Company Registration No: 05564627

Seatruck Pennant Ltd

Annual Report and Financial Statements

For the year ended 31 December 2019

Seatruck Pennant Ltd

Contents

Seatruck Pennant Ltd

Officers and professional advisers

Directors

B Coppack
K Donaldson
A Eagles

Company Secretary

A Hamilton

Independent auditor

Deloitte (NI) Limited
Belfast, United Kingdom

Bankers

Danske Bank Limited
58 Hill Street
Newry
Co Down
BT34 1AR

Ulster Bank Limited
2 Charlotte Street
Warrenpoint
Co Down
BT34 3LF

Solicitor

Burness Paull LLP
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

Registered office

North Quay
Port of Heysham
Morecambe
Lancashire
LA3 2UH

Strategic report

Strategy update and business model

The company's aim is to secure continuous charters for its vessel, the Clipper Pennant, at viable rates. While rates are subject to market forces the company nevertheless aims to offer an enhanced service through the reliability and adaptability of its vessel, with a critical awareness of fuel efficiency. This is addressed and achieved through close co-operation with the company's technical managers.

Review of the business and future developments

The Clipper Pennant has been on charter to Seatruck Ferries Ltd continuously throughout the current and preceding year and post year-end. Reliability and cost control have been at satisfactory levels. The company's performance in 2019 has been positively affected by currency exchange rates (2018: adversely affected). The senior management of the company is continually seeking ways to mitigate any adverse effects of foreign exchange rates. Further details of the company's performance are set out in the profit and loss account on page 10.

As with many other businesses, the BREXIT decision introduces an unwelcome degree of uncertainty into the market. The company does not forsee this having a significant impact on its operations. The company anticipates the continuance of its charter to Seatruck Ferries Ltd, and having made enquiries of the charterer it is confident that no major downturn is anticipated in its activities.

Going concern

The Company has a range of funding initiatives in place to ensure it remains able to meet its long-term commitments in respect of loans. The company's ongoing revenue generation is secured through charter parties with its sister company, Seatruck Ferries Ltd, and both have the full support of the intermediate parent company, Seatruck Ferries Holding Ltd, in their current trading environment and future development plans. The directors have received confirmation in writing that ongoing financial support will be made available to the company from Seatruck Ferries Holding Ltd for a period of at least 12 months from the date of approval of these financial statements. The directors have considered the financial position of Seatruck Ferries Holding Ltd, including its cash flows, liquidity position and borrowing facilities. The directors are of the opinion that Seatruck Ferries Holding Ltd is well placed to provide the necessary support and that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have considered the impact of guarantees provided under the December 2018 financing agreement to other Clipper Group undertakings, as disclosed in note 10 to the financial statements and have obtained confirmation from its parent company Board that it is not likely that any cash outflows will arise for Seatruck Pennant Limited related to this guarantee arrangement in the period to September 2021. Based on these considerations it has been concluded that the guarantee arrangement does not impact the going concern assessment for the 12 months from the date of signing of these financial statements.

KPIs

The directors use a number of KPIs to the extent necessary to understand the development, performance and position of the company.

	2019	2018
Turnover	£3,832,500	£3,068,449
Operating profit margin	9.2%	15.5%
Net assets	£5,656,453	£4,935,569

Strategic report (continued)

Principal risks and uncertainties

The company is exposed to a number of operational and financial risks of which the following are the most significant:

- Market development of roll-on/roll-off charter rates
- Foreign exchange risk
- Interest rate risk
- Credit risk
- Brexit risk
- Covid 19 risk

The directors have in place systems to ensure that the monitoring and control of these risks is ongoing. Policies and procedures are continually being developed to ensure the company is placed in the best possible position to counteract any adverse movements in these variables, and sub-committees regularly report to the board.

Policies considered and deployed where deemed suitable include: matching of currency receipts and payments to reduce exposure, dealing with financially strong and reputable counterparties, and regular market analysis. Policies on the management of interest and capital risks are developed in conjunction with the expertise of the company's parent.

