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# FAIRLINE YACHTS LIMITED

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## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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FAIRLINE YACHTS LIMITED

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COMPANY INFORMATION

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Director	P J Grys
Registered number	09937735
Registered office	Nene Valley Business Park Oundle Peterborough Cambridgeshire PE8 4HN
Independent auditors	CLA Evelyn Partners Limited Chartered Accountants & Statutory Auditors 103 Colmore Row Birmingham B3 3AG
Solicitors	Greenwood GRM LLP Monkstone House City Road Peterborough Cambridgeshire PE1 1JE

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FAIRLINE YACHTS LIMITED

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## FAIRLINE YACHTS LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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The director presents the Strategic Report for the year ended 31 December 2021.

#### 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

The results of the Company for the year under review show turnover of £32m (2020 - £29.2m), up 9%, an operating loss of £15.9m (2020 - loss of £15.8m as restated). 2021 remained a challenging year for the Company as the operations, and hence the results, were impacted by outbreaks of Covid-19 in the factory and at our key suppliers and the shortage of key parts due to the disruption of the availability of key commodities in the global supply chain affecting all global markets. These factors increased the time taken to manufacture the boats and subsequently impacted the efficiency of production during the year.

Whilst there has been an easing of lockdown restrictions globally since the summer of 2021, the challenges in the global supply chain remain and together with the global economic impact of the Ukraine War since February 2022, we anticipate further economic uncertainty throughout 2022 and into 2023.

Despite this, the Company continued to invest in new product development and new model ranges were announced in early 2021 for the development of a new Squadron 68, a Phantom 65 as well as new entry (Targa 40) and mid-sized (58 range) models. The new Squadron 68 was launched in Southampton in March 2022 and the new Phantom 65 was launched at the Cannes Yachting Festival in September 2022. The new product launches were very positively received by the market with the Phantom 65 winning the Best Exterior Design trophy at the 2022 World Yachts Trophies awards held at Cannes in September 2022.

The only boat shows held in 2021, was the Cannes and Southampton boat shows, which resulted in strong sales for the Company as retail and dealer appetite for the products continued to grow. With the easing of Covid 19 restrictions in 2022 the boat show cycles started to return to normal regularity with the full European and UK boat season kicking off in September 2022.

The demand for our models has remained strong and the Sales team, under the leadership of James Powell, has continued to strengthen our dealer network globally as well building out the sales order book to beyond 2023.

In December 2021, the Company announced the return of Boats.co.uk as the dealer for the east coast of UK and the Balearics. Boats.co.uk is one the UK's largest boat sales centers, was previously a Fairline dealer for 12 years and its return represented a clear demonstration of the Company's continued focus of strengthening the global dealer network. This strategy has continued into 2023 with stronger dealers being appointed across the USA as well as Europe.

In June 2021, Fairline Yachts Holdings Limited became the sole shareholder of Fairline Yachts Limited, with significant additional investment injected and a new board of directors appointed. Fairline Yachts Limited is ultimately owned by Hanover Active Equity Fund II, S.C. SICAV-RAIF. The change in ownership resulted in a reduction of previous shareholder and other debt by £28m, having a positive effect on the Company's balance sheet.

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## FAIRLINE YACHTS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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In November 2021 two new appointments to the senior management team were announced, Paul Grys as Chief Executive Officer and Derek Carter as Chairman.

Paul Grys was a veteran of JCB having spent nearly two decades at the company during a period of significant international expansion. He held the position of Managing Director for a number of JCB business units leading business transformation and product strategy. Derek Carter was CEO of Fairline Boats for 15 years and his experience in the marine industry will be invaluable in guiding the Company in the years ahead.

Looking forward, the new board of directors and the Company's leadership team will remain focused on extending the product offering, reviewing product pricing to ensure market competitiveness, continuous improvement of our dealer network, improving relationships with suppliers, and better after sales support to the entire network. In addition, we will focus on production and operational efficiency, improving technology and continued development of KPIs and KCIs to enable the Company to meet its short and medium term goals.

