

Felix Engineering Limited
Annual report
for the year ended 31 December 2012

Registered number 02057417

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Felix Engineering Limited

Annual report

for the year ended 31 December 2012

Contents

Directors' report	1
Independent auditors' report	4
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

Felix Engineering Limited

Directors' report for the year ended 31 December 2012

Registered Number 02057417

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012

Business review and principal activities

The company manufactures motor yachts in the South West of England and is a wholly owned subsidiary of Princess Yachts International plc. All motor yachts manufactured by the company are sold to Princess Yachts International plc. Consequently the company's prospects are dependent on its parent company's future requirements.

The results of the company, for the year under review, show profit on ordinary activities before taxation of £673,000 (2011 £1,036,000) on turnover of £26,211,000 (2011 £24,264,000). With the company continuing to operate against a background of highly competitive markets, the primary focus continues to be maintained on identifying and securing areas for cost reduction and revenue enhancement.

The ongoing financial performance and financial position of the company is monitored with reference to a series of key performance indicators which focus on the company's turnover, profit, net cash flow and total cash balances. All of these are monitored against budgets set and approved by the directors in advance and were reviewed at regular meetings of the board held during the year under review.

Dividends

Interim dividends declared and paid during the year were £nil (2011 £nil). The directors do not recommend payment of a final dividend (2011 £nil).

Research and development

Continuing investment in the development of new motor yachts is integral to the future success of the business and the company continues to maintain an active product development programme.

Principal risks and uncertainties

The principal risks and uncertainties of the company are closely aligned with those of its parent company, Princess Yachts International plc, and are not managed separately. The main area of business risk and uncertainty relates to the economic conditions prevailing in world markets.

The directors have undertaken detailed reviews of the group's forecast trading position and the trading positions of its distributors around the world and are satisfied that the group has adequate resources to continue trading for the foreseeable future.

Future outlook

All motor yachts manufactured by the company are sold to Princess Yachts International plc and consequently, the company's prospects are dependent on its parent company's future requirements. Having reviewed the status of the order book, the directors believe that the company is well placed to manage its business risks despite the continuing difficulties being encountered as a result of the uncertain world economic climate.

Felix Engineering Limited

Directors' report for the year ended 31 December 2012 (continued)

Key performance indicators

Given the straightforward nature of the business, the directors are of the opinion that inclusion of KPI analysis in this report is not necessary for an understanding of the development, performance or position of the business

Directors

The directors of the company during the year and up to the date of signing the financial statements were

D S King
I A Duffin
C J Gates

Management of financial risk

The company's operations expose it to a variety of financial risks, including the effects of credit risk, liquidity risk and exchange rate and interest rate risk. All motor yachts manufactured by the company are sold to Princess Yachts International plc, its immediate parent undertaking. Princess Yachts International plc has policies in place to mitigate the potential impact of those financial risks on the group. Those policies are as follows:

Where appropriate, credit checks are made prior to the appointment of a new distributor and these are reviewed on a periodic basis together with ongoing checks in respect of existing distributors. Weekly reviews of the debtors' ledger are carried out with the finance and sales teams and action initiated, as appropriate, to collect any overdue amounts, thus optimising the company's liquidity position.

A proportion of the material cost is purchased in a currency other than sterling. In order to manage potential fluctuations in the exchange rate, a continuing programme of forward currency purchasing is in place and this is monitored on a monthly basis.

The rate of interest earned on the company's cash balances is monitored on an ongoing basis by continuing review of rates available in the market. Deposits are made with reference to these rates, in conjunction with projections of future cash requirements.

Statement of directors' responsibilities

The directors are responsible for preparing 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 prepared 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 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Felix Engineering Limited

Directors' report for the year ended 31 December 2012 (continued)

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.

Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, so far as each director is aware

- there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



R J Gale
Company Secretary
5 September 2013

Felix Engineering Limited

Independent auditors' report to the members of Felix Engineering Limited

We have audited the financial statements of Felix Engineering Limited for the year ended 31 December 2012 which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its 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

Felix Engineering Limited

Independent auditors' report to the members of Felix Engineering Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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

Heather Ancient

Heather Ancient (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Plymouth

6 September 2013

Felix Engineering Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover	2	26,211	24,264
Cost of sales		(25,206)	(22,911)
Gross profit		1,005	1,353
Administrative expenses		(332)	(317)
Profit on ordinary activities before taxation	3	673	1,036
Tax on profit on ordinary activities	6	(175)	(283)
Profit for the financial year	14	498	753

All of the above figures, including comparatives, relate to continuing activities

The company has no recognised gains and losses other than those in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before tax or the profit for the financial year stated above, and their historical cost equivalents

Felix Engineering Limited

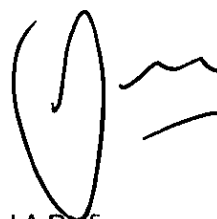
Balance sheet at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	7	435	394
Current assets			
Stocks	8	2,204	3,197
Debtors	9	2,573	1,489
Cash at bank and in hand		827	1,151
		5,604	5,837
Creditors amounts falling due within one year	10	(2,702)	(3,529)
Net current assets		2,902	2,308
Total assets less current liabilities		3,337	2,702
Provisions for liabilities	11	(325)	(188)
Net assets		3,012	2,514
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	3,012	2,514
Total shareholders' funds	15	3,012	2,514

The financial statements on pages 6 to 15 were approved by the board of directors on 5 September 2013 and were signed on its behalf by



C J Gates
Director



I A Duffin
Director

Felix Engineering Limited

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies

These financial statements are prepared on the going concern basis and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention. The directors have considered the accounting policies and estimation techniques detailed below and consider that, in accordance with FRS 18 'Accounting policies', they are the most appropriate for the company.

Cashflow statement

The company has taken advantage of the exemption under FRS 1 from preparing a cashflow statement. The exemption applies on the grounds that Felix Engineering Limited is a wholly owned subsidiary of RNO Limited whose consolidated accounts, which include Felix Engineering Limited, are publicly available.

Turnover

Turnover is the invoiced value of goods, net of value added tax and discounts. Turnover from the sale of goods is recognised when the significant risks and benefits of product ownership transfer to the buyer, which may be upon shipment, completion of the product or the product being ready for delivery, based on specific contract terms.

Research and development costs

These costs are written off to the profit and loss account as incurred.

Warranty costs

Provision is made for warranty costs that are estimated to arise in relation to boats sold. Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Tax, including deferred tax

The tax expense represents the sum of current tax expense and deferred tax expense.

Current tax expense is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Felix Engineering Limited

1 Accounting policies (continued)

Dividends

Dividends are recorded in the financial statements in the period in which they are declared and approved by shareholders

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of tangible fixed assets is their historic purchase cost, together with any incidental expenses 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 principal economic lives for this purpose are

Motor vehicles	4 years
Plant and machinery	4 to 7 years

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value with due allowance being made for obsolete and slow moving items. Raw materials are stated at cost on a FIFO basis. Work in progress is stated at the accumulated cost of material, labour and an appropriate allocation of production overheads.

Pensions

The company participates in a defined benefit pension scheme, operated by Princess Yachts International plc. The assets of the scheme are held separately from those of the company. The scheme was closed to new entrants, and accrual of future benefits for all existing members ceased, on 31 May 2003. At the last triennial valuation on 6 April 2011 the value of the scheme's assets was £53,900,000 which was sufficient to cover 85% of the benefits accrued at that date. It is not possible to identify the share of the underlying assets and liabilities in this scheme that are attributable to the company on a consistent and reasonable basis as the scheme is managed for the Princess Yachts International plc group as a whole. The company has therefore applied the provisions of FRS 17 to account for the scheme as if it were a defined contribution scheme. Full details of the FRS 17 disclosures, prepared using the projected unit method, are shown in the financial statements of Princess Yachts International plc.

In defined contribution schemes the amount charged to the profit and loss account in respect of pensions and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. During the year, contributions of £48,000 (2011: £48,000) were made by the company.

2 Turnover

All turnover and trading results are derived from boat manufacturing. All motor yachts are manufactured by the company in the UK and are sold to Princess Yachts International plc. There were no exports in the year.

