

Financial Statements

Drew Marine UK Holdings Limited

For the year ended 31 December 2016

Registered number: 08079257

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Drew Marine UK Holdings Limited

Company Information

Directors	T Cessario F W Quinn
Registered number	08079257
Registered office	First Floor 26/33 Building 6000, Langstone Technology Park Langstone Road Havant Hampshire PO9 1SA
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 5 Benham Road Southampton Science Park Chilworth SO16 7QJ

Drew Marine UK Holdings Limited

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Group strategic report

For the year ended 31 December 2016

Introduction

The strategic report for the year ended 31 December 2016 is set out below.

Business review

As shown in the group's profit and loss account, sales increased by 9.3% over the prior year following the acquisition of a new subsidiary undertaking in the prior year, registered in England and Wales, Ocean Signal Limited.

Operating profit for the year was £1,367,425 (2015: £3,788,297), with the company paying a dividend of £nil (2015: £nil) during the year.

The group's key measurement of the effectiveness of its operations is return on sales. The company achieved a return on sales decrease on the prior year return which was 3.6% (2015: 10.1%).

The directors remain optimistic for the trading prospects of the business in 2017 and expect to grow the Drew Marine Group as a whole and increase market share where possible despite difficulties experienced in the procurement of Linethrowing Rockets due to a problem with a sub supplier to Drew Marine Germany.

Group strategic report

For the year ended 31 December 2016

Principal risks and uncertainties

The Drew Marine Group Board is responsible for the Group's system of internal control and its risk management systems. The Drew Marine senior management team meet weekly, to review the key risks associated with the achievement of the annual budget, five year plan, the top five health and safety risks identified and continued compliance to the rules and regulations of all countries operated in and product is distributed to.

Health and safety risks

Responsibility for the delivery of world class safety standards is an integral part of the operational management accountability and the group's management are therefore expected to embrace a positive safety culture and to demonstrate leadership and commitment in the workplace. Drew Marine Group's stated aim is to achieve zero injuries and to reduce health and safety risks, where they cannot be eliminated altogether, to a level which is "as low as reasonably practicable". Technology and automation roadmaps support the group's strategy for risk reduction through increased automation and remote operations.

Timing of orders

The majority of the group's contracts are of a relatively short duration and, with the exception of framework contracts with key customers, do not usually cover multi-year requirements. This means that an unmitigated delay in the receipt of key orders could affect earnings. Maximising order intake is therefore a key priority for the company.

Product development

Drew Marine Group's approach to innovation and continued research and development activity ensures the product range is continually refreshed and updated. In 2015 Drew Marine Germany invested in a new fully automated handflare production line to further reduce cost in the product and safety to the end user and production staff. There are plans to re-design the day and night product in 2016 again to reduce cost and increase safety for all.

Economic risks

Fortunately, the group has not been greatly affected by the difficult economic conditions prevailing in many countries around the world and the Board continues to believe that the future prospects for the group are very good. The worldwide decline in the commercial marine market due to the slowing of the oil and gas industry has been felt but growth in the liferaft business has gone some way to compensate for this. The Board will continue to closely monitor the group's potential exposure to further economic changes.

Exceptional items

Unfortunately the group experienced a significant loss of revenue due to a supply issue which affected most of 2016. Three separate incidents at a sub supplier to Drew Marine Signal & Safety Germany GmbH meant that there was a shortage of propellant to manufacture the line throwing rocket. This is one of the five main SOLAS products. This has a knock on effect to the sales of bridge kits to the industry which include Man overboards and parachute rockets. The supply issue has now been resolved and should have no effect in 2017.

Re-structuring

There was a decision to restructure the group. Sales administration which was based in the UK was moved to Germany in 2016. The decision was made to streamline the process making it more efficient. This resulted in a headcount reduction in the UK from nine heads to three heads. The office also relocated within Langstone Technology Park to a smaller unit further reducing overhead cost.

