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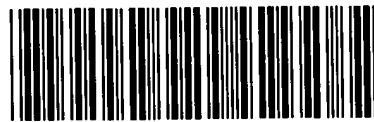
Registered number: 09937735

FAIRLINE YACHTS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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FAIRLINE YACHTS LIMITED

COMPANY INFORMATION

Directors	J E Carley (appointed 1 July 2020) D A McHugh (appointed 1 July 2020) P J McNulty (appointed 1 July 2020)
Registered number	09937735
Registered office	Nene Valley Business Park Oundle Peterborough Cambridgeshire PE8 4HN
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 101 Cambridge Science Park Milton Road Cambridge Cambridgeshire CB4 0FY
Solicitors	Greenwoods GRM LLP Monkstone House City Road Peterborough Cambridgeshire PE1 1JE

FAIRLINE YACHTS LIMITED

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FAIRLINE YACHTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Principal activities

The Company designs and manufactures luxury motor yachts in Oundle, England, which are then sold to a worldwide network of over 40 independent dealerships.

Business review and future outlook

The results of the Company for the year under review show turnover of £35.8m (2018: £30.7m), up 16.6%, a gross loss of £11.7m (2018: £9.4m), and a loss before interest and tax of £20.7m (2018: £14.4m). Labour inefficiency and high materials costs saw gross margins reduce by 2% year on year and this was compounded by increased expenditure at the Fairline Marine Park and Barnwell Road, and investment in new models.

During Q1 2019 and early Q2 2019 the Company continued to invest in and transfer resources to our Fairline Marine Park in Hampshire which was originally intended to support the design and build of our 60-100ft sector yachts. Unfortunately, this stretched management's ability to support two production sites and coupled with transferring the Company's flagship models ie, the new Targa 65 & Squadron 68, and hiring new staff on the south coast, the Company failed to realise its ambition for a larger yacht waterside manufacturing site in Hampshire. Whilst the Company may revisit the 70-100ft sector its strategic plan is to focus on its core range of 30-70ft yachts and developing its dealer network in the Americas and Asia and strengthening its very loyal and supportive European network. In Q4 2019 all T65/SQ68's in progress were transferred back to the Company's main production site in Oundle where its core operations and skilled staff could better support its flagship yachts. 2019's results were negatively impacted as a result of this repatriation.

Going forward Fairline Marine Park will focus on two key activities – one, a marine commercial business, comprising moorings, slipway and shipyard activities, and two, a marine space rental business providing waterside unit rental, and support to a variety of smaller marine businesses. We expect, over the medium term, this loss-making site will become profitable with the appropriate investment.

Supporting the Company's longer-term plan to re-establish Fairline as the go to brand for 30-70ft yachts, it continued to develop new models and pursue industry leading innovation. Total expensed product development in 2019 was £2.2m (2018: £0.3m) and this, coupled with new capital expenditure of £1.1m (2018: £1.5m), will form the basis of our increased model range and improved efficiency gains over the medium term. Additionally, new funding has improved working capital efficiency and will support future staff training, Health and Safety, and equipment maintenance.

2019 was a pivotal year for Fairline new model launches with the Targa 43 Open (since renamed the 45) announced as the best Sport Cruiser up to 45ft at the Motorboat and Yachting awards in the Corinthia Hotel in London in May 2019. The trophy for this highly competitive category was the second award for this Mancini boat adding to the Best Exterior award at its launch at the Cannes 2018 boat show. The announcement of the GT version of this successful model was well received and was subsequently shown cased at Dusseldorf Boat show in 2020. We also announced our Targa 58 model which was to be launched in the first half of 2020 but has been delayed due to Covid-19 issues and a review of our model range with our new shareholder.

The Company further invested in new products through our Design Studio (Fairline Yachts Design Studio Limited) with two new products that were launched in September 2019. Its collaboration with Italian yacht designer, Mr Alberto Mancini ensured that media and consumer interest in the brand remained high and we secured retail and inventory sales orders for both new models, the F-LINE 33 and Squadron 68, filling all available production slots for 2020.

These new models received important industry endorsement with award wins at the 2019 World Yacht Trophies (Squadron 68, Sept'19) and the Motorboat of the Year Awards (F-LINE 33, Jan'20). The latter in the hotly contested 'Superboat' category against key competitors; Princess R35, Sunseeker 38 Hawk and Axopar Brabus 500.

This renewed focus immediately gained positive results with the January 2020 Dusseldorf boat show resulting

FAIRLINE YACHTS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

in record sales for the Company, two new model launches, the Targa 45 GT and F-LINE 33 Outboard, and a renewed belief in the brand from its global dealer network.

Mindful also of changing consumer behaviour - accelerated by the COVID-19 pandemic – 2020 saw the launch of two new digital sales innovations, the F-LINE 33 configurator and The Fairline Marina, both of which ensure the Company's digital portfolio meets the demands of today's consumer.

