



THE WORLD'S LEADING  
SUPERYACHT SERVICE & SUPPLY GROUP



Annual report and financial statements

For the year ended 31 December 2019



**GYG is a market leading superyacht painting, supply and maintenance company, offering services throughout the Mediterranean, northern Europe and the USA. The Company primarily trades under the Pinmar, Pinmar Yacht Supply and Technocraft brands.**

Pinmar was founded in Mallorca, Spain in 1975 as a specialist yacht painting company focused on the new breed of superyachts over 40m. In 2012 Pinmar merged with its main local competitor, Rolling Stock, to form the Global Yachting Group. The Company floated on the London Stock Exchange's AIM market in 2017 and was re-named GYG plc.

During its 44-year history, Pinmar has expanded its operations to cover the major superyacht Refit locations across Europe and the USA as well as establishing partnerships with the largest New Build shipyards. It has diversified its service offering through its yacht chandlery business, Pinmar Yacht Supply, which provides a multi-channel supply service to the world's superyacht fleet. Today it is recognised as the market leading brand in superyacht painting with a reputation for premium quality.

The Group also operates a specialist engineering company, Technocraft, that

provides bespoke scaffolding containment systems and yacht hardware removal and repair services to superyachts. These services form an integral part of the superyacht Refit process and enable Pinmar to offer a unique turnkey approach to superyachts and the Refit yards.

Pinmar has pioneered many of the innovations and methodologies associated with superyacht painting and is recognised as the most technically advanced applicator in the industry. Working with the major international paint manufacturers, it continues to invest in research and development programmes to drive improvements in speed, quality and efficiency. The Pinmar Standard 2.0 is recognised as the most exacting quality metric in the industry.

GYG plc is incorporated in the UK with its registered office in London. The Group's headquarters are in Palma de Mallorca, Spain with its main Mediterranean operational hubs in Palma, Barcelona and La Ciotat, France. The USA division is based in West Palm Beach, Florida with operational centres in Fort Lauderdale and Savannah, Georgia. The Company also has offices in Holland and Germany providing a permanent presence in the major northern European New Build market.

#### **Cautionary Statement**

Sections of this annual report, including but not limited to the Directors' Report, the Strategic Report and the Directors' Remuneration Report may contain forward-looking statements with respect to certain of the plans and current goals and expectations relating to the future financial condition, business performance and results of the Company. These have been made by the Directors in good faith using information available up to the date on which they approved this report. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the Company and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual future financial conditions, business performance, results or developments of the Company to differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements and forecasts. Nothing in this document should be construed as a profit forecast.

## CONTENTS

## 02-09

## OVERVIEW

Highlights	03
Our Brands	04
What We Do	06
Market Size and Growth Forecast	08

## 10-21

## STRATEGIC REPORT

Chairman's Statement	10
Chief Executive's Report	12
Financial Review	16
Key Performance Indicators	17
Risk Management and Principal Risks	18
Section 172(1) Statement	20

## 22-43

## DIRECTORS' GOVERNANCE REPORT

Board of Directors and Senior Management	22
Directors' Report	24
Corporate Governance Statement	28
Nomination Committee Report	35
Audit Committee Report	36
Directors' Remuneration Report	39
Statement of Directors' Responsibilities	43

## 44-80

## FINANCIAL STATEMENTS

Independent Auditor's Report to the Members of GYG plc	44
Consolidated Statement of Comprehensive Income	50
Consolidated Statement of Financial Position	51
Consolidated Statement of Changes in Equity	52
Consolidated Cash Flow Statement	53
Notes to the Consolidated Financial Statements	54
Parent Company Statement of Financial Position	74
Parent Company Statement of Changes in Equity	79
Notes to the Parent Company Financial Statements	79
Notice of General Meeting	81
Company Information	IBC



# HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

- Group revenue increased **41.8%** to **€63.8m** (FY18: **€45.0m**)
  - Coatings (Refit and New Build) revenue increased **51.5%** to **€53.7m** (FY18: **€35.5m**)
  - Supply revenue up **6.3%** to **€10.1m** (FY18: **€9.5m**)
- Adjusted EBITDA<sup>1</sup> increased to **€4.5m** (FY18: loss of **€0.9m**)
- Operating profit of **€1.3m** (FY18: operating loss of **€4.3m**)
- Profit before tax increased to **€0.8m** (FY18: loss of **€4.6m**)
- Net debt position<sup>2</sup> of **€8.2m** at 31 December 2019 (FY18: **€7.8m**)
- Cash of **€5.5m** at 31 December 2019 (**€5.1m** at 31 December 2018)



## OPERATIONAL HIGHLIGHTS

- Six major contract wins in the New Build sector during the year and **€11.2m** of New Build revenue generated in 2019 (FY18: **€3.7m**)
- Significantly improved the Group's Total Order Book to **€42.7m** as at 30 June 2020 up from **€38.6m** at 30 June 2019
- 46% increase in the number of Refit projects undertaken during the year, generating **€42.5m** of revenue (FY18: **€31.8m**)
- Expanded customer base and service offering in the Supply division with renewed focus on CRM systems and collaboration with Coatings division
- Entered collaboration agreement with Akzo Nobel to develop and bring to market an application methodology for its new sprayable filler product
- Restructured senior management team to provide greater focus on important drivers including sales, operations and logistics
- Several strategic initiatives implemented to improve gross margins and deliver operational efficiencies

<sup>1</sup> Adjusted EBITDA is defined as operating profit before depreciation, amortisation, impairment, performance share plan costs and exceptional items. This is an alternative performance measure used by Directors to assess the operating performance of the Group.

<sup>2</sup> Net debt position is defined as the net cash and cash equivalent balances, less short and long-term borrowings and obligations under leases. This is an alternative performance measure used by investors, financial analysts, rating agencies, creditors and other parties to ascertain a company's debt position.

# OUR BRANDS

GYG operates a portfolio of three principal brands: Pinmar, Pinmar Yacht Supply, and Technocraft, offering a comprehensive painting supply and maintenance service for the global superyacht sector.

**PINMAR** is the market leading brand in the superyacht painting sector (40m) having painted over 350 yachts in its 44-year history.

In the New Build sector, Pinmar specialises in the 70m+ segment working with the leading shipyards in Northern Europe which dominate the production of the larger, premium quality vessels. Pinmar has completed the fairing and finishing of 42 New Build projects with an average length over 100m, including many of the world's most prestigious superyachts.

Pinmar is the only paint application company that offers a global refit service proposition with operational hubs located within the leading Refit shipyards across Europe and the USA. The Group undertakes over 35 major Refit projects per year equating to approximately 15% of the estimated annual global market.

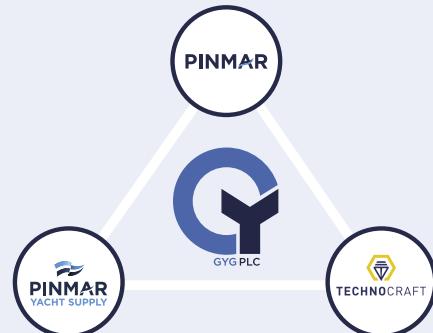
Pinmar is acknowledged for its technical leadership in the superyacht painting industry with a history of technological innovation, having pioneered the development of several major improvements in application technology, environmental management and finish quality. The company led the introduction of topcoat electrostatic spray application and instigated the adoption of empirical quality standards; the Pinmar Standard 2.0 is recognised as the most exacting quality metric in the industry.

**PINMAR YACHT SUPPLY** is a major international superyacht supply company with a network of yacht chandlery outlets and retail partners in Palma, Barcelona, Valencia, Girona, Vigo, Gibraltar, La Ciotat and Malta. It also operates a mobile fleet providing dockside service to the major shipyards and marinas in Mallorca and the Spanish Peninsular.

The Company's superyacht service centre offers a worldwide supply and logistics service supporting a growing portfolio of the world's largest superyachts with bridge, deck and engineering equipment and consumables.