Corporate and social responsibility

The company is fully committed to the following policies:

- To never compromise on the safety of anyone deployed at sea or ashore.
- To recognise its responsibility towards the environment, and endeavour constantly to reduce its environmental footprint

These policies are implemented, managed, and reviewed within the overall framework of providing optimal services to customers and making sound business decisions. Health and safety management is a critical part of the company's daily working practices, as is the objective to constantly increase fuel efficiency across all vessels operated.

Signed on behalf of the Board

A Eagles
Director

Date: 8 SEPT 2020

Seatruck Pennant Ltd

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Details of future developments, going concern and financial risk-management can all be found in the Strategic Report on pages 2-3.

Results and dividends

The profit for the year was £720,884 (2018: loss of £424,308). The impact of foreign currency differences was as follows: profit of £918,134 (2018: loss of £289,157). The directors do not recommend payment of a dividend (2018: £nil).

Directors

The directors who served during the year are as follows:
B Coppack
K Donaldson
A Eagles

The Company secretary A Hamilton was appointed 2 March 2020 and replaced K Donaldson

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Events after the balance sheet date

Impact of coronavirus ('COVID-19')

The COVID-19 outbreak that commenced in January 2020 brings an exceptional set of circumstances to the Company and there are a number of unforeseen challenges management continue to navigate. The Directors consider the outbreak to be a non-adjusting post balance sheet event.

The COVID-19 crisis led to an unprecedented drop in volumes of all cargoes for this entity's sister company and charterer of this Company's vessels, Seatruck Ferries Limited in March, April and May 2020. The company took steps to protect the business and to remove as much cost as possible in the short term by flexing sailing numbers, however in the shipping industry a high proportion of costs are fixed and cannot be reduced in response to rapid reductions in revenue as seen in Q2 2020. Volumes have improved in June and July 2020 as a gradual relaxation of the 'lockdown' has occurred. A formal signed agreement has been reached with the lender group on 26 June 2020 to allow flexibility in the timing of loan payments that provides comfort to the company over the next 12-15 months.

Whilst it is challenging to quantify the full potential financial effect of the outbreak on the Company given that the external environment is constantly evolving, initial stress-tests do not indicate that the impact will be severe in the long-term.

Directors' report (continued)

Disclosure of information to auditor

The directors have made enquiries in accordance with Section 418 of the Companies Act 2006 and report that so far as they are aware, there is no relevant audit information of which the company's auditor is unaware and they have taken all reasonable steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Re-appointment of auditor

BDO LLP resigned as auditor on 5 December 2019. Deloitte (NI) Limited was appointed on the same date and have indicated their willingness to be reappointed for another term. Appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Signed on behalf of the Board

A Eagles
Director

Date: 8 SEPT 2020

Directors' responsibilities' statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Seatruck Pennant Ltd

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Seatruck Pennant Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 19.

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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 respect of these matters.

Independent auditor's report to the member of Seatruck Pennant Ltd (continued)

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Independent auditor's report to the member of Seatruck Pennant Ltd (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in respect of these matters.

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 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.

Ian Kelsall ACA (Senior Statutory Auditor)
For and on behalf of Deloitte (NI) Limited
Statutory Auditor
Belfast, United Kingdom

Date: 8th September 2020

Profit and loss account
for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	3	3,832,500	3,068,449
Cost of sales		(3,481,780)	(2,592,962)
Operating profit	4	350,720	475,487
Interest payable and similar charges	8	372,873	(897,054)
Profit/(loss) on ordinary activities before taxation		723,593	(421,567)
Tax on profit/(loss) on ordinary activities	9	(2,709)	(2,741)
Profit/(loss) for the financial year		720,884	(424,308)

The company has no additional income or adjustments to income other than those included in the results above, and therefore no separate statement of other comprehensive income has been presented.