Financial risks

The group's financing arrangements are included within Drew Marine's overall facilities. Drew Marine UK Holdings Limited and its subsidiaries are part of a larger group with its ultimate parent entity in the US. This larger group has shared financing arrangements of which Drew Marine UK Holdings Ltd is a party to.

Drew Marine UK Holdings Limited

Group strategic report


For the year ended 31 December 2016

Financial key performance indicators

The key performance indicators measured by the group have been noted above in the business review.

This report was approved by the board on

August 24, 2017 and signed on its behalf.


F W Quinn
Director

Drew Marine UK Holdings Limited

Directors' report

For the year ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Principal activity

The company's principal activity is a holding company. The principal activity of its subsidiaries is the sale of marine pyrotechnics and the design and manufacture of maritime and land terrestrial/satellite communications products used in the Search and Rescue ecosystem.

Results and dividends

The loss for the year, after taxation, amounted to £1,553,756 (2015: loss £357,344).

No dividend was paid during the year (2015: £nil).

Directors

The directors who served during the year were:

T Cessario
F W Quinn

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

For the year ended 31 December 2016

Going concern

The directors have taken consideration of the current uncertain economic climate, and the possibility that this could have an adverse impact on the future trading of the group.

After making due enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found by contacting the ultimate parent company, Drew Marine Partners LP (US).

Matters covered in the strategic report

Key performance indicators, future developments and a business review for the year ended 31 December 2016 are disclosed in the Strategic Report as required by s414C(11).

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.


Post balance sheet events

There have been no significant events affecting the group since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *August 24, 2017* and signed on its behalf.


F W Quinn
Director



Independent auditor's report to the members of Drew Marine UK Holdings Limited

We have audited the financial statements of Drew Marine UK Holdings Limited for the year ended 31 December 2016, which comprise the Consolidated Profit and loss account, the Consolidated and Company Balance sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 on page 4, 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 Financial Reporting Council'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.

Opinion on financial statements

In our opinion the financial statements:

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



Independent auditor's report to the members of Drew Marine UK Holdings Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

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

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.

A handwritten signature in black ink, appearing to read "Grant Thornton UK LLP".

Amanda James (Senior statutory auditor)
for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Southampton

Date: 5 September 2017

Drew Marine UK Holdings Limited

Consolidated profit and loss account

For the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	37,672,856	34,453,733
Cost of sales		(14,271,652)	(12,559,043)
Gross profit		23,401,204	21,894,690
Administrative expenses		(22,033,779)	(18,106,393)
Operating profit	5	1,367,425	3,788,297
Interest payable and expenses	8	(1,586,857)	(3,262,541)
(Loss)/profit before taxation		(219,432)	525,756
Tax on (loss)/profit	9	(1,334,324)	(883,100)
Loss for the year		(1,553,756)	(357,344)
Foreign exchange movements on translation		2,745,370	35,895
Other comprehensive income for the year		2,745,370	35,895
Total comprehensive income for the year		1,191,614	(321,449)

There were no recognised gains and losses for 2016 or 2015 other than those included in the consolidated profit and loss account.

The notes on pages 14 to 29 form part of these financial statements.

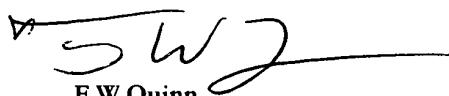
Consolidated balance sheet

As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	11	18,087,074	18,408,933
Tangible assets	12	4,478,056	2,603,256
		<u>22,565,130</u>	<u>21,012,189</u>
Current assets			
Stocks	14	5,275,947	4,504,086
Debtors: amounts falling due within one year	15	9,070,365	8,545,275
Cash at bank and in hand		4,182,834	4,293,586
		<u>18,529,146</u>	<u>17,342,947</u>
Creditors: amounts falling due within one year	16	(40,996,884)	(39,449,358)
Net current liabilities		<u>(22,467,738)</u>	<u>(22,106,411)</u>
Net assets		<u>97,392</u>	<u>(1,094,222)</u>
Capital and reserves			
Called up share capital	19	1	1
Profit and loss account	18	97,391	(1,094,223)
		<u>97,392</u>	<u>(1,094,222)</u>

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

August, 24, 2017


F W Quinn
 Director

The notes on pages 14 to 29 form part of these financial statements.