#### 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 & global supply chain*

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

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## FAIRLINE YACHTS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### Financial key performance indicators

##### *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 majority of the company sales are in GBP however the business has started to invoice in non-GBP currency mainly USD.

##### *Credit risk*

All sales are secured with a non-refundable deposit, and on larger models, a series of staged payments at predefined 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.

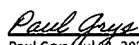
##### *Non-financial risk*

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.

#### Director's statement of compliance with duty to promote the success of the Company

In accordance with section 172 of the Companies Act 2006 our director act in the ways 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:

This report was approved by the board and signed on its behalf.

  
Paul Grysgans (July 11, 2023 16:10 GMT+1)

P J Grysgans  
Director

Date: 11/07/2023

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## FAIRLINE YACHTS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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The director presents their report and the financial statements for the year ended 31 December 2021.

#### Results and dividends

The loss for the year, after taxation, amounted to £17,560k (2020 - £18,064k as restated).

No dividends were paid or proposed during the year (2020 - £Nil).

#### Directors

The directors who served during the year were:

P J Grys (appointed 31 December 2021)

P M Pankhania (appointed 12 June 2021, resigned 17 March 2023)

J E Carley (resigned 31 March 2021)

D A McHugh (resigned 12 June 2021)

P J McNulty (appointed 12 June 2021, resigned 31 December 2021)

M M R G Peretie (appointed 31 March 2021, resigned 12 June 2021)

#### Future developments

The Company continued to invest in new product development and new model ranges were announced in early 2021 for the development of a new Squadron 68, a Phantom 65 as well as new entry (Targa 40) and mid-sized (58 range) models. The new Squadron 68 was launched in Southampton in March 2022 and the new Phantom 65 was launched at the Cannes Yachting Festival in September 2022. The new product launches were very positively received by the market with the Phantom 65 winning the Best Exterior Design trophy at the 2022 World Yachts Trophies awards held at Cannes in September 2022.

#### Engagement with employees

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.

#### Engagement with suppliers, customers and others

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 2023 with most of production slots sold and allocated out to 2024 thanks to a renewed enthusiasm and passion for boating from consumers around the world, as well as an exciting new product development strategy, an experience and stable senior management team, a right-sized, skilled workforce and a supportive shareholder in Fairline Yachts Holding Limited. Furthermore, Fairline continues to monitor all negative impacts from Brexit and Covid-19 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.

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## FAIRLINE YACHTS LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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.

#### Qualifying third-party indemnity provisions

During 2021 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.

#### Going concern

The results of the Company for the year under review show turnover of £32m (2020 - £29.2m), up 9%, a gross loss of £0.3m (2020 - loss £8.6m), and a loss for the financial year of £17.6m (2020 - loss £17.2m as restated).

The Company meets its day to day working capital requirement from cashflows generated from operations and banking facilities provided by regulated financial institutions. During 2021 the Company had cash outflows from operations of £14.6m (2020 - outflows £24.1m as restated), outflows from investing activities of £1m (2020 - outflows £1.6m), and inflows from financing activities of £17.4m (2020 - inflows £24.6m as restated).

In evaluating the Company's going concern assumption the director has reviewed the draft unaudited actual results for 2022 and 2023 to date and the forecast for 2023 and 2024. The unaudited actual results to date for 2022 and 2023 have been impacted by global supply chain uncertainties but have shown an improvement when compared to 2021. Turnover for 2022 was £47.6m (2021 - £32m) and a gross profit of £6.8m (2021 - loss £0.3m) was achieved. For the 4-month period to 30 April 2023 turnover was £9.8m and gross profit of £0.7m was achieved. The forecast for the 2023 financial year is for £70m in turnover and a gross profit of £6.3m which is supported by a good forward order sales book, and planned improvements in operational performance. The director has concluded these represent management's best estimates of the likely scenario to occur. Additionally, the director continuously reviews impacts to forecasted operations and cashflow on a weekly basis.