The F-LINE 33 configurator (www.f-line.com) is the boating industry's first digital configuration tool that allows consumers to follow a simple six-step journey to build – and order – their own version of this award winning dayboat, direct from their handheld or desktop device. The Fairline Marina (www.fairline-marina.com) is an online showroom of Fairline's current model range and features 360° image and livestream product tours hosted by Fairline dealers from around the world. These innovations have enabled the Company to maintain visibility and relationships with existing customers and brand fans, as well as attracting a new audience to boating.

Mid-year in 2019 the Company undertook a strategic review of operations including stress testing the balance sheet. This culminated in securing a £13m debt facility from RiverRock European Fund II in August 2019 with an initial drawdown of £5m followed by a further drawdown in December 2019 of £2.5m. These funds were used to provide investment in new models and helped underpin the working capital of the Company.

A total of £7,000,000 of shareholder loans outstanding were capitalised to equity in February and August 2019. Refer to note 21 for more details.

The Company continued to evaluate the risks and opportunities of the UK's exit from the European Union ("Brexit") to determine any impacts on our supply chain (parts expense) and our dealer network (sales revenue). We assessed GBP/EUR exchange rates pre- and post-Brexit, tariffs on sales and on parts, and the right to remain status of our skilled workers from the EU.

In October 2019 Peter McNulty, who had been advising the shareholders and the Company, commenced as COO, bringing a wealth of financial and operational expertise from executive positions in large multi-national corporations, whilst David Tydeman stepped into a Non-Executive Chairman Role. David subsequently retired from that role in Q1 2020.

Peter and the management team immediately initiated an effective strategy to increase sales, manufacturing output and employee productivity, better support the dealer network, drive supply chain efficiencies, manage cashflow and measure every area of the business against clearly defined key performance indicators.

Looking forward, the new Board of Directors will remain focused on extending the model range, pricing of yachts competitively, improving our dealer network, appointing new dealers where gaps are evident and better after sales support to the entire network, production efficiency, improving technology to support the business and implementing further KPI's and KCI's, to enable the Company to meet its short and medium term goals.

FAIRLINE YACHTS LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Post Balance Sheet Events:

In July 2020, further confidence was shown in Fairline when RiverRock became the sole shareholder of Fairline Yachts Limited, with significant additional investment and a new board of directors appointed. A total of £14.7m of additional net funding has been provided by RiverRock through the senior debt facility established in August 2019. Additionally, Fairline has been using short-term working capital financing facilities provided by regulated financial institutions.

This change of ownership resulted in a reduction of shareholder and other debt by £14.7m and is recorded in the Company's comprehensive earnings in 2020. The strategic and operational review commenced Q4 2019 has generated additional savings in overheads which has also had a positive effect on 2020 earnings.

Since the start of 2020 Covid-19 has created unprecedented uncertainty across the globe and has significantly impacted global GDP with the UK down over 10% year on year and the EU (the Company's primary market) suffering similarly, creating the worst macro-economic environment since 2008. Whilst we expect the current lockdown in the UK and Europe to be lifted during Summer 2021, we anticipate further economic uncertainty through 2021 and into 2022.

Unlike our major competitors Fairline Yachts did not close operations in Q2 2020 due to Covid-19 but implemented strict operational protocols along with a reduced factory presence thereby fulfilling customer orders and keeping the supply chain moving. The employee furlough scheme was utilised for c.300 employees in the period April to July, whilst staff able to work from home began to do so as soon as UK Government guidance stipulated.

The Company did have to make some tough decisions to right-size the business because of some challenging market conditions with current employees at c.310 staff, down from a peak of c.450. Whilst a difficult decision to make, this has better positioned the Company and aligned it more closely with the long-term strategic plans in terms of both product and regional growth, and the current economic outlook

Principal risks and uncertainties

The business is subject to a number of risks, as described below, but the major factor affecting it and the industry is the macro economic outlook. The Company addresses this risk by carefully monitoring economic indicators and forward projections, investing in new models, assisting and developing the dealer network and monitoring all significant KPI's to ensure the Company continues to be right sized for market conditions it faces.

Covid-19

Covid-19 has had a dramatic impact on business across the global economy and industries, including Fairline. This risk is being managed by implementing comprehensive safe working practices across all parts of the organisation. Furthermore, a Crisis Management Team has been formed at an executive level to ensure implementation of any rapid government policy changes in a proactive and dynamic way.

Brexit

Post Brexit effect on our key suppliers remains a risk and is being monitored and managed to ensure disruption to the supply chain is minimised as far as possible.

FAIRLINE YACHTS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Financial risk management:

Price risk

Fluctuation in the procurement cost of raw materials impacts the financial performance of the Company. This risk is managed through competitive tendering processes and ongoing close relationships with key suppliers. Where appropriate, annual fixed price contracts are in place. The Company protects its price positioning through regular reviews of the technical specification and a continuous focus on product quality and margin retention.

