

**REGISTERED NUMBER: 01968550 (England and Wales)**

**SONARDYNE GROUP LIMITED**  
**GROUP STRATEGIC REPORT, REPORT OF THE DIRECTORS AND**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

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**SONARDYNE GROUP LIMITED**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**DIRECTORS:**

C J Partridge  
B F Partridge

**SECRETARY:**

C J Partridge

**REGISTERED OFFICE:**

Ocean House  
Blackbushe Business Park  
Yateley  
Hampshire  
GU46 6GD

**REGISTERED NUMBER:**

01968550 (England and Wales)

**AUDITORS:**

Wilkins Kennedy Audit Services  
Statutory Auditor  
Mount Manor House  
16 The Mount  
Guildford  
Surrey  
GU2 4HN

**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 MARCH 2018**

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The directors present their strategic report of the company and the group for the year ended 31 March 2018.

**REVIEW OF BUSINESS**

The principal trading companies within the group are Sonardyne International Limited in the UK, Sonardyne Asia PTE Ltd in Singapore, Sonardyne Inc. in the USA and Sonardyne Brasil Limitada in Brazil.

Group turnover for the year was £32.8m compared to £37.1m in 2017. Pre tax profit for the year was £0.86m.

Turnover has declined by some 12% due to the continuing uncertainty in Sonardyne's largest market, the Oil and Gas Industry. There have however, been signs of recovery; the order bank at the end of the year has increased by 19% when compared to the previous year.

Oil continues to trade at price levels which are significantly lower than those seen in the previous decade, although there have been some positive signs of recovery toward the end of the reporting period. This continues to create significant challenges and opportunities across this area of Sonardyne's business, where technology and innovation are considered to be important factors in enabling oil and gas to be produced profitably.

The Maritime Security and Oceanographic markets provide important opportunities and revenues outside of the main market.

Sonardyne continues to seek further opportunities to diversify outside its existing main markets and since the year end has been involved in the due diligence of a complimentary business, Chelsea Technologies Ltd ('Chelsea'), a maritime and marine science technology specialist. The acquisition of Chelsea was completed in September 2018. This will create new opportunities in the water environmental, defence and process control markets and will leverage on Sonardyne's existing research and global distribution capabilities.

The budget for group sales and profits for 2019 indicates a small increase to those reported last year and with the first steps of diversification taken and the resulting acquisition mentioned above, the Board of Directors remain extremely optimistic for the future.

**PRINCIPAL RISKS AND UNCERTAINTIES**

All activities of the group are controlled by the Board which meets regularly to review the performance of the group. The Board reviews the principal risks to the business and where it is deemed appropriate, puts in place ways to mitigate those risks.

A detailed annual budget is prepared and approved by the Board at the beginning of each financial year. Reporting against this budget is done on a monthly basis with detailed monthly management accounts produced to strict deadlines. A rolling twelve month forecast is produced quarterly to provide insight into the longer term outlook for the business.

Cash and debtors are monitored on a daily basis.

Principal risks and uncertainties include:

- A continuing period of lower activity in the offshore oil industry causing a further fall in Sonardyne's customer's capital budgets in the core markets
- Britain's exit from the EU; in particular the potential disruption to the supply chain and export procedures
- The volatility of the UK pound against other international currencies, particularly the US dollar, the Norwegian kroner and the Euro
- The alignment of risk in negotiated contract terms with the available rewards

The group's policies to mitigate these risks include diversification into other market areas, supply chain management, strong treasury management to minimise exchange risks, effective contract negotiation procedures, year on year investment in new products and a total commitment to achieving the very best product quality.

**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 MARCH 2018**

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**KEY PERFORMANCE INDICATORS**

Key performance indicators are used throughout the business. In the monthly management accounts these include measures and comparatives for employee numbers, capital expenditure, order intake, sales turnover, gross margins, pre-tax profit, order bank, cash and debtors.

Order intake has increased by over 30% compared to the prior year

Turnover has declined by 12% compared to the prior year

Staff numbers increased by 10% during the year

The group has continued to maintain a very strong balance sheet

**EMPLOYEES**

Details of the average number of employees and related costs can be found in note 3 to the financial statements. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company keeps employees informed on matters relevant to them as employees through regular meetings and newsletters. Employees are consulted on a range of matters affecting their interests. In addition to this a quarterly review of the company's performance is presented to all staff, along with the future plans for the company.