Drew Marine UK Holdings Limited
Registered number:08079257

Company balance sheet

As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	13	35,074,217	34,374,217
Current assets			
Debtors: amounts falling due within one year	15	1,171,847	1,192,391
Cash at bank and in hand		180,685	10,690
		<u>1,352,532</u>	<u>1,203,081</u>
Creditors: amounts falling due within one year	16	(34,842,244)	(35,275,181)
Net current liabilities		<u>(33,489,712)</u>	<u>(34,072,100)</u>
Net assets		<u>1,584,505</u>	<u>302,117</u>
Capital and reserves			
Called up share capital	19	1	1
Profit and loss account	18	1,584,504	302,116
		<u>1,584,505</u>	<u>302,117</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
August, 24, 2017


F W Quinn
 Director

The notes on pages 14 to 29 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	1	(1,094,223)	(1,094,222)
Loss for the year	-	(1,553,756)	(1,553,756)
Foreign exchange movements on translation	-	2,745,370	2,745,370
At 31 December 2016	1	97,391	97,392

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2015	1	(772,774)	(772,773)
Loss for the year	-	(357,344)	(357,344)
Foreign exchange movements on translation	-	35,895	35,895
At 31 December 2015	1	(1,094,223)	(1,094,222)

The notes on pages 14 to 29 form part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	1	302,116	302,117
Profit for the year	-	1,282,388	1,282,388
At 31 December 2016	<u>1</u>	<u>1,584,504</u>	<u>1,584,505</u>

Company statement of changes in equity

For the year ended 31 December 2015

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2015	1	(28,204)	(28,203)
Profit for the year	-	330,320	330,320
At 31 December 2015	<u>1</u>	<u>302,116</u>	<u>302,117</u>

The notes on pages 14 to 29 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Loss for the financial year	(1,553,756)	(357,344)
Adjustments for:		
Amortisation of intangible assets	1,503,494	1,228,279
Depreciation of tangible assets	753,032	524,240
Loss on disposal of tangible assets	184	-
Interest paid	1,586,857	3,262,541
Taxation charge	1,471,448	883,100
(Increase)/decrease in stocks	(771,861)	1,913,936
(Increase)/decrease in debtors	(1,351,458)	591,547
Increase/(decrease) in creditors	1,394,122	(1,782,557)
Corporation tax paid	(1,514,230)	(1,504,421)
Foreign exchange movements on translation	2,206,843	35,895
Net cash generated from operating activities	3,724,675	4,795,216
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,178,430)	(478,511)
Purchase of tangible fixed assets	(1,266,326)	(328,982)
Sale of tangible fixed assets	-	1,289,862
Purchase of tangible fixed assets on acquisition	-	(432,912)
Purchase of intangible fixed assets on acquisition	-	(2,459,177)
Net cash from investing activities	(2,444,756)	(2,409,720)
Cash flows from financing activities		
Other new loans	196,186	736,291
Interest paid	(1,586,857)	(3,262,541)
Net cash used in financing activities	(1,390,671)	(2,526,250)
Net (decrease) in cash and cash equivalents	(110,752)	(140,754)
Cash and cash equivalents at beginning of year	4,293,586	4,434,340
Cash and cash equivalents at the end of year	4,182,834	4,293,586
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	4,182,834	4,293,586

Notes to the financial statements

For the year ended 31 December 2016

1. General information

Drew Marine UK Holdings Limited is a limited liability company incorporated in England and Wales. The registered office is First Floor 26/33 Building 6000, Langstone Technology Park, Langstone Road, Havant, Hampshire, PO9 1SA.