Exchange rate risk

The Company prices and subsequently invoices all products in Sterling, thereby mitigating foreign exchange rate risk. Approximately 13% of component parts are purchased in currencies other than Sterling.

Credit risk

All sales are secured with a non-refundable deposit, and on larger models, a series of staged payments at pre-defined stages of manufacture. All boats are fully paid prior to release from the factory. These receivables are controlled by the contractual relationships with the dealer network which are both robust and strictly enforced.

Liquidity risk

The Company operates an industry standard contractual relationship with its dealer network – its customers – and as part of their contract, dealers are obliged to maintain a minimum stocking level. This rolling inventory requirement forms the basis for forward production planning with the deposits and stage payments received pre and during build used for liquidity and associated payments to suppliers.

Non-financial risk

The Company manages regulatory and compliance risks through ensuring suitably experienced individuals are employed with responsibility for the timely resolution to regulatory change. The Company is an active member of British Marine, the UK trade body.

Section 172

In accordance with section 172 of the Companies Act 2006 each of our directors' act in the way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequence of any decisions in the long term
- The interests of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the Company

The new Board of Directors has received training on their section 172 duties and how they should be fulfilled. The Board also reviewed their approach to corporate governance, stakeholder engagement and environmental impact.

FAIRLINE YACHTS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Decision making

The directors of the Company are in constant dialogue sharing their thoughts on key issues and decisions facing the Company and sharing their similar experiences and business intuition for the benefit of the Board. Board members attended monthly executive committee meetings where a wide range of topics is presented and discussed, thereby keeping themselves abreast of the Company's business matters and key issues affecting stakeholders. Additionally, board members and shareholder representatives visit the factory operations weekly/monthly to both educate themselves on the yacht design, manufacturing and distribution activities, speak to employees, and are also involved in meetings and discussions with our dealer network on at least a quarterly basis. Consequently, Board decisions are taken with deep knowledge of the Company and its operations and are aligned with the strategy agreed by the Board.

Stakeholder Engagement

The Board take account of the views, opinions and interests of all relevant stakeholders when reaching their decisions. The Board receives a variety of forms of information that facilitates proper consideration of the impact of the decisions on stakeholders

At the time of writing, the Company has entered 2021 with most of production slots sold thanks to a renewed enthusiasm and passion for boating from consumers around the world, as well as an exciting new product development strategy, an experienced and stable senior management team, a right-sized, skilled workforce and a supportive shareholder in RiverRock. Furthermore, Fairline continues to monitor all negative impacts from BREXIT and actively works to manage any disruption to the supply chain. These are all important elements that together will ensure the continued upward trajectory of Fairline towards a sustainable and profitable future.

This report was approved by the board on 9/3/2021 and signed on its behalf.



P J McNulty
Director

FAIRLINE YACHTS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Principal activity

The principal activity of the company is that of building pleasure and sporting boats.

Results and dividends

The loss for the year, after taxation, amounted to £20,791k (2018 - loss £14,845k).

No dividends were paid or recommended during the period (2018: £Nil). The results for the year are given on page 11.

Directors

The directors who served during the year were:

L Bondareva (resigned 1 July 2020)
K T Gilding (resigned 12 April 2019)
M J Hicks (resigned 17 April 2019)
A Lomakin (resigned 18 October 2019)
I Glyanenko (resigned 1 July 2020)
A Volov (resigned 1 July 2020)
D R Tydeman (resigned 21 January 2020)

J Carley, D HcHugh and P McNulty were appointed as directors on 1 July 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 and 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.

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.

FAIRLINE YACHTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Disabled Employees

The Company is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of race, sex, colour, disability or marital status. Application for employment by disabled persons are always considered, bearing in mind the abilities of the applicant concerned. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining if necessary. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of abled bodied employees.

Employee engagement

The Company provides regular information to employees on matters of concern to them, consulting with them individually and through their representatives, so that their views can be taken into account when making decisions affecting their interests. The Company encourages the involvement of employees via their regular work committee meetings, chaired by the Human Resources director, and engagement at senior management round table meetings.

Research and development

During the year under review, the Company has continued to develop new models and face lifts to current models. The F//33 was launched in Cannes 2019 and the Targa 58 was announced at the same event. Expenditure on R&D during the year under review totalled £2.2m (2018: £0.3m). The Company's growth centres around innovation and in line with that a review of Research and Development was undertaken during 2019.

Directors' indemnities

During 2019 the Company had qualifying third party indemnity provisions in force for the benefit of the directors, against any liability in respect of proceedings brought by third parties, subject to conditions set out in section 234 of the Companies Act 2006. The indemnity provisions were in force at the date of signing this report.

Disclosure of information in the strategic report

Information on future developments, financial risks and compliance with section 172 of the Companies Act 2006 are contained within the strategic report.

Share Issues

New shares of £7m were issued in 2019 through debt capitalisation (2018: Nil).

