

Registered number: 11425221

FAIRLINE YACHTS DESIGN STUDIO LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



FAIRLINE YACHTS DESIGN STUDIO LTD

COMPANY INFORMATION

Directors	J Carley (appointed 1 July 2020) D McHugh (appointed 1 July 2020) P McNulty (appointed 1 July 2020)
Registered number	11425221
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

FAIRLINE YACHTS DESIGN STUDIO LTD

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FAIRLINE YACHTS DESIGN STUDIO LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Principal activities

The company provides product design studio services to Fairline Yachts Limited, a company under common control. The directors of Fairline Yachts Design Studio Limited are also the directors of Fairline Yachts Limited. The company has no other customers.

Business review and outlook

No revenue was generated for the year under review (2018: £Nil) resulting in a loss of £2.4m (2018: £966k).

During 2019 the company supported its sister company, Fairline Yachts Limited, in bringing its F//33 to market at the Cannes Boat show in 2019, along with the announcement to launch a GT45 and a Targa and Squadron 58. It also continues to work with Mr Alberto Mancini in supporting the demands of Fairline Yachts Limited.

The company worked closely with its sole customer, Fairline Yachts Limited, to evaluate the risks and opportunities of the UK's exit from the European Union ("Brexit") to determine any impacts to the services required by its customer.

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 a review of requirements from the company's sole customer and reduced overheads to align with its customer's new strategy.

Looking forward the new Board of Directors will remain focused on ensuring that the company has the resources required to support its customer and its expansion of their model range, enhancement of the company's technology, staff training, and implementing further KPI's and KCI's to meet the company's short and medium term goals.

Post balance sheet events

In July 2020, further confidence was shown in Fairline when RiverRock became the sole shareholder of Fairline Yachts Design Studio Limited, with a new board of directors appointed. As a result of that, the loan payable to shareholders was removed from the company's balance sheet.

Since the start of the financial year under review 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 (our 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.

Fairline Yachts Design Studio Limited did not close operations in Q2 2020 due to Covid-19 but implemented strict operational protocols including allowing staff able to work from home as soon as UK Government guidance stipulated. The company also right-sized the business due to the challenging market conditions with current employees at 15, down from a peak of 26.

FAIRLINE YACHTS DESIGN STUDIO LTD

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

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 working carefully with its sole customer to ensure the company's cost base is aligned closely with their plans for new models and facelifts whilst also monitoring all significant KPI's to ensure the company continues to be right sized for market conditions it faces.

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.

Credit risk

This is fully correlated with the credit risk of Fairline Yachts Limited and given the common directors of each company, they work closely to ensure the company is not overly exposed to its sole customer.

Liquidity risk

Where required the company receives funding from its shareholder or from its sole customer, Fairline Yachts Limited.

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.

At the time of writing, the company has entered 2021 having right sized its workforce and closely aligned with the demands of its customer, an experienced and stable senior management team, and a supportive shareholder in RiverRock. The company will be vigilant in monitoring risks associated with Brexit and Covid-19. These are all important elements that together will ensure the continued upward trajectory of the company towards a sustainable future.

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

and signed on its behalf.



P McNulty
Director

FAIRLINE YACHTS DESIGN STUDIO LTD

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 providing design services to its sole customer, Fairline Yachts Limited.

Dividends

No dividends were paid or recommended during the period (2018: £Nil). The results for the year are given on page 10.

Directors

The directors who served during the year were:

L Bondareva (resigned 1 July 2020)
I Glyanenko (resigned 1 July 2020)
A Lomakin (resigned 29 October 2019)
D R Tydeman (resigned 21 January 2020)
A Volov (resigned 1 July 2020)
K T Gilding (resigned 12 April 2019)
M J Hicks (resigned 17 April 2019)

J Carley, D McHugh 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 to 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 DESIGN STUDIO LTD

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.

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.

Director 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.

Matters covered in the strategic report

Information on future developments, financial risks, and post balance sheet events are contained within the strategic report.

Going concern

The results of the company for the year under review show a loss of £2.4m (2018: £966k).