Balance sheet
as at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	10	17,629,145	18,604,418
Current assets			
Debtors	11	2,955,856	3,339,137
Creditors: amounts falling due within one year	12	(1,641,592)	(1,538,991)
Net current assets		1,314,264	1,800,146
Creditors: amounts falling due after more than one year	13	(13,286,956)	(15,468,995)
Net assets		5,656,453	4,935,569
Capital and reserves			
Called up share capital	15	1	1
Capital contribution	15	10,000,000	10,000,000
Currency reserve	15	1,323,126	1,323,126
Profit and loss account deficit	15	(5,666,674)	(6,387,558)
Shareholder's funds		5,656,453	4,935,569

The financial statements of Seatruck Pennant Ltd, registered number 05564627, were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board

A Eagles
Director

Seatruck Pennant Ltd

Statement of changes in equity
for the year ended 31 December 2019

	Called up share capital £	Capital contribution account £	Currency reserve £	Profit and loss account deficit £	Total £
At 31 December 2017	1	10,000,000	1,323,126	(5,963,250)	5,359,877
Loss for the financial year	-	-	-	(424,308)	(424,308)
At 31 December 2018	1	10,000,000	1,323,126	(6,387,558)	4,935,569
Profit for the financial year	-	-	-	720,884	720,884
At 31 December 2019	1	10,000,000	1,323,126	(5,666,674)	5,656,453

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

Seatruck Pennant Ltd ('the Company') is a private company limited by shares and incorporated in the United Kingdom under the Companies Act and is registered in Northern Ireland. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Seatruck Ferries Holding Ltd, which may be obtained at North Quay, Port of Heysham, Morecambe Lancashire LA3 2UH. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Going concern

The Company has a range of funding initiatives in place to ensure it remains able to meet its long-term commitments in respect of loans. The company's ongoing revenue generation is secured through charter parties with its sister company, Seatruck Ferries Ltd, and both have the full support of the intermediate parent company, Seatruck Ferries Holding Ltd, in their current trading environment and future development plans. The directors have received confirmation in writing that ongoing financial support will be made available to the company from Seatruck Ferries Holding Ltd for a period of at least 12 months from the date of approval of these financial statements. The directors have considered the financial position of Seatruck Ferries Holding Ltd, including its cash flows, liquidity position and borrowing facilities. The directors are of the opinion that Seatruck Ferries Holding Ltd is well placed to provide the necessary support and that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. As the Company is in a net current liabilities position a letter of support has been obtained from Seatruck Ferries Holding Ltd.

As referred to in note 14, in 2018 Clipper Group A/S, of which the company is a subsidiary, concluded a new long-term financing agreement to replace the current financing agreement.

The directors have considered the impact of guarantees provided under the December 2018 financing agreement to other Clipper Group undertakings, as disclosed in note 10 to the financial statements and have obtained confirmation from its parent company Board that it is not likely that any cash outflows will arise for Seatruck Pennant Limited related to this guarantee arrangement in the period to September 2021. Based on these considerations it has been concluded that the guarantee arrangement does not impact the going concern assessment for the 12 months from the date of signing of these financial statements.

1. Accounting policies (continued)

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The useful economic lives of assets are reviewed at the end of each reporting period and when necessary revised. The company also incurs significant levels of expenditure on dry-docking costs which enhance the condition of the vessels. It is the company's policy to capitalise this expenditure and write it off over the period until the next scheduled dry-dock. The principal annual depreciation rates used are:

Vessels	35 years
Dry-docking	24 to 60 months depending on dry-docking interval

At each balance sheet date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

1. **Accounting policies (continued)**

Financial instruments (continued)

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of being 'basic' financial instruments as defined in FRS 102.11.9 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.
Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Equity instruments
Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of transaction costs.

Impairment of assets

Financial assets
For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

1. Accounting policies (continued)

Taxation

The company entered the tonnage tax regime on 13 October 2009. On commencement of trade Seatruck Pennant Ltd became a qualifying company with a qualifying trade and has calculated tax in line with the tonnage tax regime. This regime eliminates future potential liabilities on company profits and calculates tax based on a daily shipping profit. No provision is made for deferred taxation in accordance with the regime.

Leases

The Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or the exchange rate of a related foreign exchange contract where appropriate. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the date of the transaction. The resulting gain or loss is dealt with in the profit and loss account. The currency reserve arose on the change of local currency from Euro to Sterling in 2009.