FAIRLINE YACHTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Going concern

The results of the Company for the year under review show turnover of £35.8m (2018: £30.7m), up 16.6%, a gross loss of £11.7m (2018: £9.5m), and a loss of earnings before interest, tax and depreciation of £20.7m (2018: £14.4m).

The Company meets its day to day working capital requirement from cashflows generated from operations and banking facilities provided by regulated financial institutions. During 2019 the Company had cash outflows from operations of £15.6m (2018: £15.6m), outflows from investing activities of £2.1m (2018: £2.8m), and inflows from financing activities of £18.5m (2018: £17.8m). As at December 31, 2019 the Company had short and long term financing facilities of £15.5m.

In evaluating the Company's going concern assumption the directors reviewed the budget for 2021 and the forecast for 2022 and 2023, prepared and submitted in December 2020. These plans have incorporated Covid-19 and Brexit uncertainties along with the forward order sales book which is out to 2022 and planned improvements in financial performance and the directors concluded these represent management's best estimates of the likely scenario to occur. Additionally, the directors continuously review impacts to forecasted operations and cashflow on a weekly basis.

The directors have worked with the shareholder and other financial institutions, and have increased financing facilities to £26m with a further £2m under review. As at the date of this report these facilities have been fully utilised and the forecasts show further funding will be required.

Based on the forecasts the directors expect to continue to need support from its shareholder and major lender and rely on this to maintain liquidity subject to future potential impacts from Covid-19 directly and indirectly through its supply chain. The directors are in regular communication with the company's lenders and based on discussions to date believe support will be forth coming as required, although this is not agreed at the time of this report.

After consideration of the matters above, the directors are still of the opinion that it remains appropriate to prepare the financial statements on a going concern basis. As noted above the directors continuously monitor the performance of the Company and its projected cashflow position. However, there can be no certainty that efforts to achieve performance improvements and obtain additional funding will be successful. In view of the above, the directors have concluded that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

FAIRLINE YACHTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that 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.

This report was approved by the board on 9/3/2021

and signed on its behalf.



P J McNulty
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRLINE YACHTS LIMITED

Opinion

We have audited the financial statements of Fairline Yachts Limited (the 'company') for the year ended 31 December 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and 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 company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRLINE YACHTS LIMITED
(CONTINUED)**

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that the company incurred a net loss of £20.8m during the year ended 31 December 2019 and, as of that date, the company's liabilities exceeded its assets by £13m. As stated in note 2.2, these events or conditions, and the continuing funding requirements of the company, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 this regard.

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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRLINE YACHTS LIMITED
(CONTINUED)**

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

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 material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 6, 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRLINE YACHTS LIMITED
(CONTINUED)**

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.

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. This description forms part of our Auditor's report.

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.

Grant Thornton UK LLP

Paul Brown
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
Date: 9/3/2021

FAIRLINE YACHTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Turnover	4	35,786	30,744
Cost of sales		(47,524)	(40,163)
Gross loss		(11,738)	(9,419)
Distribution costs		(3,851)	(3,086)
Administrative expenses		(3,671)	(1,935)
Exceptional administrative expenses	12	(1,444)	-
Operating loss	5	(20,704)	(14,440)
Interest receivable and similar income		2	-
Interest payable and expenses	10	(1,175)	(405)
Loss before tax		(21,877)	(14,845)
Tax on loss	11	1,086	-
Loss for the financial year		(20,791)	(14,845)
Other comprehensive income for the year			
Total comprehensive income for the year		(20,791)	(14,845)

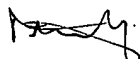
The notes on pages 20 to 37 form part of these financial statements.

FAIRLINE YACHTS LIMITED
REGISTERED NUMBER:09937735

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £000	As restated 2018 £000
Fixed assets			
Intangible assets	13	1,263	1,858
Tangible assets	14	8,170	7,941
		<u>9,433</u>	<u>9,799</u>
Current assets			
Stocks	15	15,300	15,710
Debtors: amounts falling due within one year	16	5,162	5,193
Cash at bank and in hand	17	1,463	665
		<u>21,925</u>	<u>21,568</u>
Creditors: amounts falling due within one year	18	(21,346)	(24,453)
Net current assets/(liabilities)		<u>579</u>	<u>(2,885)</u>
Total assets less current liabilities		<u>10,012</u>	<u>6,914</u>
Creditors: amounts falling due after more than one year	19	(19,762)	(5,664)
Provisions for liabilities			
Provisions	20	(3,230)	(439)
		<u>(3,230)</u>	<u>(439)</u>
Net (liabilities)/assets		<u>(12,980)</u>	<u>811</u>
Capital and reserves			
Called up share capital	21	37,000	30,000
Profit and loss account	22	(49,980)	(29,189)
		<u>(12,980)</u>	<u>811</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9/3/2021



P J McNulty
 Director

The notes on pages 20 to 37 form part of these financial statements.