The company's business model is to operate as a design studio for Fairline Yachts Limited. On the completion of new boat designs revenue will be generated from the sale of these designs and the related tooling and moulds to Fairline Yachts Limited. The sale of tooling and moulds have been transacted at cost only in 2020, so trading losses for this financial year will be incurred. On a day to day basis the company is managed and operated as a cost centre of Fairline Yachts Limited, and is funded from the working capital of that company.

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 an analysis of the requirements from Fairline Yachts Limited, 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 attainment of this business plan is dependent on a number of commercial factors. Funding facilities are in place to facilitate this plan and confirmation of the continuing support of the shareholders has been obtained by the directors. Further details of the nature of this funding are disclosed within the financial statements of Fairline Yachts Limited for the year ended 31 December 2019.

FAIRLINE YACHTS DESIGN STUDIO LTD

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

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.

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 McNulty
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRLINE YACHTS DESIGN STUDIO LTD

Opinion

We have audited the financial statements of Fairline Yachts Design Studio Ltd (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 and the 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.

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 £2.4m during the year ended 31 December 2019 and, as of that date, the company's liabilities exceeded its assets by £3.4m. As stated in note 2.2, these events or conditions, along with the other matters as set forth in



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRLINE YACHTS DESIGN STUDIO LTD
(CONTINUED)**

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 DESIGN STUDIO LTD (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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRLINE YACHTS DESIGN STUDIO LTD
(CONTINUED)**

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

9/3/2021

FAIRLINE YACHTS DESIGN STUDIO LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	31 December 2019 £	<i>6mth period 31 December 2018 £</i>
Administrative expenses	(2,125,535)	(934,468)
Operating loss	<u>(2,125,535)</u>	<u>(934,468)</u>
Interest payable and expenses	(270,750)	(31,462)
Loss before tax	<u>(2,396,285)</u>	<u>(965,930)</u>
Loss for the financial year	<u>(2,396,285)</u>	<u>(965,930)</u>
Other comprehensive income for the year		
Total comprehensive income for the year	<u><u>(2,396,285)</u></u>	<u><u>(965,930)</u></u>

The notes on pages 14 to 19 form part of these financial statements.

FAIRLINE YACHTS DESIGN STUDIO LTD
REGISTERED NUMBER:11425221

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Current assets			
Stocks	5	889,067	889,067
Debtors: amounts falling due within one year	6	29,885	609,024
Cash at bank and in hand	7	1,064	1,522
		<u>920,016</u>	<u>1,499,613</u>
Creditors: amounts falling due within one year	8	(1,600,898)	(27,543)
Net current (liabilities)/assets		<u>(680,882)</u>	<u>1,472,070</u>
Total assets less current liabilities		<u>(680,882)</u>	<u>1,472,070</u>
Creditors: amounts falling due after more than one year	9	(2,680,333)	(2,437,000)
Net liabilities		<u><u>(3,361,215)</u></u>	<u><u>(964,930)</u></u>
Capital and reserves			
Called up share capital		1,000	1,000
Profit and loss account		(3,362,215)	(965,930)
		<u><u>(3,361,215)</u></u>	<u><u>(964,930)</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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



P McNulty
 Director

The notes on pages 14 to 19 form part of these financial statements.

FAIRLINE YACHTS DESIGN STUDIO LTD

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	1,000	(965,930)	(964,930)
Comprehensive income for the year			
Loss for the year	-	(2,396,285)	(2,396,285)
Total comprehensive income for the year	-	(2,396,285)	(2,396,285)
Total transactions with owners	-	-	-
At 31 December 2019	1,000	(3,362,215)	(3,361,215)

The notes on pages 14 to 19 form part of these financial statements.

FAIRLINE YACHTS DESIGN STUDIO LTD

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

	Called up share capital £	Profit and loss account £	Total equity £
Comprehensive income for the period			
Loss for the period	-	(965,930)	(965,930)
Total comprehensive income for the period	-	(965,930)	(965,930)
Shares issued during the period	1,000	-	1,000
Total transactions with owners	1,000	-	1,000
At 31 December 2018	1,000	(965,930)	(964,930)

The notes on pages 14 to 19 form part of these financial statements.