The director has worked with the ultimate shareholder and other financial institutions and have increased financing facilities by £11m which is fully utilised as at the date of this report. The Company has received £17.7m in debt funding from the ultimate shareholder in 2023. The director believes these facilities along with cashflow from operations allows the Company to operate within its financing needs. The company has received a letter of support from the ultimate shareholder in terms of the further debt/equity funding.

After consideration of the matters above, the director is 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 impact of the global supply chain on the financial statements, performance, and cashflow of the Company.



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FAIRLINE YACHTS LIMITED

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DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021

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Disclosure of information to auditors

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

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

Post balance sheet events

The Director is of the opinion that the following post balance sheet events should be noted:

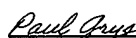
The resignation of the Chief Finance Officer on 17 March 2023.

Funding of £17.7m has been received from the Parent company in 2023 to assist with working capital requirements.

Auditors

The auditors, CLA Evelyn Partners Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

  
Paul Gryns [11/07/2023 16:10 GMT+1]

P J Gryns  
Director

Date: 11/07/2023

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FAIRLINE YACHTS LIMITED

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DIRECTOR'S RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021

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The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director 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 director is required to:

- select suitable accounting policies for the Company's financial statements 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 director is 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. The director is 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.

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## FAIRLINE YACHTS LIMITED

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

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#### Qualified opinion

We have audited the financial statements of Fairline Yachts Limited (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 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 of qualified opinion

We were not appointed as auditor of the company until after 31 December 2020 and thus did not observe the counting of physical inventories at the end of the that year.

We were unable to satisfy ourselves by alternative means; the percentage of completion and hence valuation of yachts under construction in closing work in progress stock totalling £8,072,000 held as at 31 December 2020. Consequently we were unable to determine whether any adjustment to this amount at 31

December 2020 was necessary or whether there was any consequential effect on the cost of sales for the year ended 31 December 2021.

In addition, were any adjustments to the work in progress stock balance to be required the Strategic Report would also need to be amended.

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 qualified opinion.

#### Conclusions relation to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Emphasis of matter - disclosure on going concern

We draw attention to note 2.3 of the financial statements, which describes the Company's reliance on the its ultimate shareholder, Hanover Active Equity Fund II, S.C.A.SICAV-RAIF for support. Our opinion is not modified in this.

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## FAIRLINE YACHTS LIMITED

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

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#### Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the valuation of work in progress of £8,072,000 held at 31 December 2020. We have concluded that where the other information refers to the work in progress balance or related balances such as cost of sales, it may be materially misstated for the same reason.

#### Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

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

Except for the matter described in the basis for qualified opinion section of our report, 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 Director's Report.

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- 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.

#### Responsibilities of directors

As explained more fully in the Director's Responsibilities Statement set out on page 8, 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.

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## FAIRLINE YACHTS LIMITED

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

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#### 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained a general understanding of the Company's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We obtained an understanding of the policies and procedures in relation to compliance with relevant laws and regulations.

We understand that the Company complies with the framework through:

- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change;
- The director's close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly; and
- The engagement of external experts to ensure ongoing compliance.

In the context of the audit, we have considered those laws and regulations which determine the form and content of the financial statements and which are central to the Company's ability to conduct business and where failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the Company:

- Health and Safety Executive laws with respect to health and safety in the workplace; and
- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.

We performed the following procedures to gain evidence about compliance with the significant laws and regulations identified above:

- Enquired of management and those charged with governance as to the risks of non-compliance and any instances thereof;
- Reviewed minutes of meetings of those charged with governance;
- Reviewed correspondence with third party management experts; and
- Obtained written management representations regarding disclosure of any non-compliance with laws and regulations.