**ON BEHALF OF THE BOARD:**



.....  
C J Partridge - Director

Date: 19<sup>th</sup> Dec 2018

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 MARCH 2018**

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The directors present their report with the financial statements of the company and the group for the year ended 31 March 2018.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of a holding company.

The principal activities of the group were the design, manufacture and supply of electronic and mechanical instruments for the offshore oil and gas and maritime security industries.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 March 2018.

**EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2017 to the date of this report.

C J Partridge  
B F Partridge

**POLITICAL DONATIONS AND EXPENDITURE**

It is group policy not to make political donations.

During the year the group made charitable donations totalling £10,900 (2017: £596).

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group'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.

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**ON BEHALF OF THE BOARD:**

  
.....  
C J Partridge - Director

Date: 19<sup>th</sup> Dec 2018

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SONARDYNE GROUP LIMITED

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### Opinion

We have audited the financial statements of Sonardyne Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 March 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
SONARDYNE GROUP LIMITED**

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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.

**Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**Use of our report**

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

*Wilkins Kennedy Audit Services*

Robert Southey (Senior Statutory Auditor)  
for and on behalf of Wilkins Kennedy Audit Services  
Statutory Auditor  
Mount Manor House  
16 The Mount  
Guildford  
Surrey  
GU2 4HN

Date: *21<sup>st</sup> DECEMBER 2018*



**SONARDYNE GROUP LIMITED (REGISTERED NUMBER: 01968550)**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 £	2017 £
<b>TURNOVER</b>	3	<b>32,771,843</b>	37,140,829
Cost of sales		<u>(9,146,565)</u>	<u>(9,852,429)</u>
<b>GROSS PROFIT</b>		<b>23,625,278</b>	27,288,400
Administrative expenses		<u>(22,986,157)</u>	<u>(21,015,575)</u>
<b>OPERATING PROFIT</b>	6	<b>639,121</b>	6,272,825
Income from interest in associated undertakings		<u>(44,947)</u>	6,349
Interest receivable and similar income	7	<u>268,516</u>	<u>216,079</u>
<b>PROFIT BEFORE TAXATION</b>		<b>862,690</b>	6,495,253
Tax on profit	8	<u>(109,556)</u>	<u>(888,852)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>753,134</b>	5,606,401
<b>OTHER COMPREHENSIVE INCOME</b>			
Foreign exchange on consolidation		<u>(67,722)</u>	<u>(224,819)</u>
Income tax relating to other comprehensive income		<u>-</u>	<u>-</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<u><b>(67,722)</b></u>	<u><b>(224,819)</b></u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>685,412</b></u>	<u><b>5,381,582</b></u>
Profit attributable to: Owners of the parent		<u><b>753,134</b></u>	<u><b>5,606,401</b></u>
Total comprehensive income attributable to: Owners of the parent		<u><b>685,412</b></u>	<u><b>5,381,582</b></u>


The notes form part of these financial statements

**SONARDYNE GROUP LIMITED (REGISTERED NUMBER: 01968550)**

**CONSOLIDATED BALANCE SHEET  
31 MARCH 2018**

	Notes	2018 £	2017 £
<b>FIXED ASSETS</b>			
Intangible assets	10	-	291,110
Tangible assets	11	9,465,057	10,404,035
Investments	12		
Interest in associate		461,840	33,403
		<u>9,926,897</u>	<u>10,728,548</u>
<b>CURRENT ASSETS</b>			
Stocks	13	7,414,306	7,166,878
Debtors	14	6,546,784	7,529,149
Cash at bank and in hand		72,501,908	71,382,065
		<u>86,462,998</u>	<u>86,078,092</u>
<b>CREDITORS</b>			
Amounts falling due within one year	15	(6,391,676)	(7,454,833)
<b>NET CURRENT ASSETS</b>		<u>80,071,322</u>	<u>78,623,259</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>89,998,219</u>	<u>89,351,807</u>
<b>PROVISIONS FOR LIABILITIES</b>	18	(339,000)	(378,000)
<b>NET ASSETS</b>		<u><u>89,659,219</u></u>	<u><u>88,973,807</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	99,995	99,995
Retained earnings	20	89,559,224	88,873,812
<b>SHAREHOLDERS' FUNDS</b>		<u><u>89,659,219</u></u>	<u><u>88,973,807</u></u>