FAIRLINE YACHTS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2019	30,000	(29,189)	811
Comprehensive income for the year			
Loss for the year	-	(20,791)	(20,791)
Total comprehensive income for the year	-	(20,791)	(20,791)
Shares issued during the year	7,000	-	7,000
Total transactions with owners	7,000	-	7,000
At 31 December 2019	37,000	(49,980)	(12,980)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2018	6,000	(14,344)	(8,344)
Comprehensive income for the year			
Loss for the year	-	(14,845)	(14,845)
Total comprehensive income for the year	-	(14,845)	(14,845)
Shares issued during the year	24,000	-	24,000
Total transactions with owners	24,000	-	24,000
At 31 December 2018	30,000	(29,189)	811

The notes on pages 20 to 37 form part of these financial statements.

FAIRLINE YACHTS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	£000	£000
Cash flows from operating activities		
Loss for the financial year	(20,791)	(14,845)
Adjustments for:		
Amortisation of intangible assets (note 13)	189	(745)
Depreciation of tangible assets (note 14)	1,558	1,202
Impairment of intangibles (note 13)	717	-
Interest paid (note 10)	1,175	405
Interest received (note 9)	(2)	-
Taxation charge (note 11)	(1,086)	-
Decrease/(increase) in stocks	410	(4,548)
Decrease/(increase) in debtors	31	(2,178)
(Decrease)/increase in creditors	(2,520)	5,065
Increase in provisions	2,791	70
Corporation tax received (note 11)	1,086	-
Sale of tangible assets	850	-
Net cash generated from operating activities	(15,592)	(15,574)
Cash flows from investing activities		
Purchase of intangible fixed assets (note 13)	(311)	(219)
Purchase of tangible fixed assets (note 14)	(1,787)	(2,596)
Interest received	2	-
Net cash from investing activities	(2,096)	(2,815)

FAIRLINE YACHTS LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	£000	£000
Cash flows from financing activities		
Loan advances	21,627	20,583
Loan repayments	(2,500)	(2,589)
Interest paid	(641)	(208)
Net cash used in financing activities	18,486	17,786
Net increase/(decrease) in cash and cash equivalents	798	(603)
Cash and cash equivalents at beginning of year	665	1,268
Cash and cash equivalents at the end of year	1,463	665
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand (note 17)	1,463	665
	1,463	665

The notes on pages 20 to 37 form part of these financial statements.

FAIRLINE YACHTS LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	At 1 January 2019 £000	Cash flows £000	Other non- cash changes £000	At 31 December 2019 £000
Cash at bank and in hand	665	798	-	1,463
Debt due after 1 year	(5,076)	(17,690)	3,747	(19,019)
Debt due within 1 year	(4,713)	4,713	(3,747)	(3,747)
	<u>(9,124)</u>	<u>(12,179)</u>	<u>-</u>	<u>(21,303)</u>

The notes on pages 20 to 37 form part of these financial statements.

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General information

Fairline Yachts Limited is a limited liability company, limited by shares, incorporated in England and Wales. Its registered head office is located at Nene Valley Business Park, Oundle, Peterborough, Cambridgeshire, PE8 4HN.

The principal activity of the company is that of building pleasure and sporting boats.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Going concern

The Company has recorded a significant loss of £20.8m in 2019 and had liabilities in excess of assets of £13m. The Company continued to trade at a loss through 2020. Since the balance sheet date the Company has restructured its funding and had a change in ultimate owners (see note 29).

In evaluating the Company's going concern assumption the directors reviewed the budget for 2021 and the forecast for 2022 and 2023, prepared and submitted in December 2020. These plans have incorporated Covid-19 and Brexit uncertainties along with the forward order sales book which is out to 2022 and planned improvements in financial performance and the directors concluded these represent management's best estimates of the likely scenario to occur. Additionally, the directors continuously review impacts to forecasted operations and cashflow on a weekly basis.

The directors have worked with the shareholder and other financial institutions, and have increased financing facilities to £26m with a further £2m under review. As at the date of this report these facilities have been fully utilised and the forecasts show further funding will be required.

Based on the forecasts the directors expect to continue to need support from its shareholder and major lender and rely on this to maintain liquidity subject to future potential impacts from Covid-19 directly and indirectly through its supply chain. The directors are in regular communication with the company's lenders and based on discussions to date believe support will be forth coming as required, although this is not agreed at the time of this report.

After consideration of the matters above, the directors are still of the opinion that it remains appropriate to prepare the financial statements on a going concern basis. As noted above the directors continuously monitor the performance of the company and its projected cashflow position. However, there can be no certainty that efforts to achieve performance improvements and obtain additional funding will be successful. In view of the above, the directors have concluded that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.3 Revenue recognition**

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

Sale of boats

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

- the boat has been marked as complete after quality inspection;
- the final invoice has been raised;
- legal possession of the boat has been transferred over to the dealer;

2.4 Intangible assets**Goodwill**

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

Other intangible assets

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

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

The estimated useful lives range as follows:

Brand	-	25	years
Dealer Network	-	12	years
Software	-	3	years

Negative goodwill is amortised over the same period as the underlying assets of the business acquired.