Whilst completing the above procedures it was noted that during the year the Company was defending a prosecution from the Health and Safety Executive following an incident at its premises. Following the prosecution, external advisors were engaged to identify areas of non-compliance with regards to health and safety and produce a report summarising their findings. This report was used to draw up and implement new and improved health and safety regulations to help prevent and mitigate any further incidents from occurring. As at 31 December 2021 a provision for prosecution was included within the Statement of Financial Position following legal advice. Further details are provided within note 20 to the financial statements.

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## FAIRLINE YACHTS LIMITED

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

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The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journals and incorrect recognition of revenue. These areas were communicated to other members of the engagement team not present at the discussion.

The procedures carried out to gain evidence in the above areas included:

- Evaluation of the design effectiveness of management's controls designed to prevent and detect irregularities;
- Testing of a sample of manual journal entries, selected through applying specific risk assessments applied based on the entity's processes and controls surrounding manual journal entries;
- Reviewing and challenging estimates made by management; and
- Substantive testing of revenue transactions.

The senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities.

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

Stephen Drew  
Stephen Drew (Jul 12, 2023 13:26 GMT+1)

Stephen Drew (Senior Statutory Auditor)

for and on behalf of  
CLA Evelyn Partners Limited

Chartered Accountants  
Statutory Auditors

103 Colmore Row  
Birmingham  
B3 3AG  
Date: 12/07/2023

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FAIRLINE YACHTS LIMITED

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021

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	Note	2021 £	As restated 2020 £000
Turnover	4	31,977	29,223
Cost of sales		(32,297)	(37,861)
<b>Gross loss</b>		<b>(320)</b>	<b>(8,638)</b>
Distribution costs		(2,599)	(2,468)
Administrative expenses		(13,760)	(6,207)
Other operating income	5	12	2,322
<b>Operating loss</b>	6	<b>(16,667)</b>	<b>(14,991)</b>
Interest receivable and similar income		1	-
Interest payable and similar expenses	10	(1,491)	(2,260)
<b>Loss before tax</b>		<b>(18,157)</b>	<b>(17,251)</b>
Tax on loss	11	597	-
<b>Loss for the financial year</b>		<b>(17,560)</b>	<b>(17,251)</b>

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 16 to 35 form part of these financial statements.

FAIRLINE YACHTS LIMITED  
REGISTERED NUMBER:09937735

BALANCE SHEET  
AS AT 31 DECEMBER 2021

	Note	2021 £000	As restated 2020 £000
<b>Fixed assets</b>			
Intangible assets		10,583	11,124
Negative goodwill		(9,168)	(10,001)
Tangible assets	13	5,678	6,985
		<u>7,093</u>	<u>8,108</u>
<b>Current assets</b>			
Stocks	15	16,026	9,138
Debtors: amounts falling due within one year	16	4,498	4,745
Cash at bank and in hand	17	1,534	386
		<u>22,058</u>	<u>14,269</u>
Creditors: amounts falling due within one year	18	(24,632)	(19,188)
<b>Net current liabilities</b>		<u>(2,574)</u>	<u>(4,919)</u>
<b>Total assets less current liabilities</b>		<u>4,519</u>	<u>3,189</u>
Creditors: amounts falling due after more than one year	19	-	(16,709)
<b>Provisions for liabilities</b>			
Other provisions	21	(2,953)	(3,348)
<b>Net assets/(liabilities)</b>		<u><u>1,566</u></u>	<u><u>(16,868)</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	43,000	37,000
Share premium account	23	29,994	-
Capital contribution reserve	23	15,129	15,129
Profit and loss account	23	(86,557)	(68,997)
		<u><u>1,566</u></u>	<u><u>(16,868)</u></u>



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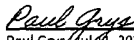
FAIRLINE YACHTS LIMITED  
REGISTERED NUMBER:09937735

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BALANCE SHEET (CONTINUED)  
AS AT 31 DECEMBER 2021

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

  
Paul Grysdou (1, 2023 16:10 GMT+1)

P J Grysdou  
Director

Date: 11/07/2023

The notes on pages 16 to 35 form part of these financial statements.