FAIRLINE YACHTS DESIGN STUDIO LTD

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

1. General information

Fairline Yachts Design Studio Ltd is a private company limited by shares & incorporated in England and Wales. Registered number 11425221. Its registered head office is located at Nene Valley Business Park, Oundle, Peterborough, Cambridgeshire, United Kingdom, PE8 4HN.

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 Section 1A of 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.

The following principal accounting policies have been applied:

2.2 Going concern

The company provides product design studio services to Fairline Yachts Limited, a company under common control. The Directors of Fairline Yachts Design Studio Ltd are also the directors of Fairline Yachts Limited. The company has no other customers. No revenue was generated for the period ended 31 December 2019, the company suffered a loss of £2,396,285 and had liabilities in excess of assets of £3,361,295 at the balance sheet date.

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 an analysis of the requirements from Fairline Yachts Limited, 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 attainment of this business plan is dependent on a number of commercial factors. Funding facilities are in place to facilitate this plan and confirmation of the continuing support of the shareholders has been obtained by the directors. Further details of the nature of this funding are disclosed within the financial statements of Fairline Yachts Limited for the year ended 31 December 2019.

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 DESIGN STUDIO LTD

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

2. Accounting policies (continued)

2.2 Going concern (continued)

2.3 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 Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2.4 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.

2.5 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 weighted average 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.

FAIRLINE YACHTS DESIGN STUDIO LTD

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

2. Accounting policies (continued)**2.6 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.

2.7 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.

2.8 Creditors

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

2.9 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.

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.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

FAIRLINE YACHTS DESIGN STUDIO LTD

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

2. Accounting policies (continued)**2.9 Financial instruments (continued)**

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.

3. Auditor's remuneration

	31 December 2019 £	6mth period 31 December 2018 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	10,350	-

4. Employees

The average monthly number of employees, including directors, during the year was 21 (2018 - 24).

5. Stocks

	2019 £	2018 £
Work in progress	889,067	889,067

6. Debtors

	2019 £	2018 £
Amounts owed by related parties	-	392,282
Other debtors	21,198	216,742
Prepayments and accrued income	8,687	-
	29,885	609,024

FAIRLINE YACHTS DESIGN STUDIO LTD

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

7. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>1,064</u>	<u>1,522</u>

8. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	6,827	-
Amounts owed to related parties	1,542,638	-
Other taxation and social security	22,275	23,372
Other creditors	24,158	4,171
Accruals and deferred income	5,000	-
	<u>1,600,898</u>	<u>27,543</u>

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

	2019 £	2018 £
Shareholder loans	2,400,000	2,400,000
Accruals	<u>280,333</u>	<u>37,000</u>

At the year end shareholder loans with a book value of £2.4m and interest accrued of £280,333 (2018: £37,000) were outstanding and due to the shareholders. These loans are unsecured, accrue interest at 10% and due for repayment in 2025. As the interest is also due for repayment in more than one year from the balance sheet date it is classified as a creditor due after more than one year and the comparative has been restated to amend this presentation.

10. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due after more than 5 years		
Shareholder loans	<u>2,400,000</u>	<u>2,400,000</u>

FAIRLINE YACHTS DESIGN STUDIO LTD

**NOTES TO THE FINANCIAL STATEMENTS
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11. Pension commitments

The company operates a defined contributions 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 £47,044 (2018: £12,883). Contributions totalling £4,849 (2018: £4,171) were payable to the fund at the reporting date and are included in creditors.

12. Related party transactions

Amounts owed to shareholders totalled £2,400,000 plus accrued interest at the year end. Refer to disclosures in note 9.

The company was recharged costs totalling £914,007 (2018: £406,271) in the year from Fairline Yachts Limited. In 2018 the company purchased stock totalling £889,067 from Fairline Yachts Limited, this remains on the balance sheet as at 31 December 2019.

£1,542,638 (2018: £392,282 was owed from) was owed to Fairline Yachts Limited, a company under common control, at the year end as a result of the timing of funding receipts and the settlement of recharge invoices. Interest accrues on the outstanding balance at 8%.

13. Post balance sheet events

In July 2020 RiverRock took sole control of the company.

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.