2.5 Tangible fixed assets

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

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.5 Tangible fixed assets (continued)**

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	3%
Long hold equipment	-	10%
Plant and machinery	-	30%
Motor vehicles	-	33%
Moulds	-	Range of 20 to 50%
Office equipment	-	50%

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

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

2.6 Assets under construction

Assets under construction are represented by costs incurred to internally develop moulds used in the production process. Costs incurred to develop these moulds are capitalised to tangible fixed assets as incurred. Once the moulds are completed, the total costs incurred over the development period will be depreciated over the useful life of the asset.

2.7 Stocks

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

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

2.8 Debtors

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

2.9 Cash and cash equivalents

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

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.10 Financial instruments**

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

2.11 Creditors

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

2.12 Finance costs

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

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.13 Operating leases: the company as lessee

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

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

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2018 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.14 Pensions

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

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position.

2.15 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.16 Borrowing costs

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

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.18 Taxation**

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

2.19 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

2.20 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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

Preparation of the financial statements requires management to make judgements and estimates. The items in the financial statements where these judgements and estimates have been made include the stock provision, fair value of the intangible fixed assets at the date of acquisition, rate of depreciation of tangible fixed assets and the useful lives of intangible fixed assets, and the assessment of impairment of both intangible and tangible fixed assets.

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Turnover

The whole of the turnover is attributable to the company's business activity.

Analysis of turnover by country of destination:

	2019 £000	2018 £000
United Kingdom	3,800	3,395
Rest of Europe	20,839	16,767
Rest of the world	11,147	10,582
	<u>35,786</u>	<u>30,744</u>

5. Operating (loss)

The operating (loss) is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible fixed assets (note 14)	1,558	1,202
Amortisation of intangible assets, including goodwill (note 13)	189	(745)
Other operating lease rentals	1,427	989
	<u>1,427</u>	<u>989</u>

6. Auditor's remuneration

	2019 £000	2018 £000
The audit of the company's annual financial statements	<u>57</u>	<u>48</u>

Fees payable to the company's auditor and its associates in respect of:

Financial statement preparation services	3	2
Taxation compliance services	5	5
Other services relating to taxation	-	10

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2019	2018
	£000	£000
Wages and salaries	16,873	12,735
Social security costs	1,619	1,271
Cost of defined contribution scheme	398	235
	18,890	14,241

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

	2019	2018
	No.	No.
Production	432	367
Administrative	36	39
Selling	26	18
	494	424

8. Directors' remuneration

	2019	2018
	£000	£000
Directors' emoluments	590	669
Company contributions to defined contribution pension schemes	22	31
	612	700

During the year retirement benefits were accruing to 3 directors (2018: 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £214,069 (2018: £237,726, including £50,000 PILON, and £75,000 redundancy compensation).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,000 (2018: £7,500).

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. Interest receivable

	2019 £000	2018 £000
Other interest receivable	<u>2</u>	<u>-</u>

10. Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable and similar expenses	<u>1,175</u>	<u>405</u>

11. Taxation

	2019 £000	2018 £000
Corporation tax		
Adjustments in respect of previous periods	(1,086)	-
	<u>(1,086)</u>	<u>-</u>
Total current tax	<u>(1,086)</u>	<u>-</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on (loss)/profit on ordinary activities	<u>(1,086)</u>	<u>-</u>

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Loss on ordinary activities before tax	<u>(21,877)</u>	<u>(14,845)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(4,157)	(2,821)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	48	44
Fixed asset differences	(69)	(237)
Adjustments to tax charge in respect of prior periods	(1,086)	-
Adjust closing deferred tax to average rate of 19% (2018: 19%)	959	528
Adjust opening deferred tax to average rate of 19% (2018: 19%)	(520)	(211)
Deferred tax not recognised	3,739	2,697
Total tax charge for the year	<u><u>(1,086)</u></u>	<u><u>-</u></u>

Factors that may affect future tax charges

At the period end the company has an unprovided tax asset of £8.3 million (2018: £4.8 million) in relation to carried forward tax losses. These losses are available for relief against future trading profits. This potential deferred tax asset has not been recognised due to the uncertainty as to when it will be realised.

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Exceptional items

	2019 £000	2018 £000
Exceptional items	<u>1,444</u>	<u>-</u>

The exceptional items are the waiver of a loan payable of £850,000, the onerous lease provision of £2,135,000 and the stamp duty charges at the shipyard site.