Felix Engineering Limited

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging	2012 £'000	2011 £'000
Depreciation of tangible fixed assets	128	101
Rents payable to immediate parent company	468	468
Operating leases – plant and machinery	16	11
Research and development expenditure	451	488
Auditors' remuneration in relation to audit	12	12

4 Directors' emoluments

The emoluments of the directors are paid by the parent company which makes no recharge to the company (2011 none) D S King, I A Duffin and C J Gates are also directors of other group companies and it is not possible to make an accurate apportionment of their emoluments in respect of each of the companies. The directors' total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company, Princess Yachts International plc

5 Employees

The average monthly number of employees during the year was

By activity	2012 Number	2011 Number
Production	196	187
Administration	19	17
	215	204

Employee costs	2012 £'000	2011 £'000
Wages and salaries	5,216	5,076
Social security costs	504	507
Other pensions costs	48	48
	5,768	5,631

Felix Engineering Limited

6 Tax on profit on ordinary activities

Analysis of charge in year

	2012 £'000	2011 £'000
Current tax:		
Corporation tax on profit for the year	179	340
Adjustments relating to prior years	(10)	(2)
Total current tax charge	169	338
Deferred tax:		
Origination and reversal of other timing differences (note 12)	6	(55)
Tax charge for the year	175	283

Factors affecting charge for the year

The tax assessed for the year is higher (2011 higher) than the standard rate of corporation tax in the UK. The differences are explained below.

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	673	1,036
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.49%)	165	275
Effects of		
- expenses not deductible for tax purposes	3	4
- capital allowances less depreciation	9	-
- other timing differences	2	61
- adjustments relating to prior years	(10)	(2)
Total current tax charge	169	338

Factors that may affect future tax charges

The Directors consider that the only factor which may materially impact future tax charges is the potential impact of the phased reduction in corporation tax to 23% by 1 April 2013. Only the reduction to 24% has been substantively enacted to date. The impact of the further proposed changes has not been reflected in the company's deferred tax position.

Felix Engineering Limited

7 Tangible assets

	Plant and machinery £'000
Cost	
At 1 January 2012	957
Additions	169
At 31 December 2012	1,126
Accumulated depreciation	
At 1 January 2012	563
Charge for the year	128
At 31 December 2012	691
Net book amount	
At 31 December 2012	435
At 31 December 2011	394

8 Stocks

	2012 £'000	2011 £'000
Raw materials	1,530	1,782
Work in progress	674	1,415
	2,204	3,197

9 Debtors

	2012 £'000	2011 £'000
Deferred tax asset (note 12)	70	76
Amount owed by immediate parent undertaking	2,449	1,372
Other debtors	14	-
Prepayments	40	41
	2,573	1,489

Felix Engineering Limited

10 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	2,157	2,788
Corporation tax	151	200
Other tax and social security	183	212
Other creditors	74	90
Accruals	137	239
	2,702	3,529

11 Provisions for liabilities

Warranty provision	£'000
At 1 January 2012	188
Utilisation of provision	(188)
Additional provisions made	325
At 31 December 2012	325

12 Deferred tax

Amounts recognised in respect of deferred tax are as follows	2012 £'000	2011 £'000
Capital allowances less than depreciation	20	13
Other timing differences	50	63
Deferred tax asset	70	76

Analysis of movement in deferred tax asset	2012 £'000	2011 £'000
At 1 January	76	21
(Charge)/credit to profit and loss account (note 6)	(6)	55
At 31 December	70	76

The deferred tax asset is included in debtors (note 9)

Felix Engineering Limited

13 Called up share capital

	2012 £'000	2011 £'000
Authorised		
1,000 ordinary shares of £1 each	1	1
Allotted and fully paid		
2 ordinary shares of £1 each	-	-

14 Profit and loss account

	Profit and loss account £'000
At 1 January 2012	2,514
Profit for the financial year	498
At 31 December 2012	3,012

15 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
At 1 January	2,514	1,761
Profit for the financial year	498	753
At 31 December	3,012	2,514

16 Lease commitments

At 31 December 2012, the company had annual commitments under non-cancellable operating leases for assets other than land and buildings expiring as follows

	2012 £'000	2011 £'000
Expiring:		
Within one year	-	-
In two to five years inclusive	16	11
	16	11

Felix Engineering Limited

17 Related party disclosures

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by RNO Limited, whose financial statements are publicly available

Immediate and ultimate parent undertaking

The company's immediate parent undertaking is Princess Yachts International plc, registered in England. The smallest company into which Felix Engineering Limited is consolidated is RNO Limited and its financial statements are filed at the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ

The largest group for which consolidated financial statements are prepared is the ultimate parent undertaking, RNO Group SCA, a company incorporated in Luxembourg. These financial statements are not filed. There is no one company with ultimate control over the group