The company moved from the Second Floor to the First Floor during 2016.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the company as a whole.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The parent has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Drew Marine Intermediate II B.V. as at 31 December 2016 and these financial statements may be obtained from Pesetastraat 5, 2991 Xt Barendrecht, Netherlands.

2.3 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

Notes to the financial statements

For the year ended 31 December 2016

2. Accounting policies (continued)

2.4 Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group and company will continue in operational existence for the foreseeable future. The directors are aware of their duty to present a balanced assessment of the Group and company's financial position and prospects and in concluding that it is appropriate to adopt the going concern basis they have had regard to the fact that the group has reported a loss of £1,553,756 and there are net current liabilities of £22,467,738 at 31 December 2016.

The Group and company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 1. The Group and company are able to meet their day-to-day working capital requirements and the directors believe, with the support of its parent undertaking, that adequate funding will be available to meet liabilities as they fall due. The directors have prepared forecasts covering the next twelve months which are based on prudent market data and past experience, taking account of reasonably foreseeable changes in market conditions and company performance. The parent company has also confirmed the loan facility will not be called upon for repayment for a period of at least 12 months from the date of approval of the financial statements.

Notes to the financial statements

For the year ended 31 December 2016

2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated profit and loss account over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Notes to the financial statements

For the year ended 31 December 2016

2. Accounting policies (continued)

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long term leasehold property	- over 8-10 years
Plant and machinery	- over 5 years
Motor vehicles	- over 5 years
Fixtures and fittings	- over 8-10 years
Computer equipment	- over 3-5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated profit and loss account.

2.8 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.9 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Notes to the financial statements

For the year ended 31 December 2016

2. Accounting policies (continued)

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the financial statements

For the year ended 31 December 2016

2. Accounting policies (continued)

2.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated profit and loss account within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.15 Finance costs

Finance costs are charged to the Consolidated profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.16 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

Notes to the financial statements

For the year ended 31 December 2016

2. Accounting policies (continued)

2.17 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of these financial statements requires management to note judgements and estimates that affect the reported amount of assets and liabilities at the balance sheet date and the reported profits during the financial year.

The following judgements and estimates have been made in these financial statements:

Useful economic life of intangible assets

Management have provided in these financial statements the estimated life of the acquired intangible assets and Goodwill.

Useful economic life of tangible assets

Management have provided in these financial statements the estimated residual value and useful economic life of tangible fixed assets.

Provision for doubtful debts

Management have provided in these financial statements the estimated allowance for doubtful debts.

Notes to the financial statements

For the year ended 31 December 2016

4. Turnover

All turnover arose from one class of business, being the sale of pyrotechnic products and marine communication products.

The whole of the turnover and profit before taxation from continuing activities is attributable to the sale of marine pyrotechnics.

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	6,250,039	3,380,538
Rest of Europe	27,650,912	28,151,942
Rest of the World	3,771,905	2,921,253
	<u>37,672,856</u>	<u>34,453,733</u>

5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	753,032	524,240
Amortisation of intangible assets, including goodwill	1,503,494	1,228,279
Exchange differences	(164,079)	110,424
Operating lease rentals	<u>245,338</u>	<u>209,705</u>

During the year, no director received any emoluments (2015: £nil).

6. Auditor's remuneration

	2016 £	2015 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	<u>121,220</u>	<u>40,920</u>

Auditor's remuneration for the company was £17,000 (2015: £14,250).