FAIRLINE YACHTS LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2020 (as previously stated)	37,000	-	-	(49,981)	(12,981)
Prior year adjustment - Inventory valuation error	-	-	-	(1,765)	(1,765)
At 1 January 2020 (as restated)	37,000	-	-	(51,746)	(14,746)
Loss for the year (as previously stated)	-	-	-	(2,490)	(2,490)
Prior year adjustment - Shareholder loans	-	-	15,129	(15,129)	-
Prior year adjustment - inventory valuation error	-	-	-	368	368
At 1 January 2021 (as restated)	37,000	-	15,129	(68,997)	(16,868)
Loss for the year	-	-	-	(17,560)	(17,560)
Contributions by and distributions to owners					
Shares issued during the year	6,000	29,994	-	-	35,994
At 31 December 2021	43,000	29,994	15,129	(86,557)	1,566

The notes on pages 16 to 35 form part of these financial statements.

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## FAIRLINE YACHTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. General information

Fairline Yachts Limited a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 09937735). The registered office address is Nene Valley Business Park, Oundle, Peterborough, Cambridgeshire, PE8 4HN.

The Company's functional and presentational currency is GBP.

#### 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 Financial Reporting Standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Fairline Yachts Holding Limited as at 31 December 2021 and these financial statements may be obtained from Companies House.

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## FAIRLINE YACHTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 2. Accounting policies (continued)

##### 2.3 Going concern

The results of the Company for the year under review show turnover of £32m (2020 - £29.2m), up 9%, a gross loss of £0.3m (2020 - loss £8.6m), and a loss for the financial year of £17.6m (2020 - loss £17.2m as restated).

The Company meets its day to day working capital requirement from cashflows generated from operations and banking facilities provided by regulated financial institutions. During 2021 the Company had cash outflows from operations of £14.6m (2020 - outflows £24.1m as restated), outflows from investing activities of £1m (2020 - outflows £1.6m), and inflows from financing activities of £17.4m (2020 - inflows £24.6m as restated).

In evaluating the Company's going concern assumption the director has reviewed the draft unaudited actual results for 2022 and 2023 to date and the forecast for 2023 and 2024. The unaudited actual results to date for 2022 and 2023 have been impacted by global supply chain uncertainties but have shown an improvement when compared to 2021. Turnover for 2022 was £47.6m (2021 - £32m) and a gross profit of £6.8m (2021 - loss £0.3m) was achieved. For the 4-month period to 30 April 2023 turnover was £9.8m and gross profit of £0.7m was achieved. The forecast for the 2023 financial year is for £70m in turnover and a gross profit of £6.3m which is supported by a good forward order sales book, and planned improvements in operational performance. The director has concluded these represent management's best estimates of the likely scenario to occur. Additionally, the director continuously reviews impacts to forecasted operations and cashflow on a weekly basis.

The director has worked with the ultimate shareholder and other financial institutions and have increased financing facilities by £11m which is fully utilised as at the date of this report. The Company has received £17.7m in debt funding from the ultimate shareholder in 2023. The director believes these facilities along with cashflow from operations allows the Company to operate within its financing needs. The company has received a letter of support from the ultimate shareholder in terms of the further debt/equity funding.

After consideration of the matters above, the director is 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 impact of the global supply chain on the financial statements, performance, and cashflow of the Company.

##### 2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover 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 turnover is recognised:

###### Sale of yachts

Turnover from the sale of yachts is recognised when all of the following conditions are satisfied:

- The yacht has been marked as complete after quality inspection;
- The final invoice has been raised; and
- A Notice of Completion has been issued to the dealer.

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## FAIRLINE YACHTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 2. Accounting policies (continued)

##### 2.5 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.

##### 2.6 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.

##### 2.7 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in profit or loss in the same period as the related expenditure.