The financial statements were approved by the Board of Directors on 19<sup>th</sup> Dec 2018 and were signed on its behalf by:

  
C J Partridge - Director

The notes form part of these financial statements


**SONARDYNE GROUP LIMITED (REGISTERED NUMBER: 01968550)**

**COMPANY BALANCE SHEET  
31 MARCH 2018**

	Notes	2018 £	2017 £
<b>FIXED ASSETS</b>			
Intangible assets	10	-	-
Tangible assets	11	-	-
Investments	12	3,868,237	3,868,237
		<u>3,868,237</u>	<u>3,868,237</u>
<b>CURRENT ASSETS</b>			
Cash at bank		36,956,384	36,862,390
<b>CREDITORS</b>			
Amounts falling due within one year	15	(25,483)	(17,902)
<b>NET CURRENT ASSETS</b>		<u>36,930,901</u>	<u>36,844,488</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>40,799,138</u>	<u>40,712,725</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	99,995	99,995
Retained earnings		40,699,143	40,612,730
<b>SHAREHOLDERS' FUNDS</b>		<u>40,799,138</u>	<u>40,712,725</u>
Company's profit for the financial year		<u>86,413</u>	<u>51,708</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board of Directors on 19<sup>th</sup> Dec 2018 and were signed on its behalf by:

  
C J Partridge - Director

The notes form part of these financial statements

**SONARDYNE GROUP LIMITED (REGISTERED NUMBER: 01968550)**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2018**

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
<b>Balance at 1 April 2016</b>	99,995	83,492,230	83,592,225
<b>Changes in equity</b>			
Total comprehensive income	-	5,381,582	5,381,582
<b>Balance at 31 March 2017</b>	99,995	88,873,812	88,973,807
<b>Changes in equity</b>			
Total comprehensive income	-	685,412	685,412
<b>Balance at 31 March 2018</b>	99,995	89,559,224	89,659,219

The notes form part of these financial statements

**SONARDYNE GROUP LIMITED (REGISTERED NUMBER: 01968550)**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2018**

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
<b>Balance at 1 April 2016</b>	99,995	40,561,022	40,661,017
<b>Changes in equity</b>			
Total comprehensive income	-	51,708	51,708
<b>Balance at 31 March 2017</b>	99,995	40,612,730	40,712,725
<b>Changes in equity</b>			
Total comprehensive income	-	86,413	86,413
<b>Balance at 31 March 2018</b>	99,995	40,699,143	40,799,138

The notes form part of these financial statements

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	2,949,161	7,733,571
Tax paid		(745,487)	(21,904)
Net cash from operating activities		<u>2,203,674</u>	<u>7,711,667</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(985,634)	(408,869)
Purchase of fixed asset investments		(475,738)	-
Sale of tangible fixed assets		157,414	333,053
Sale of fixed asset investments		-	2,238
Purchase of shares in associate		(48,389)	-
Interest received		268,516	219,343
Net cash from investing activities		<u>(1,083,831)</u>	<u>145,765</u>
<b>Increase in cash and cash equivalents</b>		<u>1,119,843</u>	<u>7,857,432</u>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>71,382,065</u>	<u>63,524,633</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>72,501,908</u></u>	<u><u>71,382,065</u></u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2018**

**1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2018 £	2017 £
Profit before taxation	862,690	6,495,253
Depreciation charges	1,751,836	1,954,111
Profit on disposal of fixed assets	(118,877)	(194,850)
Foreign exchange differences	69,684	(488,537)
Movement in provisions	38,136	(150,000)
Amortisation	338,684	300,000
Finance income	(223,569)	(222,428)
	<u>2,718,584</u>	<u>7,693,549</u>
(Increase)/decrease in stocks	(247,428)	913,994
Decrease/(increase) in trade and other debtors	969,078	(1,969,697)
(Decrease)/increase in trade and other creditors	(491,073)	1,095,725
	<u>2,949,161</u>	<u>7,733,571</u>
<b>Cash generated from operations</b>	<u><u>2,949,161</u></u>	<u><u>7,733,571</u></u>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 March 2018**

	31.3.18 £	1.4.17 £
Cash and cash equivalents	<u><u>72,501,908</u></u>	<u><u>71,382,065</u></u>

**Year ended 31 March 2017**

	31.3.17 £	1.4.16 £
Cash and cash equivalents	<u><u>71,382,065</u></u>	<u><u>63,524,633</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

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1. **STATUTORY INFORMATION**

Sonardyne Group Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. **ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in sterling (£), which is also the functional currency for the company.