Pinmar Yacht Supply's trade division operates as a principal distributor in Spain for Akzo Nobel's marine paint brands, 3M abrasives and several other major marine product manufacturers, with operations extending to the Canaries, Egypt, Portugal, Malta and Greece.

**TECHNOCRAFT** is a specialist engineering company that provides bespoke containment systems and yacht hardware removal and repair services to superyachts. These services form an integral part of the superyacht Refit process and enable GYG to offer a unique turnkey approach to superyachts and the Refit yards.



Technocraft's two divisions, yacht containment systems and yacht hardware solutions, are both based in Palma with permanent hubs in Barcelona and La Ciotat. Technocraft has the unique capability of being able to deploy its specialist teams and equipment to shipyards throughout Europe and frequently combines with Pinmar to offer turnkey Refit solutions to the world's largest superyachts.

Technocraft's yacht containment division is a recognised leader in this highly specialist sector having designed and delivered containment systems for some of the largest superyacht Refit projects in the world. The company utilises the latest scaffolding equipment and has developed a cantilever system that enables it to construct bespoke containment systems for virtually any size or shape of vessel.

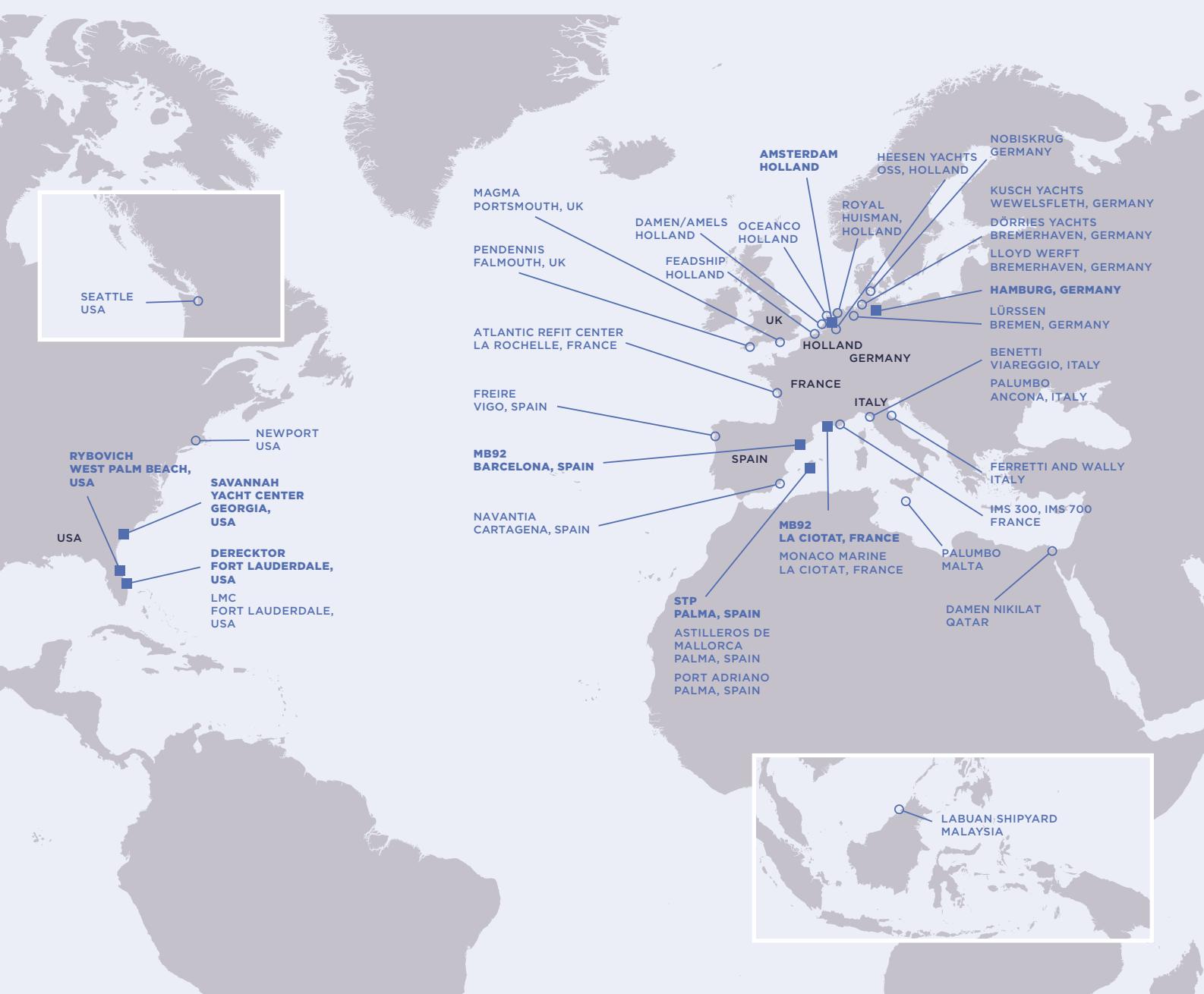
**ROLLING STOCK AND ACA MARINE** GYG owns two further paint application brands, Rolling Stock and ACA Marine which were acquired through merger and acquisition respectively. Following a strategic assessment of the competitive market sector the Group decided to consolidate the marketing of its paint services under the Pinmar brand to leverage its market leading position. During 2019 the Rolling Stock and ACA Marine brands have been scaled back as customers have been migrated to the principal Pinmar brand.