Notes to the financial statements

For the year ended 31 December 2016

7. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	7,534,117	7,263,709
Social security costs	1,343,644	1,336,522
Cost of defined contribution scheme	55,567	28,475
	<u>8,933,328</u>	<u>8,628,706</u>

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

	2016 No.	2015 No.
	<u>196</u>	<u>233</u>

8. Interest payable and similar charges

	2016 £	2015 £
Loans from group undertakings	<u>1,586,857</u>	<u>3,262,541</u>

9. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	<u>1,471,448</u>	<u>883,100</u>
Deferred tax		
Origination and reversal of timing differences	<u>(137,124)</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>1,334,324</u>	<u>883,100</u>

Notes to the financial statements

For the year ended 31 December 2016

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 21.5%). The differences are explained below:

	2016 £	2015 £
(Loss)/profit on ordinary activities before tax	(219,432)	525,756
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21.5%)	(43,886)	113,038
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	369,569	264,080
Capital allowances for year in excess of depreciation	(6,269)	-
Other timing differences leading to an increase (decrease) in taxation	1,157,652	505,982
Tax losses brought forward	(5,618)	-
Deferred taxation	(137,124)	-
Total tax charge for the year	1,334,324	883,100

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

10. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £1,282,388 (2015: £330,320).

Notes to the financial statements

For the year ended 31 December 2016

11. Intangible assets

Group and Company

	Patents £	Goodwill £	Total £
Cost			
At 1 January 2016	1,001,096	21,087,481	22,088,577
Additions	478,430	700,000	1,178,430
Foreign exchange movement	147,254	-	147,254
At 31 December 2016	<u>1,626,780</u>	<u>21,787,481</u>	<u>23,414,261</u>
Amortisation			
At 1 January 2016	326,723	3,352,921	3,679,644
Charge for the year	212,683	1,290,811	1,503,494
Foreign exchange movement	144,049	-	144,049
At 31 December 2016	<u>683,455</u>	<u>4,643,732</u>	<u>5,327,187</u>
Net book value			
At 31 December 2016	<u>943,325</u>	<u>17,143,749</u>	<u>18,087,074</u>
At 31 December 2015	<u>674,373</u>	<u>17,734,560</u>	<u>18,408,933</u>

During the year, earn-out consideration of £700,000 was paid following the acquisition of Ocean Signal Limited on 30 April 2015.

Notes to the financial statements

For the year ended 31 December 2016

12. Tangible fixed assets

Group

	Long term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2016	4,057,183	3,298,479	78,929	2,601,680	292,215	10,328,486
Additions	51,490	1,788,268	-	223,184	29,752	2,092,694
Disposals	(4,579)	-	-	(23,234)	-	(27,813)
Foreign exchange movement	660,950	747,814	-	393,210	5,452	1,807,426
At 31 December 2016	4,765,044	5,834,561	78,929	3,194,840	327,419	14,200,793
Depreciation						
At 1 January 2016	3,114,525	2,466,304	24,900	2,081,658	37,843	7,725,230
Charge for the period	94,830	430,261	12,450	182,577	32,914	753,032
Disposals	(4,581)	-	-	(23,048)	-	(27,629)
Foreign exchange movement	425,657	532,127	-	312,264	2,056	1,272,104
At 31 December 2016	3,630,431	3,428,692	37,350	2,553,451	72,813	9,722,737
Net book value						
At 31 December 2016	<u>1,134,613</u>	<u>2,405,869</u>	<u>41,579</u>	<u>641,389</u>	<u>254,606</u>	<u>4,478,056</u>
At 31 December 2015	<u>942,658</u>	<u>832,175</u>	<u>54,029</u>	<u>520,022</u>	<u>254,372</u>	<u>2,603,256</u>

Notes to the financial statements

For the year ended 31 December 2016

13. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Holding	Principal activity
Drew Marine Signal & Safety UK Limited	England and Wales	100 %	Marine Pyrotechnics
Drew Marine Signal & Safety Germany GmbH	Germany	100 %	Marine Pyrotechnics
Drew Marine Signal & Safety Spain SL	Spain	100 %	Marine Pyrotechnics
Drew Marine Signal & Safety Australia Pty Limited	Australia	100 %	Marine Pyrotechnics
Drew Defense Germany GmbH	Germany	100 %	Specialised pyrotechnic products for military and civil applications
Drew Marine Germany Holding GmbH	Germany	100 %	Intermediate holding company
Ocean Signal Limited	England and Wales	100 %	Design and production of marine communication products