**Going concern**

After reviewing the Group's forecasts and projections and taking into account the economic conditions and possible changes in trading performance, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

**Basis of consolidation**

The financial statements consolidate the accounts of Sonardyne Group Limited and all of its subsidiary undertakings ('subsidiaries') using the acquisition method of accounting.

**Related party exemption**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

**Turnover**

Turnover is recognised by the group in respect of goods and services supplied, exclusive of value added taxes, sales taxes and other trade discounts. Revenue in respect of equipment and systems sales is recognised when goods have been despatched to the customer in accordance with the sales agreement. Maintenance and repair services are invoiced at the completion of the servicing work carried out.

Rental revenue is recognised over the term of the rental agreement.

The group has a number of short term sales contracts. Sales are recognised on the delivery of a definable element of the contract. The income is treated as deferred until the corresponding goods or services are deemed to have been delivered in accordance with the contract. The income, costs and profit are then released to the statement of comprehensive income.

**Goodwill**

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the statement of comprehensive income over its estimated economic life, which is 10 years.

The carrying value of goodwill is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2018

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2. ACCOUNTING POLICIES - continued

**Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	- 2% straight line
Improvements to property	- over the period of the lease
Plant & machinery	- 15% and 25% straight line
Motor vehicles	- 25% straight line
Fixtures, fittings & equipment	- 25% straight line
Integral features	- 15% straight line
Boats and instruments	- 25% straight line

At each reporting date, property, plant and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the statement of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment is recognised immediately in the statement of comprehensive income.

**Investments**

Investments held as fixed assets are valued at cost less provision for permanent impairment.

Investments in associates are stated at the amount of the group's share of net assets. The statement of comprehensive income includes the group's share of the associated companies' profits/(losses) after taxation using the equity accounting basis.

Goodwill on associates represents the premium paid on shares acquired in the year. It is amortised over the directors' estimate of its useful life of 5 years.

**Stocks**

Stock and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

**Trade and other debtors**

Trade and other debtors are measured at transaction price less any impairment unless the arrangement constitutes a financing transaction in which case the transaction is measured at the present value of the future receipts discounted at the prevailing market rate of interest.

**Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits.

**Trade and other creditors**

Trade and other creditors are measured at their transaction price unless the arrangement constitutes a financing transaction in which case the transaction is measured at present value of future payments discounted at prevailing market rate of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2018

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2. **ACCOUNTING POLICIES - continued**

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

On consolidation the results of the foreign subsidiaries are translated at the average rates of exchange ruling throughout that year. Exchange differences arising are dealt with through the other comprehensive income statement.

**Derivative instruments**

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date at which a derivative contract is entered into and are subsequently measured at fair value through the statement of comprehensive income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

**Operating leases**

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2018

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2. ACCOUNTING POLICIES - continued

**Pension costs and other post-retirement benefits**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the statement of comprehensive income in the period to which they relate.

**Employee benefits**

Short term employee benefits, including holiday entitlement and other non-monetary benefits, and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

The company recognises an accrual for accumulated annual leave accrued by employees as a result of services rendered in the current period for which employees can carry forward and use within the next year. The accrual is measured at the salary cost of the respective employee in relation to the period of absence.

**Employee benefit trust**

The balance sheet and financial result of the company's employee benefit trust are consolidated in these financial statements. The employee benefit trust is controlled by independent trustees and its assets are held separately from those of the group.

Contributions to the employees benefit trust are determined by the board. The contribution made in respect of the current year was £Nil (2017: £Nil).

At 31 March 2018 the net assets of the employee benefit trust amounted to £124,382 (2017: £199,296), all of which was held as cash at bank.

**Provisions**

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, if it is probable that the company 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 consideration the risks and uncertainties surrounding the obligation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**2. ACCOUNTING POLICIES - continued****Judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key judgements and sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

**Warranty provision**

Warranties are offered on all products supplied. The repair costs, which include material and labour costs associated with warranty work are recognised as the repair work is undertaken. Provision is made at the year end for estimated warranty work required to be undertaken.