13. Intangible assets

	Software £000	Brand £000	Dealer Network £000	Negative goodwill £000	Total £000
Cost					
At 1 January 2019	703	12,684	1,670	(15,547)	(490)
Additions	311	-	-	-	311
Disposals	(717)	-	-	-	(717)
At 31 December 2019	<u>297</u>	<u>12,684</u>	<u>1,670</u>	<u>(15,547)</u>	<u>(896)</u>
Amortisation					
At 1 January 2019	186	1,522	417	(4,473)	(2,348)
Charge for the year on owned assets	79	507	140	(537)	189
At 31 December 2019	<u>265</u>	<u>2,029</u>	<u>557</u>	<u>(5,010)</u>	<u>(2,159)</u>
Net book value					
At 31 December 2019	<u>32</u>	<u>10,655</u>	<u>1,113</u>	<u>(10,537)</u>	<u>1,263</u>
At 31 December 2018	<u>517</u>	<u>11,162</u>	<u>1,253</u>	<u>(11,074)</u>	<u>1,858</u>

Amortisation on intangible assets is charged to admin expenses.

FAIRLINE YACHTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. Tangible fixed assets

	Freehold property £000	Long-term L/hold property £000	Plant and machinery £000	Motor vehicles £000	Moulds £000	Office equipment £000	Assets under construction £000	Total £000
Cost								
At 1 January 2019	2,548	818	905	69	5,652	320	1,007	11,319
Additions	-	-	-	-	-	-	1,787	1,787
Disposals	-	-	-	(17)	-	-	-	(17)
Transfers between classes	-	363	114	11	438	217	(1,143)	-
At 31 December 2019	2,548	1,181	1,019	63	6,090	537	1,651	13,089
Depreciation								
At 1 January 2019	188	238	408	58	2,351	135	-	3,378
Charge for the year on owned assets	102	156	142	14	1,024	120	-	1,558
Disposals	-	-	-	(17)	-	-	-	(17)
At 31 December 2019	290	394	550	55	3,375	255	-	4,919
Net book value								
At 31 December 2019	2,258	787	469	8	2,715	282	1,651	8,170
At 31 December 2018	2,360	580	497	11	3,301	185	1,007	7,941

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. Stocks

	2019	2018
	£000	£000
Raw materials and consumables	2,901	4,800
Work in progress	12,399	10,910
	15,300	15,710

The carrying value of stocks are stated net of impairment losses totalling £546,044 (2018: £528,581)

16. Debtors

	2019	2018
	£000	£000
Trade debtors	264	2,156
Amounts owed by related parties	1,544	-
Other debtors	2,371	1,575
Prepayments and accrued income	983	1,462
	5,162	5,193

Trade debtors are presented net of a provision of £52k (2018: £15k) for bad debts.

17. Cash and cash equivalents

	2019	2018
	£000	£000
Cash at bank and in hand	1,463	665

The cash balance as disclosed above includes a balance of £200,000 (2018: £60,000) relating to monies held in escrow.

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. Creditors: Amounts falling due within one year

	2019	<i>As restated</i>
	£000	2018
		£000
Other loans	3,747	4,713
Trade creditors	3,449	4,630
Other taxation and social security	432	427
Other creditors	240	496
Accruals and deferred income	13,478	14,187
	21,346	24,453

Other loans comprise a rollover working capital facility totalling £2,397,000 (2018: £2,713,000) which is secured by certain completed boats and an unsecured loan totalling £1,350,000 (2018: £2,000,000). The £2m unsecured loan due as at 31 December 2018 was repaid in full in 2019. Interest is charged at an effective rate of 8%. The unsecured loan of £1,350,000 was removed from the liabilities of the Company in 2020 (see note 29).

19. Creditors: Amounts falling due after more than one year

	2019	2018
	£000	£000
Other loans	11,943	2,200
Shareholder loans	7,076	2,876
Other creditors	-	391
Accruals	743	197
	19,762	5,664

At the year end loans with a total book value of £19,570,000 (2018: £5,076,000) and interest accrued in the amount of £743,193 (2018: £197,217) were outstanding including £7,076,000 (2018: £2,876,000) due to the shareholders (either directly or indirectly). These loans are unsecured. Interest accrues at 8% on £11,976,000 and interest accrues at 10% + 5% PIK on £7,954,000. Costs associated with new loans have been offset against the liability in the disclosure. The £7,076,000 of Shareholder Loans were removed from the liabilities of the company in 2020, with Other Loans of £4,900,000 removed at the same time (see note 29).

Other creditors as at 31 December 2018 represent an amount owed to Fairline Yachts Design Studio Limited, a related party of the company. This loan was unsecured and accrued interest at 8%.

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £000	2018 £000
Amounts falling due within one year		
Other loans	3,747	4,713
Amounts falling due 2-5 years		
Other loans	11,943	2,200
Shareholder loans	7,076	2,876
	<u><u> </u></u>	<u><u> </u></u>

20. Provisions

	Warranty provision £000	Provision for prosecution £000	Onerous lease provision £000	Total £000
At 1 January 2019 (restated)	439	-	-	439
Additions charged to profit and loss account	530	500	2,135	3,165
Amounts utilised	(374)	-	-	(374)
At 31 December 2019	<u><u>595</u></u>	<u><u>500</u></u>	<u><u>2,135</u></u>	<u><u>3,230</u></u>

The provision for warranty represents estimated costs to be incurred for work under warranty on boats sold. The provision is determined with reference to the rate for products still under cover and the average cost of the work performed. The warranties last one or two years and the provision will be utilised over this period.