Turnover

Turnover represents the invoiced value of services provided during the year excluding value added tax and is net of trade discounts and rebates. Revenue is recognised on the basis of the charter agreement.

Finance costs

Finance costs incurred during the construction stage are capitalised and depreciated over the life of the vessel. Finance costs are recognised in the profit and loss account once the vessel is brought into use.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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.

Key source of estimation uncertainty - impairment of vessels

The Company has assessed estimated net selling prices and value in use of vessels. The review of estimated net selling prices was made with reference to prices provided by internationally acknowledged shipbrokers and value in use derived from discounted cash flow calculations. Value in use is derived from discounted cash flow calculations determined on the basis of an assumption of earnings from continued operation of the vessels. The assessments have not given rise to a write-down for impairment in either the current or preceding year.

Critical Judgements

The Directors do not consider that any critical judgements have been made in the application of the Company's accounting policies.

3. Turnover

Turnover relates to the company's main activity which is carried out in the United Kingdom.

4. Operating profit

	2019	2018
Operating profit is stated after charging	£	£
Depreciation of tangible fixed assets	975,273	959,972

5. Audit fees

The audit fees for Seatruck Pennant Ltd have been borne by another group company. A reasonable approximation of the fee is £2,000 (2018: £2,000). There were no non-audit services in either year.

6. Employee information

There were no employees during either year apart from the directors.

7. **Directors' emoluments**

The directors did not receive any emoluments during either year. There are no retirement benefits accruing to any director. The directors are remunerated by Seatruck Ferries Ltd and it is not practicable to allocate amounts to other subsidiaries.

8. **Interest payable and similar charges**

	2019	2018
	£	£
Interest payable on bank loans	545,261	607,897
Foreign exchange (gain)/loss	(918,134)	289,157
	(372,873)	897,054

Foreign exchange gains and losses arise on bank loans and are therefore included in other interest payable and similar charges.

9. **Taxation**

	2019	2018
	£	£
Current tax		
UK corporation tax	-	-
UK tonnage tax	1,477	1,477
Overseas tonnage tax	1,232	1,264
Total tax on profit/(loss) on ordinary activities	2,709	2,741

Reconciliation of tax charge:

	£	£
Profit/(loss) on ordinary activities before tax	723,593	(421,567)
Current tax at 19% (2018: 19%)	137,483	80,098
Effects of:		
Tax on profit/(loss) on vessels and operating activities under tonnage tax	(137,483)	(80,098)
Tonnage tax payable	2,709	2,741
Total current tax charge for the year	2,709	2,741

9. Taxation (continued)

Factors that may affect future tax charges:
The company entered into the UK tonnage tax regime from 13 October 2009. The election was for ten years from 1 January 2006. The company has now extended this for a further ten years from 8 December 2015. The tonnage tax regime eliminates the need to provide for deferred tax on accelerated capital allowances. The company's activities which do not qualify under the tonnage tax remain subject to normal corporation tax.

The standard rate of tax applied to the profit/(loss) on ordinary activities is 19% (2018: 19%). Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2016 and Finance Act 2015. As a result, the main rate of corporation tax reduced to 19% from 1 April 2017 and was expected to reduce to 17% from 1 April 2020. In the 2020 budget, the UK government announced that the main rate of corporation tax would not reduce and would remain at 19%. As a result, future taxable profits under the UK tonnage tax regime will be subject to tax at these rates.

10. Tangible fixed assets

	Vessel	Dry-docking	Total
	£	£	£
Cost			
At 1 January and 31 December 2019	29,925,315	697,917	30,623,232
Accumulated depreciation			
At 1 January 2019	11,775,033	243,781	12,018,814
Charge for year	826,476	148,797	975,273
At 31 December 2019	12,601,509	392,578	12,994,087
Net book value			
At 31 December 2019	17,323,806	305,339	17,629,145
At 31 December 2018	18,150,282	454,136	18,604,418

Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £1,152,981 (2018: £1,152,981).