**Stock provision**

The provision for slow moving and obsolete stock is made based on the number of years' usage held, with the provision staggered across the years. Consignment stock is provided for based on the date of last use, with any item not used in the last 12 months being provided for in full. Obsolete stock is fully provided for.

**3. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by class of business is given below:

	2018 £	2017 £
Goods	27,555,323	31,712,957
Other	5,216,520	5,427,872
	<u>32,771,843</u>	<u>37,140,829</u>

An analysis of turnover by geographical market is given below:

	2018 £	2017 £
United Kingdom	4,727,683	9,344,154
European Union	5,258,731	5,230,425
Asia	7,238,250	4,384,408
Americas	6,806,526	11,059,070
Rest of the world	8,740,653	7,122,772
	<u>32,771,843</u>	<u>37,140,829</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**4. EMPLOYEES AND DIRECTORS**

	2018	2017
	£	£
Wages and salaries	13,788,043	13,705,565
Social security costs	1,425,349	1,468,838
Other pension costs	970,560	1,703,706
	<u>16,183,952</u>	<u>16,878,109</u>

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

	2018	2017
Technical	173	172
Administrative	102	96
	<u>275</u>	<u>268</u>

**5. DIRECTORS' EMOLUMENTS**

	2018	2017
	£	£
Directors' emoluments	<u>57,532</u>	<u>74,038</u>

**6. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2018	2017
	£	£
Hire of plant and machinery	1,403	1,556
Other operating leases	673,241	600,843
Depreciation - owned assets	1,751,836	1,954,111
Profit on disposal of fixed assets	(118,877)	(194,850)
Goodwill amortisation	291,110	300,000
Auditors' remuneration	68,380	81,048
Auditors' remuneration for non audit work	43,121	22,130
Foreign exchange differences	879,122	(1,372,291)
Research & development	984,361	876,667
Government grants	136,896	(92,591)
Amortisation of goodwill on associate	<u>47,574</u>	<u>-</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**6. OPERATING PROFIT - continued**

Auditors' remuneration for non audit work is comprised as follows:

	2018 £	2017 £
Tax compliance & advice	33,471	17,029
General advisory	9,650	5,101
	<u>43,121</u>	<u>22,130</u>

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2018 £	2017 £
Deposit account interest	266,874	219,343
Movements on financial instruments	1,642	(3,264)
	<u>268,516</u>	<u>216,079</u>

**8. TAXATION****Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2018 £	2017 £
Current tax:		
UK corporation tax	157,254	905,280
UK corporation tax prior year	(46,440)	52,986
Foreign tax on income in year	(66,960)	154,194
Total current tax	<u>43,854</u>	<u>1,112,460</u>
Deferred tax	65,702	(223,608)
Tax on profit	<u>109,556</u>	<u>888,852</u>

UK corporation tax was charged at 20% in 2017.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**8. TAXATION - continued****Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Profit before tax	<u>862,690</u>	<u>6,495,253</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 20%)	<u>163,911</u>	1,299,051
Effects of:		
Expenses not deductible for tax purposes	(7,352)	27,021
Depreciation in excess of capital allowances	113,209	139,753
Adjustments to tax charge in respect of previous periods	(46,441)	52,986
Non-tax deductible amortisation of goodwill and impairment	64,350	60,000
R&D expenditure relief	(283,450)	(351,844)
Patent box relief	(1,036)	(189,254)
Other timing differences	(96,574)	145,077
Unrelieved losses	211,868	(99,002)
Earnings taxed at a higher rate	(7,671)	(9,612)
Deferred tax	65,703	(223,608)
Other tax adjustments	-	38,284
Foreign taxes	<u>(66,961)</u>	<u>-</u>
Total tax charge	<u>109,556</u>	<u>888,852</u>

**Tax effects relating to effects of other comprehensive income**

	Gross £	2018 Tax £	Net £
Foreign exchange on consolidation	<u>(67,722)</u>	<u>-</u>	<u>(67,722)</u>
	Gross £	2017 Tax £	Net £
Foreign exchange on consolidation	<u>(224,819)</u>	<u>-</u>	<u>(224,819)</u>

**Factors that may affect future tax charges**

The group has tax losses of approximately £4,258,000 (2017: £4,046,000) which are available for offset against future profits arising from the same trade. The related deferred tax asset of £1,447,700 (2017: £1,376,000), at local tax rates, has not been recognised as the directors do not believe the losses will be utilised in the foreseeable future.