## A BRIEF HISTORY OF GYG PLC

1975	• Pinmar was founded in Palma de Mallorca, Spain	1989	• Rolling Stock was founded in Palma de Mallorca, Spain	2003	• Management buyout supported by Ferretti and Permira, Italy	2009	• Expansion to the USA (Florida) through the acquisition of Classic Yacht Refinishing Inc. • Management buy out of Ferretti shareholding in December 2011
1982	• Pinmar Supply & Wholesale division was created	1992	• Pinmar became Awlgrip's distributor for Spain • Expansion to Marina Barcelona, Spain	2005	• Purchase of the Techno Craft, S.L. and Andamios de Baleares, S.L. businesses (expansion into scaffolding & covering company) • Expansion into Germany and superyacht New Build market • Pinmar ISO 9001 & 14001 certification	2010	• Completion of the world's largest superyacht

## GYG global operations

■ Major Bases



<b>2012</b>	<ul style="list-style-type: none"> <li>• Creation of the Global Yachting Group through the merger of Pinmar and Rolling Stock companies</li> </ul>	<b>2016</b>	<ul style="list-style-type: none"> <li>• GYG management buyout with support from Lonsdale Capital Partners to expand the Group</li> </ul>	<b>2018</b>	<ul style="list-style-type: none"> <li>• GYG opens new hub in La Ciotat, France with its Pinmar, Pinmar Yacht Supply and Technocraft brands supplying Refit and Supply services to shipyards and superyachts</li> </ul>	<b>2019</b>	<ul style="list-style-type: none"> <li>• Pinmar launches a major marketing campaign aimed at growing market share in northern European New Build sector</li> <li>• Pinmar Yacht Supply expands its superyacht supply business with the addition of new retail partners</li> </ul>
<b>2014</b>	<ul style="list-style-type: none"> <li>• Consolidation of GYG into the New Build market</li> <li>• Creation of GYG Germany and GYG Central Services</li> <li>• Complete restructuring of the Group's companies</li> </ul>	<b>2017</b>	<ul style="list-style-type: none"> <li>• Global Yachting Group floated on the London Stock Exchange's AIM market changing the name to GYG plc</li> <li>• Acquisition of ACA Marine business in France</li> </ul>	<b>2019</b>	<ul style="list-style-type: none"> <li>• Pinmar signs 6 New Build contracts with major northern European shipyards</li> <li>• GYG consolidates brands to leverage market leading Pinmar brand globally</li> <li>• Pinmar opens new base at Savannah Yacht Center, Georgia increasing capacity for 70m+ yacht refits in the USA</li> </ul>		

# WHAT WE DO

## GYG's operations can be divided in to two key markets:

- **Coatings** – which is split into two sub-sectors:

**New Build** – the fairing and painting of new superyachts as part of the construction process

**Refit** – the repainting and refinishing of superyachts, normally as part of a refitting programme, a process necessitating the removal of fittings and erection of scaffolding, containment and extraction systems

- **Supply** – the sale and delivery of maintenance materials, consumables, spare parts and equipment for the care and operation of superyachts

### **NEW BUILD**

The exterior finish of a superyacht is a key part of the construction process ensuring the physical integrity and performance of hull and super structures. It is also fundamental to the aesthetics of the finished yacht emphasising the sleekness of design and the product's quality.

The time demanding process of fairing and finishing a superyacht comprises many complex stages and can take upwards of twelve months to complete depending on the construction methodology and size of the yacht. Starting with a steel and aluminium substrate with all its surface imperfections the process commences with the manual application<sup>1</sup> of several layers of specialist epoxy filling compound to gradually build up a seamless base across several thousand square meters of surface area to create the smooth lines of the yacht design. After several phases of sanding and cleaning, paint primers are then applied

to seal the fillers and provide a consistent surface for the topcoats. After multiple cycles with detailed inspections between each application, the entire yacht is then prepared for the final application of topcoats. This final stage involves a team of highly experienced specialist top-coaters working as a cohesive unit and, using the latest electrostatic spray guns, they apply several hundreds of litres of specialist marine paints to achieve the high gloss superyacht finish.

GYG's highly developed production methodologies are designed to synchronise with those of the shipyard and other sub-contractors to ensure maximum speed, efficiency and control during each project. Quality, safety and environmental controls are fundamental to the production process ensuring the quality of the finish, whilst minimising the environmental impacts and ensuring the safety of the workforce. GYG's

pioneering introduction of electrostatic paint spraying to the superyacht sector has led to significant improvements in the application process and consistency of the finish quality. Most importantly, with a 60% improvement in paint transfer, it has resulted in a significant reduction in waste.

Pinmar is a leading paint applicator in the industry and is one of the preferred paint contractors to several of the largest and most prestigious shipyards in northern Europe. This ensures a consistent and visible forward Order Book. The Group is growing its market share in the 70m+ New Build sector by establishing further long-term supplier relationships with major shipbuilders.

<sup>1</sup> Pinmar is currently partnering with Akzo Nobel's market leading paint brand, Awlgrip to develop the application methodology for its new sprayable filler product that is expected to deliver a step change in the time taken to fair larger superyachts.



## REFIT

Superyacht marine paints<sup>2</sup> have an effective life of 4-6 years depending upon use and environmental factors necessitating a regular re-finishing cycle throughout the yacht's life. Superyachts require a major Refit inspection and service every five years to comply with maritime industry regulations. Consequently, owners often use the major service periods as an opportunity for re-painting their superyachts as there are significant cost saving and schedule synergies by combining these activities. Yachts typically undertake an annual haul out to renew anti-fouling and to undertake general maintenance to keep the vessels in optimum condition.

Large superyachts can be painted in or out of the water, or in specialist dry dock facilities provided the necessary scaffolding and containment systems are used to facilitate access and create a controlled environment. Before the paint team can start work preparing the vessel, specialist teams dismantle and remove all the exterior fittings from the yacht. The Refit paint process involves the identification and treatment of any corrosion or damage to the substrates. This is followed by an intensive cycle of sanding and cleaning to remove the old paint system and any contaminants. New primers are then

applied to re-seal the paint system and provide a consistent surface for the top coating system. Depending on the colour and type of finish, at least 3 layers of topcoats will then be applied using the latest electrostatic application technology. Final inspections are made to ensure the requisite film thickness, gloss and quality of finish are achieved before the infrastructure is removed and the yacht can be handed back to the captain and crew to maintain. A typical 70m yacht will take 12-14 weeks and several thousand man-hours to complete.