##### 2.8 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.

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FAIRLINE YACHTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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2. Accounting policies (continued)

2.9 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 profit or loss 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

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## FAIRLINE YACHTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 2. Accounting policies (continued)

##### 2.10 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

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

##### 2.11 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.

##### 2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

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## FAIRLINE YACHTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 2. Accounting policies (continued)

##### 2.13 Stocks

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

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

##### 2.14 Pensions

###### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution 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 profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

##### 2.15 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 balance sheet 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 Balance Sheet.

##### 2.16 Financial instruments

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

Trade and other debtors and creditors are classified as basic financial instruments and measured on initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Company's cash management.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a



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FAIRLINE YACHTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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2. Accounting policies (continued)

financial liability and an equity instrument. An equity instrument is any contract that evidences a residual

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## FAIRLINE YACHTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 2. Accounting policies (continued)

##### 2.16 Financial instruments (continued)

interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

##### 2.17 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 balance sheet date in the countries where the Company operates and generates income.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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.

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FAIRLINE YACHTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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4. Turnover

The whole of the turnover is attributable to the Company's principal activity.

Analysis of turnover by country of destination:

	2021 £000	2020 £000
United Kingdom	7,359	6,120
Rest of Europe	11,900	9,476
Rest of the world	12,718	13,627
	<u>31,977</u>	<u>29,223</u>

5. Other operating income

	2021 £000	2020 £000
Government grants receivable	12	2,322
	<u>12</u>	<u>2,322</u>

6. Operating loss

The operating loss is stated after charging:

	2021 £000	2020 £000
Depreciation of tangible fixed assets	1,750	2,029
Amortisation of intangible assets	3	140
Other operating lease rentals	<u>1,585</u>	<u>1,645</u>

7. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors and their associates:

	2021 £000	2020 £000
Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements	58	53

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FAIRLINE YACHTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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8. Employees

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

	2021 £000	2020 £000
Wages and salaries	12,973	14,041
Social security costs	1,328	1,347
Cost of defined contribution scheme	360	270
	<u>14,661</u>	<u>15,658</u>

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

	2021 No.	2020 No.
Production	304	319
Administrative	42	43
Selling	31	39
	<u>377</u>	<u>401</u>

9. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	510	341
Company contributions to defined contribution pension schemes	-	4
	<u>510</u>	<u>345</u>

During the year retirement benefits were accruing to 1 director (2020 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £475k (2020 - £270k).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2020 - £Nil).

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FAIRLINE YACHTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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10. Interest payable and similar expenses

	2021 £000	2020 £000
Other loan interest payable	1,700	2,420
Loans from related parties	(209)	(160)
	<u>1,491</u>	<u>2,260</u>

FAIRLINE YACHTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

11. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	-	-
Adjustments in respect of previous periods	<u>(597)</u>	<u>-</u>
Taxation on (loss)/profit on ordinary activities	<u>(597)</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - *higher than*) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Loss on ordinary activities before tax	<u>(18,157)</u>	<u>(17,251)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(3,295)	(3,278)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	53	145
Adjustments to tax charge in respect of prior periods - current tax	(597)	-
Adjustment to tax charge in respect of the previous period - deferred tax	(2,487)	-
Other tax adjustments, reliefs and transfers	(38)	142
Remeasurement of deferred tax for changes in tax rates	(3,933)	(663)
Deferred tax not recognised	9,700	3,654
Total tax charge for the year	<u>(597)</u>	<u>-</u>

Factors that may affect future tax charges

At the year end, the Company has an unprovided tax asset of £9.7m (2020 - £7.8m) 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.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has been substantively enacted at the balance sheet date, as result deferred tax balances as at 31 December 2021 are measured at 25%.