**9. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2018

## 10. INTANGIBLE FIXED ASSETS

## Group

	Goodwill £
<b>COST</b>	
At 1 April 2017 and 31 March 2018	3,276,211
<b>AMORTISATION</b>	
At 1 April 2017	2,985,101
Amortisation for year	291,110
At 31 March 2018	3,276,211
<b>NET BOOK VALUE</b>	
At 31 March 2018	-
At 31 March 2017	291,110

Goodwill represents the goodwill generated on the acquisition of 100% of the share capital of Sonardyne Wavefront Limited.

## 11. TANGIBLE FIXED ASSETS

## Group

	Freehold property £	Plant and machinery £	Fixtures, fittings & equipment £
<b>COST</b>			
At 1 April 2017	7,744,058	7,281,517	4,120,108
Additions	415	688,718	130,114
Disposals	(3,104)	(139,837)	(336,857)
Exchange differences	(163,366)	(85,758)	(49,524)
At 31 March 2018	7,578,003	7,744,640	3,863,841
<b>DEPRECIATION</b>			
At 1 April 2017	1,385,833	4,298,556	3,537,535
Charge for year	178,319	963,033	285,594
Eliminated on disposal	-	(114,652)	(330,822)
Exchange differences	(57,278)	(59,929)	(47,683)
At 31 March 2018	1,506,874	5,087,008	3,444,624
<b>NET BOOK VALUE</b>			
At 31 March 2018	6,071,129	2,657,632	419,217
At 31 March 2017	6,358,225	2,982,961	582,573



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**11. TANGIBLE FIXED ASSETS - continued****Group**

	<b>Motor vehicles £</b>	<b>Boats &amp; instruments £</b>	<b>Totals £</b>
<b>COST</b>			
At 1 April 2017	216,324	3,989,826	23,351,833
Additions	-	166,387	985,634
Disposals	-	(47,244)	(527,042)
Exchange differences	(1,800)	(18,517)	(318,965)
	<u>214,524</u>	<u>4,090,452</u>	<u>23,491,460</u>
At 31 March 2018	214,524	4,090,452	23,491,460
<b>DEPRECIATION</b>			
At 1 April 2017	205,754	3,520,120	12,947,798
Charge for year	6,407	318,483	1,751,836
Eliminated on disposal	-	(43,031)	(488,505)
Exchange differences	(2,488)	(17,348)	(184,726)
	<u>209,673</u>	<u>3,778,224</u>	<u>14,026,403</u>
At 31 March 2018	209,673	3,778,224	14,026,403
<b>NET BOOK VALUE</b>			
At 31 March 2018	<u>4,851</u>	<u>312,228</u>	<u>9,465,057</u>
At 31 March 2017	<u>10,570</u>	<u>469,706</u>	<u>10,404,035</u>

Included in cost of land and buildings is freehold land of £1,645,959 (2017 - £1,645,959) which is not depreciated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2018

## 12. FIXED ASSET INVESTMENTS

## Group

	Interest in associate £	Goodwill £	Total £
<b>COST</b>			
At 1 April 2017	33,403	-	33,403
Share of loss retained by the associate	(44,947)	-	(44,947)
Additions	48,389	475,738	524,127
Exchange differences	(3,169)	-	(3,169)
At 31 March 2018	33,676	475,738	509,414
<b>AMORTISATION</b>			
At 1 April 2017	-	-	-
Amortisation for year	-	47,574	47,574
At 31 March 2018	-	47,574	47,574
<b>NET BOOK VALUE</b>			
At 31 March 2018	33,676	428,164	461,840
At 31 March 2017	33,403	-	33,403

**Interest in associate**

The group has a 30% interest in Lumasys Inc. (registered office: 97 Water Street, PO Box 613, Woods Hole, MA 02543 USA), a company whose principal activity is the design and development of subsea signal processing solutions.

During the year the group acquired a 20% interest in Dynautics Limited (formerly known as H. Scientific Limited) (registered office: 28 Landport Terrace, Portsmouth, PO1 2RG), a company whose principal activity is the provision of intelligent marine technology and research and experimental development on natural sciences and engineering.

Both associates have been accounted for under the equity method of accounting within these consolidated financial statements.

