment property

	Group 2016 £	Company 2016 £
<b>Fair value</b>		
At 1 January 2016	1,074,102	1,074,102
Net gains or losses through fair value adjustments	-	-
	<hr/>	<hr/>
At 31 December 2016	1,074,102	1,074,102
	<hr/>	<hr/>

The fair value of the investment property has been arrived at on the basis of valuation carried out by the directors. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

### 15 Fixed asset investments

	Group 2016 £	2015 £	Company 2016 £	2015 £
Investments in subsidiaries	-	-	199,341	199,341
	<hr/>	<hr/>	<hr/>	<hr/>

Details of the company's subsidiaries at 31 December 2016 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held Direct Indirect
Pendennis Shipyard Limited - UK	Design, manufacture refitting out of luxury yachts	Ordinary	100.00
Pendennis Plus Limited - UK	Yacht design and construction	Ordinary	100.00
Pendennis Palma Mallorca SL – Spain	Refitting out of luxury yachts	Ordinary	100.00
Pendennis Brokerage Limited – UK	Dormant	Ordinary	100.00
Pendennis Superyachts Limited – UK	Dormant	Ordinary	100.00

### 16 Stocks

	Group 2016 £	2015 £	Company 2016 £	2015 £
Raw materials and consumables	247,915	177,543	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Included in cost of sales for the year was raw materials and consumables of £751,420 (2015: £843,792). This excludes direct project material purchases.

## Notes (continued)

### 17 Debtors

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Trade debtors	1,757,748	3,299,933	3,346	4,503
Gross amounts due from contract customers	367,179	300,419	-	-
Corporation tax recoverable	15,421	16,776	-	-
Amounts due from subsidiary undertakings	-	-	3,041,220	4,344,682
Other debtors	1,141,001	308,022	19,688	16,357
Prepayments and incurred income	613,208	445,891	105,988	8,094
	<u>3,894,557</u>	<u>4,371,041</u>	<u>3,170,242</u>	<u>4,373,636</u>

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

### 18 Creditors: falling due within one year

		Group		Company	
	Notes	2016	2015	2016	2015
		£	£	£	£
Loans and overdrafts	20	338,770	387,619	39,819	39,819
Obligations under finance leases	21	178,075	202,031	-	-
Corporation tax payable		78,633	57,002	40,184	32,563
Other taxation and social security		439,727	518,577	17,570	17,743
Payments received on account		5,146,605	4,928,831	-	-
Trade creditors		2,468,302	3,771,735	86,130	-
Other creditors		708,758	233,202	-	(1,975)
Accruals and deferred income		1,809,900	1,263,890	504,629	422,202
		<u>11,168,770</u>	<u>11,362,887</u>	<u>688,332</u>	<u>510,352</u>

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

		Group		Company	
	Notes	2016	2015	2016	2015
		£	£	£	£
Loans and overdrafts	20	3,904,790	5,493,559	1,819,683	3,109,502
Obligations under finance leases	21	1,060,996	1,057,616	-	-
		<u>4,965,786</u>	<u>6,551,175</u>	<u>1,819,683</u>	<u>3,109,502</u>

## Notes (continued)

### 20 Loans and overdrafts

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank loans	4,243,560	5,881,178	1,859,502	3,149,321
Payable within one year	338,770	387,619	39,819	39,819
Payable within 2 to 5 years	3,904,790	5,493,559	1,819,683	3,109,502

The long-term loans are secured by fixed charges over the group's assets. The loan balance is made up of two separate loan arrangements. One attracts interest at a fixed rate of 4.49% the other at LIBOR +2%.

### 21 Finance lease obligations

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Future minimum lease payments due under finance leases:				
Payable within one year	178,075	202,031	-	-
In two and five years	792,672	1,057,616	-	-
Over five years	268,324			
	1,239,071	1,259,647	-	-

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

Lease include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years for plant and machinery and 20 years for land and buildings. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

### 22 Provisions for liabilities

		Group		Company	
	Notes	2016	2015	2016	2015
		£	£	£	£
Deferred contract balances		1,134,305	802,671	-	-
Deferred tax liabilities	23	2,555,407	2,353,676	1,625,996	1,583,143
		3,689,713	3,156,347	1,625,996	1,583,143

## Notes (continued)

### 23 Deferred contract balances

	Deferred contract balances
Group	£
At 1st December 2015	802,671
Movement in provision	331,635
	<u>1,134,306</u>

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

### 24 Deferred taxation

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

Group	Liabilities 2016 £	Liabilities 2015 £
Accelerated capital allowances	1,040,890	1,069,833
Tax losses	(185,483)	(416,157)
Investment property	100,000	100,000
Other timing differences	1,600,000	1,600,000
	<u>2,555,407</u>	<u>2,353,676</u>