The company is defending a prosecution from the Health & Safety Executive following an incident at its premises in the previous year. The penalties for this incident cover a wide range. Having taken professional advice and considering the circumstances, the directors have recorded their best estimate of the potential penalties that might be made against the company. The actual amount will be determined subsequent to the date of these financial statements.

The company occupies a water-side facility in Hythe under an operating lease. Following a review of its Hythe facility and reduction in activity at that location the directors have provided for the estimated losses arising on this onerous lease.

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

21. Share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid		
37,000,000 (2018: 30,000,000) Ordinary shares of £1 each	37,000	30,000

In March 2019, £3,000,000 of the shareholder loans outstanding were capitalised to equity, where 3,000,000 shares of £1 were issued.

In August 2019 £4,000,000 of the shareholder loans outstanding were capitalised to equity, where 4,000,000 shares of £1 were issued.

The shares allotted and issued are ordinary shares, and each share has full rights in the company with respect to voting, dividends, and distributions.

22. Reserves**Profit and loss account**

The profit and loss account for the period includes all current period retained losses.

23. Prior year adjustment

Warranty provisions have previously been included within accruals. The directors have reclassified the presentation in the 2019 financial statements as this more accurately reflects the nature of these amounts. There is no impact on the net result or shareholder funds previously reported.

24. Contingent liabilities

The company provides guarantees in favour of HM Revenue and Customs for £10,000 (2018: £5,000).

25. Capital commitments

At 31 December 2019 the company had capital commitments as follows:

	2019	2018
	£000	£000
Contracted for but not provided in these financial statements	116,899	1,208,244

26. Pension commitments

The company operates a defined contribution pension scheme for its directors for the current period. Contributions are charged to profit or loss in the period in which they accrue. At the year end, £67,000 in respect of pensions was in other creditors.

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

27. Commitments under operating leases

At 31 December 2019 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2019	2018
	£000	£000
Not later than 1 year	1,527	1,587
Later than 1 year and not later than 5 years	5,966	6,003
Later than 5 years	16,031	17,518
	23,524	25,108

28. Related party transactions

Remuneration paid to key management personnel amounted to £995,779 (2018: £699,493).

The company recharged costs of £1,020,401 to Fairline Yachts Design Studio Limited, a company with common shareholders. In 2019 the company sold mould tooling worth £Nil (2018: £889,067) to Fairline Yachts Design Studio Limited.

The company has loans owed to its shareholders. The terms of these loans have been disclosed in note 19.

The company enters into transactions with Azur Yacht Sales, Yacht Trading Group CIS and Yacht Trading Group Ltd in which Andrey Lomakin serves as a common director and Shield Marine Europe, in which Martyn Hicks served as a common director. A summary of the transactions in the year and balances due at the balance sheet date is below:

	Azur Yacht Sales £000	Yacht Trading Group - CIS £000	Yacht Trading Group Ltd £000
Sales	4,168	1,849	276
Amounts receivable at period end	26	-	-

Amounts paid to entities under common directorship for warranty claims include £27,577 (2018: £22,000) to Azur Yachts Sales and £4,266 to Yacht Trading Group CIS.

Amounts paid to related individuals for services provided to the company include: £4,270 (2018: £12,404) to Stephanie Gilding, wife of Karl Gilding, for boat show services, £2,460 (2018: £2,300) to Emilia Gilding, daughter of Karl Gilding, for boatshow services, £5,302 (2018: £27,774) to Sergey Bondarev, husband of Larisa Bondareva, for boat building services, £15,000 (2018: £18,000) to Artem Volov, son of Alexander Volov, for marketing and design services and £351,725 to Peter McNulty for fundraising services. All transactions detailed above are within the normal course of business.

FAIRLINE YACHTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

29. Post balance sheet events

In July 2020 RiverRock took sole control of the company which saw £14.7m (including £1.4m which was advanced during 2020) of previous shareholders loans removed from liabilities of the company. The senior secured funding facility has been increased from £13m as at the balance sheet date to £23m, with drawdowns of £15.2m post the balance sheet date.

Since the year end the consequences of the Covid-19 outbreak have materially and adversely disrupted the global economic situation. As set out in the Strategic report the company is taking appropriate action to monitor, address and mitigate the uncertainties and have taken these additional uncertainties into account in assessing the going concern position. It is not possible to reliably estimate the duration and severity of the economic consequences of the pandemic, and their impact on the financial position and results of the company for future periods

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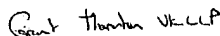
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