## Company

	Shares in group undertaking s £
<b>COST</b>	
At 1 April 2017 and 31 March 2018	3,868,237
<b>NET BOOK VALUE</b>	
At 31 March 2018	3,868,237
At 31 March 2017	3,868,237

**SONARDYNE GROUP LIMITED (REGISTERED NUMBER: 01968550)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2018**

The group or the company's investments at the balance sheet date in the share capital of subsidiary companies include the following:

<b>Company name</b>	<b>Registered office</b>	<b>Percentage Shareholding</b>	<b>Description</b>
Sonardyne International Limited	Ocean House, Blackbushe Business Park, Yateley, Hampshire GU46 6GD	100% Ordinary	Manufacture of electronic and mechanical equipment
Sonardyne Wavefront Limited	Unit 5b, Coldhabour Business Park, Sherborne, Dorset DT9 4JW	100% Ordinary	Underwater systems consultancy services
Sonardyne Limited	Ocean House, Blackbushe Business Park, Yateley, Hampshire GU46 6GD	100% Ordinary	Dormant
Sonardyne Inc	8280 Willow Place Drive North, Suite 130, Houston, Texas 77070 USA	100% Ordinary	Retail of electronic and mechanical equipment
Sonardyne Asia Pte Limited	34 Loyang Crescent, Block B, Singapore 508993	100% Ordinary	Retail of electronic and mechanical equipment
Sonardyne Overseas Holdings Limited	Ocean House, Blackbushe Business Park, Yateley, Hampshire GU46 6GD	100% Ordinary	Non-trading company
Sonardyne Brazil Limited	Ocean House, Blackbushe Business Park, Yateley, Hampshire GU46 6GD	100% Ordinary	Non-trading company
Sonardyne Brasil Limitada	Av. Zen lotes 05 e 06, Quadra D, Zen, Rio das Ostras - RJ, CEP 28890-000, Brasil	100% Ordinary	Retail of electronic and mechanical equipment

All of the above companies are included in these consolidated financial statements.

The shares of Sonardyne Overseas Holdings Limited, Sonardyne Inc and Sonardyne Asia Pte Ltd are held indirectly through Sonardyne International Limited.

The shares of Sonardyne Brazil Limited and Sonardyne Brasil Limitada are held indirectly through Sonardyne Overseas Holdings Limited.

Sonardyne Brasil Limitada's financial statements for the year ended 31 March 2018 and 31 March 2017 were unaudited.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**13. STOCKS**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Raw materials	<b>5,052,197</b>	4,847,651
Work-in-progress	<b>2,217,924</b>	2,289,370
Finished goods	<b>144,185</b>	29,857
	<u><b>7,414,306</b></u>	<u><b>7,166,878</b></u>

Consignment stock of £667,926 (2017: £713,720) is held in the balance sheet at the year end. The items are held by sales partners both overseas and in the UK. No deposit is held in relation to the items and all risks and rewards of the stock remain with the company.

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

**14. DEBTORS**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year:		
Trade debtors	<b>4,425,050</b>	5,871,579
Other debtors	<b>492,958</b>	210,650
Corporation tax recoverable	<b>192,669</b>	128,821
Deferred tax asset	<b>50,805</b>	-
Prepayments and accrued income	<b>1,039,463</b>	844,320
	<u><b>6,200,945</b></u>	<u><b>7,055,370</b></u>

Amounts falling due after more than one year:

Deferred tax asset	<u><b>345,839</b></u>	<u><b>473,779</b></u>
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Aggregate amounts	<u><b>6,546,784</b></u>	<u><b>7,529,149</b></u>
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Deferred tax asset

	<b>Group</b>	<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Deferred tax - current	<b>50,805</b>	-	-
Deferred tax - non-current	<b>345,839</b>	473,779	-
	<u><b>396,644</b></u>	<u><b>473,779</b></u>	<u><b>-</b></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	1,969,323	1,865,309	-	-
Corporation tax	105,213	677,297	20,228	12,927
Other taxes and social security	511,186	530,754	-	-
Other creditors	942,463	1,146,726	-	-
Accruals and deferred income	2,863,491	3,234,747	5,255	4,975
	<u>6,391,676</u>	<u>7,454,833</u>	<u>25,483</u>	<u>17,902</u>

Included in Other Creditors is an amount of £886 (2017: £2,528) in relation to financial instruments. See note 17 for details.