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2016	34,374,217
Additions	700,000
At 31 December 2016	<u>35,074,217</u>
Net book value	
At 31 December 2016	<u>35,074,217</u>
At 31 December 2015	<u>34,374,217</u>

Notes to the financial statements

For the year ended 31 December 2016

14. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Raw materials and consumables	2,591	77,163	-	-
Finished goods and goods for resale	5,273,356	4,426,923	-	-
	<u>5,275,947</u>	<u>4,504,086</u>	<u>-</u>	<u>-</u>

Stock recognised in cost of sales during the year as an expense was £3,156,960 (2015: £1,913,936).

An impairment loss of £nil (2015: £3,960) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

15. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	4,771,107	8,290,157	-	-
Amounts owed by group undertakings	-	-	1,171,847	1,192,391
Other debtors	3,820,324	113,325	-	-
Prepayments and accrued income	341,810	141,793	-	-
Deferred taxation	137,124	-	-	-
	<u>9,070,365</u>	<u>8,545,275</u>	<u>1,171,847</u>	<u>1,192,391</u>

16. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Loans due to parent undertaking	33,888,488	33,692,302	34,842,244	35,275,181
Trade creditors	2,348,269	2,201,187	-	-
Corporation tax	46,436	89,218	-	-
Taxation and social security	242,400	-	-	-
Other creditors	1,471,382	3,332,489	-	-
Accruals and deferred income	2,999,909	134,162	-	-
	<u>40,996,884</u>	<u>39,449,358</u>	<u>34,842,244</u>	<u>35,275,181</u>

The majority of the loans due to parent undertaking comprise a loan received of £32 million in August 2015 from its immediate parent undertaking, for the purchase of subsidiaries.

The loan is unsecured and has no fixed repayment date. The loan attracts an interest rate of 8.5%.

Notes to the financial statements

For the year ended 31 December 2016

17. Deferred taxation

Group

	2016 £
Charged to profit or loss	137,124
At end of year	137,124

The deferred tax asset is made up as follows:

	Group 2016 £
Timing differences	137,124

18. Reserves

Profit and loss account

Profit and loss account includes all current and prior period retained profits and losses.

19. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

20. Pension commitments

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contribution payable are charged to the profit and loss accounts and amounts payable in the year were £55,567 (2015: £28,475). There were no contributions outstanding in the current or prior year.

Notes to the financial statements

For the year ended 31 December 2016

21. Commitments under operating leases

At 31 December 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £
Land and buildings		
Not later than 1 year	57,943	45,648
Later than 1 year and not later than 5 years	181,114	209,199
	Group 2016	Group 2015
		£
Other		
Not later than 1 year	41,953	17,108
Later than 1 year and not later than 5 years	97,757	33,529

22. Related party transactions

The group is exempt under FRS 102 paragraph 33.7 from disclosing any transactions or balances between wholly owned group entities that have been eliminated on consolidation.

	Intra-group charges and interest 2016 £	Balance due from/(to) Group 2016 £	Intra-group charges and interest 2015 £	Balance due from/(to) Group 2015 £
Drew Marine Partners LP	1,559,154	(33,888,488)	3,226,964	(35,758,999)
Drew Marine Inc. (USA)	-	-	-	-
Drew Marine Intermediate II B.V.	-	-	-	-
Alexander Ryan Marine Safety	-	-	-	-

23. Controlling party

The group and company's immediate parent undertaking and controlling party is Drew Marine Intermediate II B.V. The ultimate parent undertaking and controlling party is Drew Marine Partners LP (US).

Drew Marine Intermediate II B.V. is the smaller group to consolidate, Drew Marine Partners LP (US) is the largest group to consolidate Drew Marine UK Holdings Limited.