Pinmar has unrivalled experience in the superyacht Refit market having painted more yachts over 40m than any other company. It focuses on the 50+m market where the scale and complexities

of completing a major Refit project in a short window are significant. Decision makers be they captains, owner's representatives, management companies or shipyards are seeking the most qualified and experienced partners who can deliver the highest quality, mitigate risk and also provide the best warranty and after-sales service. Pinmar offers a unique proposition encompassing turnkey solutions, premium quality, geographic scope and a global warranty. Pinmar leads the industry in terms of quality and has preferred partnership agreements with many of the largest Refit yards in Spain, France, Holland, Germany and the USA.

<sup>2</sup> As opposed to antifoul paints used below the waterline that require annual or bi-annual re-treatment.



## SUPPLY

Based in Spain with the ability to serve clients anywhere in the world, Pinmar Yacht Supply offers a comprehensive selection of marine products to trade, retail customers and direct supply to superyachts worldwide.

**Retail Division** - Through its fixed and mobile chandlery outlets in Palma and Barcelona and its retail partner network, Pinmar Yacht Supply offers an extensive range of nautical brands to superyachts and the supporting marine service industry. The portfolio is segmented by bridge, deck, galley, engine room, toys, uniforms and safety equipment. With shops located in major shipyards and an experienced retail staff with expert product knowledge, Pinmar Yacht Supply offers a professional service underpinned by competitive pricing and high availability of stock as a result of the Group's major distribution agreements.

**Superyacht Supply Team** - Superyachts' requirement for a reliable and efficient supply service remains constant wherever

the location. Pinmar Yacht Supply's yacht distribution team service this need by organising the logistics of shipping goods to marinas around the world. The Pinmar Yacht Supply team also offer a shore support service in Spain which includes the arrangement of Temporary Importation Agreements providing relief from withholding taxes during Refit periods as well as concierge services. Pinmar Yacht Supply is able to provide a fast, efficient and reliable service across a diverse range of requirements to a large fleet of superyachts.

**Trade Distribution** - Pinmar Yacht Supply is one of the principal distributors in Spain for Akzo Nobel marine paint brands, 3M abrasives and other major product manufacturers. Through the buying power created by the scale of the Group, Pinmar Yacht Supply can negotiate favourable rates on core product lines. The combination of competitive prices, key account management and first-class service results in an attractive supply proposition.



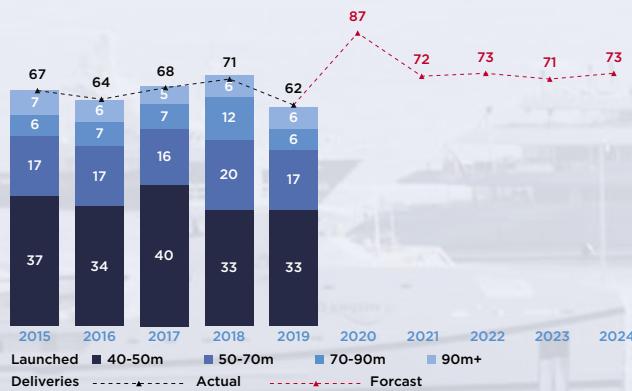
# MARKET SIZE AND GROWTH FORECAST

The total superyacht fleet, defined by superyachts over 30m LOA, currently numbers 5,565<sup>1</sup> vessels. GYG operates in the 40m+ segment which largely discounts the production sector to focus on the semi-custom and custom vessels with metallic structures, greater operational budgets and more rigorous maintenance programmes. The 40m+ fleet comprises 2,050 superyachts with a projected compound annual growth rate (CAGR) of 3.2%

over the next five years, marginally down from 3.5% CAGR for the period 2015-2019. The larger LOA segments of 70-90m and 90m+ are exhibiting the highest growth rates reflecting the continued market trend for larger superyachts.