Company	Liabilities 2016 £	Liabilities 2015 £
Accelerated capital allowances	56,363	71,143
Tax losses	(130,367)	(188,000)
Investment property	100,000	100,000
Other timing differences	1,600,000	1,600,000
	<u>1,625,996</u>	<u>1,583,143</u>



## Notes (continued)

### 24 Deferred taxation (continued)

Movements in the year	Group 2016 £	Company 2016 £
Liability at 1 January 2016	2,353,676	1,583,143
Charge to profit or loss	201,731	42,853
Liability at 31 December 2016	2,555,407	1,625,996

### 25 Government grants

	Group 2016 £	2015 £	Company 2016 £	2015 £
Arising from government grants	5,182,318	6,190,492	-	-

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

The balance at 1 January 2016 was £6,190,492, grants of £nil (2015: £1,412, 164) were received during the year, £1,008,000 (2015: £654,000) was credited to the profit and loss account and the balance at 31 December 2016 was £5,182,318.

### 26 Derivative instruments

The company has no derivatives instruments outstanding at the year end. At 31 December 2015 the derivatives comprised of forward exchange contracts which were used to hedge currency exposure. The fair value of the option was not material.

### 27 Retirement benefit schemes

Defined contribution schemes	2016 £	2016 £
Charge to profit and loss in respect of defined contributions schemes	396,447	284,196

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

## Notes (continued)

### 28 Share capital

Ordinary share capital Issued and fully paid	Group and company	
	2016 £	2015 £
4,186,536 Ordinary shares of £1 each	4,186,536	4,186,536

### 29 Financial commitments, guarantees and contingent liabilities

#### Group

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

Fixed and floating charges dated May 2013 are held by Cornwall Council over all assets of the company and the group to secure a debt owed by the holding company to The Growing Places Fund administered by Cornwall Council.

#### Company

There is a cross guarantee with the parent undertaking and its subsidiaries in respect of all borrowings. The amounts outstanding at the year end were £nil (2015: £456,727) and the highest balance during the year was £645,210 (2015: £4,341,369).

The company is part of a group VAT registration with the parent undertaking and its subsidiaries and as such is jointly liable for any outstanding liability. At the year end the amount of VAT owed by the parent company and its subsidiaries was £8,090 (2015: £245,584).

#### Group and Company

A subsidiary, Pendennis Shipyard Limited, ("the company") has 'A' ordinary shares in issue which are long term incentive shares and subject to certain performance criteria for the company being met in the future. At anytime in 2018, if the targets are met, the shareholders have an option that they may exercise requiring Pendennis Shipyard (Holdings) Limited to repurchase the shares. If the option is not exercised Pendennis Shipyard (Holdings) Limited has a call option to buy back the shares at par. In either event the shares will be cancelled on repurchase. The value of the shares is determined based on profits and gearing to determine the excess over the hurdle rate. The eventual payment is contingent on the employees exercising their option and there is no certainty that the targets will be met at the exercise no provision has been made in the accounts (2015: £nil). On the assumption that the performance criteria were met the estimated liability is £2,294,000 (2015: £2,402,000).

### 30 Operating lease commitments

#### Lessee

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

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Within one year	68,466	76,052	-	-
Between two and five years	70,621	141,670	-	-
In over five years	696,200	11,600	-	-
	<u>835,287</u>	<u>229,322</u>	<u>-</u>	<u>-</u>

## Notes (continued)

### 28 Share capital

Ordinary share capital Issued and fully paid	Group and company	
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	<u>835,287</u>	<u>229,322</u>	<u>-</u>	<u>-</u>

## Notes (continued)

### 31 Capital commitments

At 31 December 2016 the group had capital commitments as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Contracted for but not provided in the financial statements:				
Acquisition of property, plant and equipment	-	-	-	-

### 32 Related party transactions

No guarantees have been given or received.

Included in turnover is work carried out on normal commercial terms for the following directors/shareholders: Mr T Mordaunt £28,256 (2015: £12,539) and Mr G Lindemann £4,574,763 (2015: £2,645,272). The amount included in trade debtors is £301 (2015: £1,263,152). The group also made sales to the directors, totalling £25,284 (2015: £26,343). The balance due from the directors to the group at 31 December 2016 was £nil (2015: £nil).

Included in purchases are amounts for goods and services provided on normal commercial terms by Mrs M Wiekens, wife of Mr H Wiekens (director/shareholder) of £nil (2015: £220); by Trago Mills (Falmouth) Limited, a company of which Mr B Robertson (director/shareholder) is a director, £17,838 (2015: £2,109) and by SMS Business Limited, a company of which Mr M Walters (shareholder) is a director, £31,729 (2015: £34,248).

### 33 Controlling party

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