The vessel has been provided as security for a bank loan. At 31 December 2019 the carrying amount of the vessel (including dry-docking) provided as security for bank loans totalled £17,629,145 (2018: £18,604,418).

Each member of Clipper Group Ltd that is party to the December 2018 financing agreements guarantees with each lender included in the financing agreement the performance by all members of Clipper Group Ltd of their obligations under the financing agreements. Seatruck Pennant Limited is part of this guarantee arrangement.

11. Debtors

	2019	2018
	£	£
Amounts due from group undertakings	2,955,856	3,339,137

Amounts due from group undertakings are unsecured, do not bear interest and are repayable on demand.

12. Creditors: amounts falling due within one year

	2019	2018
	£	£
Amounts due to group undertakings	551,901	365,931
Bank loan (note 14)	1,083,565	1,147,973
Corporation tax	1,477	1,477
Accruals and deferred income	4,649	23,610
	1,641,592	1,538,991

Amounts due to group undertakings are unsecured, do not bear interest and are repayable on demand.

13. Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Bank loan (note 14)	13,286,956	15,468,995

14. Bank loan

Maturity of borrowings	2019 £	2018 £
Less than one year	1,083,565	1,147,973
Two to five years	13,286,956	15,468,995
	14,370,521	16,616,968

In 2018 Clipper Group A/S, of which the company is a subsidiary, concluded a new long-term financing agreement to replace the current financing agreement.

Interest is payable on the loans at variable rates of between 3.5% to 6% + EURIBOR on the principal amount.

15. Called up share capital and reserves

	2019	2018
	£	£
Allotted and fully paid		
1 Ordinary share of £1	1	1

The Company's reserves are as follows:

The capital contribution account represents a non-distributable equity injection made during the construction phase of the Clipper Pennant.

The currency reserve arose as a translation account when the Company's reporting currency was changed from Euro to Sterling. It is non-distributable.

The profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

16. Future minimum lease income

Future income under non-cancellable leases are as follows:

	2019	2018
	£	£
Expiry date		
- within one year	2,992,500	3,003,000

17. Subsequent events

Impact of coronavirus ('COVID-19')

The COVID-19 outbreak which commenced in January 2020 brings an exceptional set of circumstances to the Company and there are a number of unforeseen challenges management continue to navigate. The Directors consider the outbreak to be a non-adjusting post balance sheet event.

The COVID-19 crisis led to an unprecedented drop in volumes of all cargoes for this entity's sister company and charterer of this Company's vessels, Seatruck Ferries Limited in March, April and May 2020. The company took steps to protect the business and to remove as much cost as possible in the short term by flexing sailing numbers, however in the shipping industry a high proportion of costs are fixed and cannot be reduced in response to rapid reductions in revenue as seen in Q2 2020. Volumes have improved in June and July 2020 as a gradual relaxation of the 'lockdown' has occurred. A formal signed agreement has been reached with the lender group on 26 June 2020 to allow flexibility in the timing of loan payments that provides comfort to the company over the next 12-15 months.

Whilst it is challenging to quantify the full potential financial effect of the outbreak on the Company given that the external environment is constantly evolving, initial stress-tests do not indicate that the impact will be severe in the long-term.

18. Related party transactions

The company has taken advantage of the exemption in FRS 102, section 33.1 (A) not to disclose transactions with other group companies, as the company is a wholly-owned subsidiary of Clipper Group A/S.

19. Ultimate parent company

The company's immediate parent company is Seatruck Ferries Holding Ltd a company registered in England. The directors regard Clipper Group Limited, a company incorporated in the Bahamas, as the ultimate parent company.

The largest group in which the results of Seatruck Pennant Ltd are consolidated is that headed by Clipper Group A/S. The smallest group in which the results of Seatruck Pennant Ltd are consolidated is that headed by Seatruck Ferries Holding Ltd. The consolidated financial statements of the largest group are available to the public and may be obtained from Clipper Group A/S, Sundkrogsgade 19, 2100 Copenhagen, Denmark.