## THE NEW BUILD MARKET

### GLOBAL SUPERYACHT DELIVERIES & FORWARD ORDER BOOK

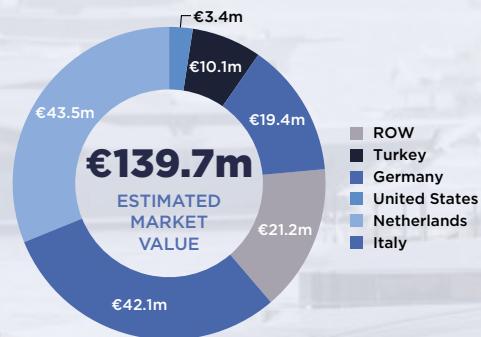


The 40m+ New Build market has exhibited very stable and consistent characteristics over the last five years and output levels are predicted to deliver steady growth of 3.2% CAGR through 2024 equivalent to an average of 75 deliveries per year.

The New Build Order Book for 2020 shows a surfeit of projects in build and scheduled for delivery in 2020 (87 vessels). However this figure is distorted by the tendency of semi-custom builders to part-build vessels and then halt production until a buyer is secured.

As stated above, the 70m+ and 90m+ segments where GYG is most competitive, are growing faster in percentage terms than the smaller LOA segments. This has an exponential effect on the size of the addressable market in terms of the square meterage (m<sup>2</sup>) and consequently value (€). The estimated market value of the New Build paint market in 2019 was c. €140m and this is forecast to increase to an estimated c. €175m<sup>2</sup> by 2022. Whilst Italy is by far the largest producer of superyachts by unitary volume (39% in 2019), the Dutch and German shipyards both hold significant market

### ESTIMATED 2019 NEW BUILD MARKET VALUE BY REGION



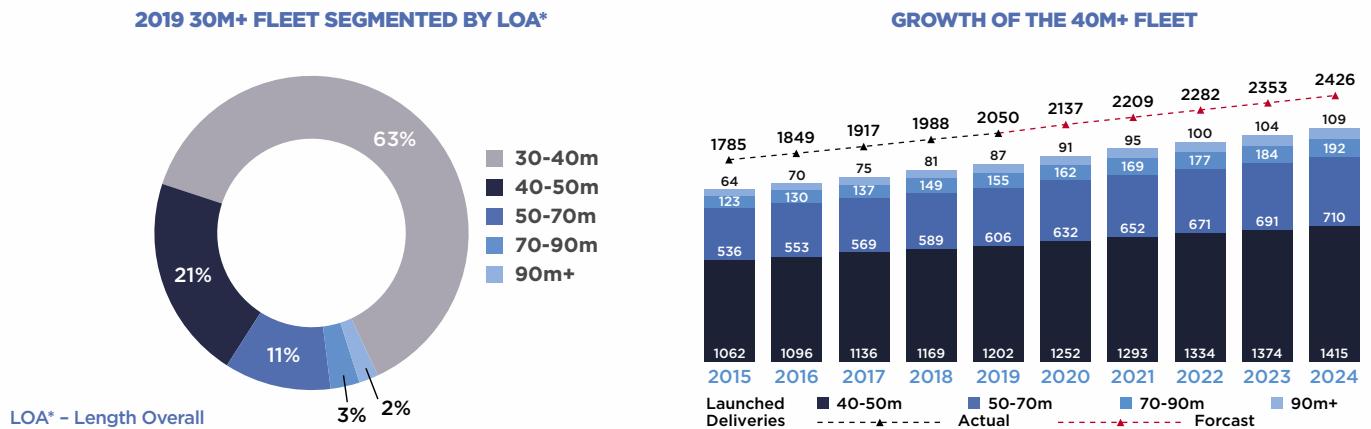
shares when measured by value with 31% and 14% respectively, compared with Italy's 30% by value. These comparative market value figures are also influenced by varying rates between regions with the Northern European shipyards generally yielding higher rates per m<sup>2</sup> higher than both Italy and Turkey.

The overall market growth of the superyacht fleet correlates to the global increase in the number of billionaires (UHNWI's) which has risen from 1,011 in 2010 to 2,153 in 2019<sup>3</sup> and is forecast to reach 2,584 by 2024.

<sup>1</sup> Source: The Superyacht Agency Intelligence Report for GYG plc Feb 2020. Unless otherwise stated all market estimates and forecasts are sourced from The Superyacht Agency Intelligence Report.