FAIRLINE YACHTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

12. Intangible assets

	Software £000	Brand £000	Dealer network £000	Negative goodwill £000	Total £000
<b>Cost</b>					
At 1 January 2021	297	12,684	1,670	(15,547)	(896)
Additions	109	-	-	-	109
At 31 December 2021	406	12,684	1,670	(15,547)	(787)
<b>Amortisation</b>					
At 1 January 2021	295	2,536	696	(5,546)	(2,019)
Charge for the year	2	507	139	(833)	(185)
At 31 December 2021	297	3,043	835	(6,379)	(2,204)
<b>Net book value</b>					
At 31 December 2021	<u>109</u>	<u>9,641</u>	<u>835</u>	<u>(9,168)</u>	<u>1,417</u>
At 31 December 2020	<u>2</u>	<u>10,148</u>	<u>974</u>	<u>(10,001)</u>	<u>1,123</u>

FAIRLINE YACHTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

13. Tangible fixed assets

	Freehold and leasehold property £000	Plant, machinery and moulds £000	Office equipment £000	Assets under construction £000	Total £000
<b>Cost</b>					
At 1 January 2021	3,863	9,510	561	-	13,934
Additions	46	167	73	156	442
At 31 December 2021	<u>3,909</u>	<u>9,677</u>	<u>634</u>	<u>156</u>	<u>14,376</u>
<b>Depreciation</b>					
At 1 January 2021	1,004	5,572	372	-	6,948
Charge for the year on owned assets	300	1,358	92	-	1,750
At 31 December 2021	<u>1,304</u>	<u>6,930</u>	<u>464</u>	<u>-</u>	<u>8,698</u>
<b>Net book value</b>					
At 31 December 2021	<u>2,605</u>	<u>2,747</u>	<u>170</u>	<u>156</u>	<u>5,678</u>
At 31 December 2020	<u>2,859</u>	<u>3,937</u>	<u>189</u>	<u>-</u>	<u>6,985</u>

Freehold property includes an amount of £200k (2020 : £200k) in respect of freehold land.

The net book value of land and buildings may be further analysed as follows:

	2021 £000	2020 £000
Freehold	2,056	2,155
Long leasehold	549	704
	<u>2,605</u>	<u>2,859</u>



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FAIRLINE YACHTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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14. Fixed asset investments

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Fairline Yachts Americas LLC	4000 Hollywood Blvd, Hollywood, FL, 33021, United States	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2021 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves £'000	Profit/(Loss) £'000
Fairline Yachts Americas LLC	(206)	(206)

15. Stocks

	2021 £000	2020 £000
Raw materials and consumables	5,490	2,465
Work in progress (goods to be sold)	10,536	6,673
	<u>16,026</u>	<u>9,138</u>

The carrying value of stocks are stated net of impairment losses totalling £0.6m (2020 - £1.7m).

16. Debtors

	2021 £000	2020 £000
Trade debtors	459	636
Amounts owed by related parties	584	1,471
Other debtors	2,385	1,831
Prepayments and accrued income	473	807
Tax recoverable	597	-
	<u>4,498</u>	<u>4,745</u>

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FAIRLINE YACHTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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17. Cash and cash equivalents

	2021	2020
	£000	£000
Cash at bank and in hand	1,534	386
Less: bank overdrafts	-	(90)
	<u>1,534</u>	<u>296</u>

18. Creditors: Amounts falling due within one year

	2021	2020
	£000	£000
Bank overdrafts	-	90
Bank loans	-	1,781
Other loans	5,410	1,192
Trade creditors	2,444	1,205
Amounts owed to group undertakings	2,359	-
Other taxation and social security	785	864
Other creditors	147	819
Accruals and deferred income	13,487	13,237
	<u>24,632</u>	<u>19,188</u>

Other loans comprise a rollover working capital facility totalling £5,410k (2020 - £1,192k) which is secured by certain completed boats.

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

	2021	2020
	£000	£000
Shareholder loans	<u>-</u>	<u>16,709</u>

See note 20 for further details on shareholder loans.