Included in Trade Creditors is an amount of £1,178,745 (2017: £574,205) which relates to customer deposits.

**16. LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

<b>Group</b>	<b>Non-cancellable operating leases</b>	
	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Within one year	480,088	477,396
Between one and five years	1,045,123	1,502,497
	<u>1,525,211</u>	<u>1,979,893</u>

**17. FINANCIAL INSTRUMENTS**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Financial liabilities at fair value through profit or loss	<u>(886)</u>	<u>(2,528)</u>

The company purchases forward foreign currency contracts to hedge currency exposure on future commitments. The fair value of the assets and liabilities held at fair value through the statement of comprehensive income at the balance sheet date are determined using quoted prices.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**18. PROVISIONS FOR LIABILITIES**

	2018 £	2017 £
Other provisions	<u>339,000</u>	<u>378,000</u>
	<b>Deferred tax</b>	<b>Other provision</b>
	£	£
Balance at 1 April 2017	(473,779)	378,000
Unused amounts reversed during year	-	(39,000)
Debit to Statement of Comprehensive Income during year	65,703	-
Foreign exchange movement	11,433	-
	<u>(396,643)</u>	<u>339,000</u>
Balance at 31 March 2018	<u>(396,643)</u>	<u>339,000</u>

**Warranty provision**

A provision of £339,000 (2017: £378,000) has been recognised for anticipated warranty claims on products sold during the last financial year. It is expected that most of this expenditure will be incurred within the next financial year.

**Deferred tax**

The portion of the deferred taxation asset set out above which is not expected to reverse within 12 months relates to accelerated capital allowances of £252,484 (2017: £312,200) and other timing difference of £93,355 (2017: £161,579). Other timing differences expected to mature within 12 months amount to £50,805 (2017: £nil).

**19. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2018	2017
Number:	Class:	Nominal value:	£	£
4,670,100	Ordinary A Share	0.01	46,701	46,701
5,329,404	Ordinary B Share	0.01	53,294	53,294
			<u>99,995</u>	<u>99,995</u>

**20. RESERVES**

Group	Retained earnings £
At 1 April 2017	88,873,812
Profit for the year	753,134
Exchange difference on consolidation	(67,722)
At 31 March 2018	<u>89,559,224</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**21. PENSION COMMITMENTS**

The Sonardyne group operates a range of pension schemes all of which are similar to defined contribution pension schemes. The assets of these schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to these funds and amounted to £970,560 (2017: £1,703,706). Contributions totalling £275,806 (2017: £812,785) were payable to these funds at the balance sheet date and are included in creditors.

**22. CAPITAL COMMITMENTS**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Contracted but not provided for in the financial statements	<b><u>30,502</u></b>	<b><u>7,500</u></b>

**23. OTHER FINANCIAL COMMITMENTS**

At the year end the group has the following commitments for foreign currency:

- Sonardyne Inc - to sell USD 1,144,720 for £829,000 (2017: USD 898,790 for £723,500);
- Sonardyne International Limited:
  - to buy NOK nil (2017: NOK 150,000 for £14,642);
  - to buy USD 240,000 for £171,722 (2017: USD 70,000 for £57,808).

At 31 March 2018 the following forward contract options had been taken out by Sonardyne International Limited that have a protected rate and agreed expiry date to protect the entity from significant exchange rate fluctuations:

- To buy NOK nil (2017: to buy 2,000,000 for £250,000).

**24. RELATED PARTY DISCLOSURES**

During the year the group paid rent to Tektel Limited to the amount of £263,000 (2017: £278,500). C J Partridge and B F Partridge are directors of Tektel Limited. At the year end, Tektel Limited was owed £nil (2017: £83,550).

During the year the company made purchases from Lumasys Inc, a 30% owned associate, of £107,951 (2017: £90,425). At the year end £nil was outstanding (2017: £33,671).

During the year the company made purchases from Dynautics Limited, a 20% owned associate, of £13,200 (2017: £nil). At the year end £nil was outstanding (2017: £nil).

**25. POST BALANCE SHEET EVENTS**

After the end of the financial year, one of the subsidiaries purchased 100% of the issued share capital of Chelsea Technologies Limited for consideration of £3.8m. Chelsea Technologies Limited is the parent company of Chelsea Technologies Group Ltd.

**26. ULTIMATE CONTROLLING PARTY**

There is no single controlling party.