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FAIRLINE YACHTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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20. Loans

Analysis of the maturity of loans is given below:

	2021 £000	2020 £000
Amounts falling due within one year		
Shareholder loans	-	1,781
Other loans	5,410	1,192
Amounts falling due 2-5 years		
Shareholder loans	-	16,709
	<u>5,410</u>	<u>19,682</u>

During 2021 as a result of the acquisition of the Company by Fairline Yachts Holding Limited the shareholder loans outstanding at 31 December 2020 and subsequent advances were capitalised via the issue of new share capital to the previous shareholders. Capital of £27,213k and interest of £3,781k was repaid.

21. Provisions

	Warranty provision £000	Provision for prosecution £000	Onerous lease provision £000	Total £000
At 1 January 2021	672	494	2,182	3,348
Charged to profit or loss	99	(256)	-	(157)
Utilised in year	-	(238)	-	(238)
At 31 December 2021	<u>771</u>	<u>-</u>	<u>2,182</u>	<u>2,953</u>

The provision for warranty represents estimated costs to be incurred for work under warranty on yachts 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 was defending a prosecution from the Health & Safety Executive following an incident at its premises. The penalties for this incident cover a wide range. Having taken professional advice and considering the circumstances, this has been settled during the year and the directors have recorded the penalties that were made against the Company.

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FAIRLINE YACHTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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22. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
43,000,000- (2020 - 37,000,000) Ordinary shares of £1.00 each	<u>43,000</u>	<u>37,000</u>

Each share ranks pari passu and has full rights in the Company with respect to voting, dividends and distributions in a winding up. none of the shares are redeemable.

During the year the company issued 6m ordinary shares of £1 each for £36m. The difference between the par value and the total received has been credited to the share premium account.

23. Reserves

Share premium account

This represents the excess over par value paid for the company's shares.

Capital contribution reserve

This represents the contributions made by shareholders.

Profit and loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

24. Prior year adjustments

There have been two prior year adjustments this year.

Write-off of shareholder loans in 2020

The prior year adjustment relates to a capital contribution by shareholders of the Company. In the previous year, this was recorded in administrative expenses. This has been corrected to be shown as capital contribution in equity. As a result of the adjustment, the prior year loss has increased by £15,943k and retained earnings for the prior year have reduced by the same amount. There has been no effect on net liabilities.

Work in progress valuation

During the review of the inventory valuation it was noted that a number of work in progress items included overhead amounts in error. On review this issue was noted in respect 2020 and 2019 financial years. A process of revaluing the work in progress for these years has also been carried out. This has resulted in a prior year adjustment of £1.4m to the carrying value of inventory in previous years and the profit and loss opening reserves have been adjusted for this amount.

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FAIRLINE YACHTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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25. Capital commitments

At 31 December 2021 the Company had capital commitments as follows:

	2021 £000	2020 £000
Contracted for but not provided in these financial statements	295	-
	<u>295</u>	<u>-</u>

26. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £176k (2020 - £190k). Contributions totalling £67k (2020 - £51k) were payable to the fund at the reporting date.

27. Commitments under operating leases

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

	2021 £000	2020 £000
Not later than 1 year	1,630	1,489
Later than 1 year and not later than 5 years	6,218	5,958
Later than 5 years	12,745	13,894
	<u>20,593</u>	<u>21,341</u>

28. Related party transactions

The Company has taken advantage of the exemption in FRS 102 Section 33.1A to not disclose transactions with wholly owned group entities.

29. Post balance sheet events

The Director is of the opinion that the following post balance sheet events should be noted:

The resignation of the Chief Finance Officer on 17 March 2023.

Funding of £17.7m has been received from the Parent company in 2023 to assist with working capital requirements.

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FAIRLINE YACHTS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
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30. Controlling party

The immediate parent undertaking is Fairline Yachts Holding Limited (formerly Hanover Bidco 3 Limited), a company registered in England and Wales.

Since 12 June 2021, the immediate parent company is Fairline Yachts Holding Limited (formally Hanover Bidco 3 Limited), a company registered in England and Wales. The ultimate parent company Hanover Active Equity Fund II, S.C.A.SICAV-RAIF, a Company incorporated in Luxembourg.

The director does not consider there to be an ultimate controlling party.