<sup>2</sup> Forward forecasts of market value are based on static estimates of 2020 achievable rates/m<sup>2</sup> with no indexing.

<sup>3</sup> Source: Forbes.com Feb 2020.



## THE REFIT MARKET

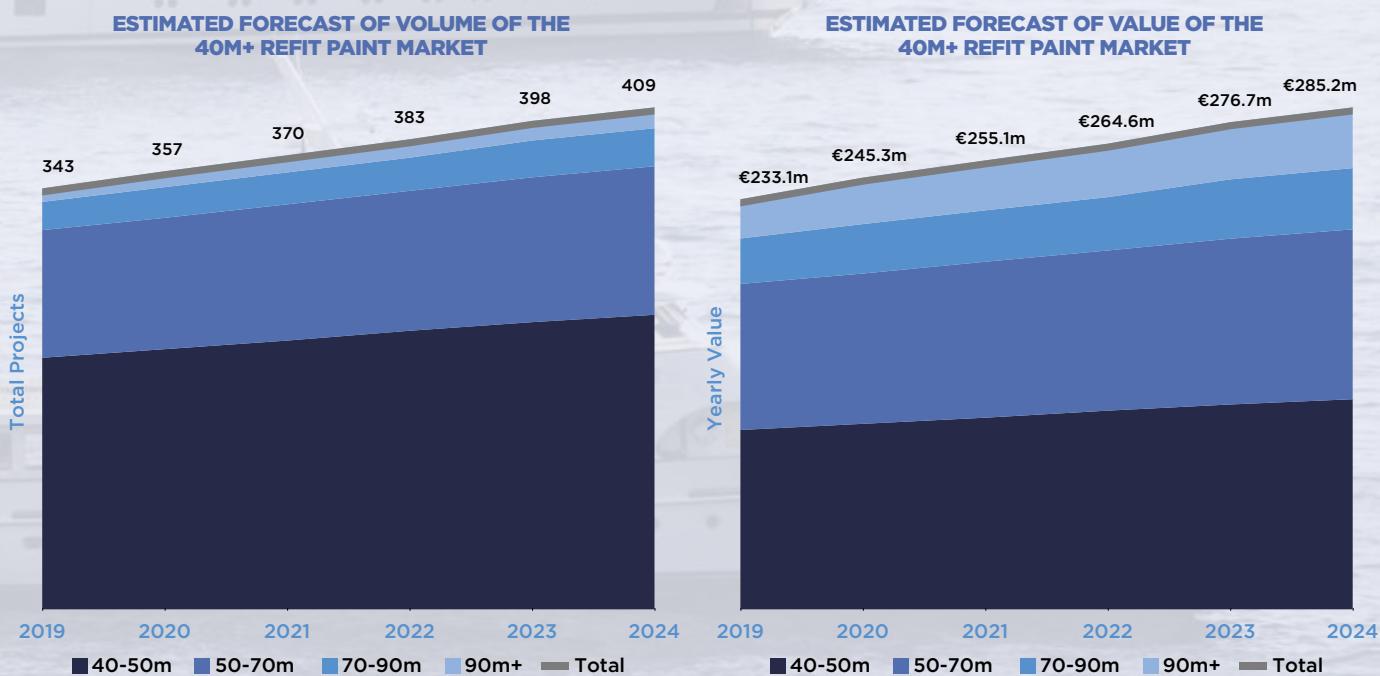
The Refit market is driven by the life cycle of the paint system which is typically 4-6 years depending on the usage and cruising patterns of each yacht. The timing of the re-painting is flexible although superyachts must undergo regular maintenance cycles every 5 years to comply with their registry and insurance. Owners typically take the opportunity to undertake repainting work whilst the yacht is out of service for its Refit survey, consequently major paintwork tends to follow a 5-year cycle.

The Refit market is underpinned by approximately 20% of the active fleet typically due for paintwork each year and continues to grow in line with the increasing size of the global superyacht fleet. The estimated total of yachts over 40m that were due for paintwork in 2019 was 343<sup>1</sup>.

The value of the addressable market of Refit paintwork is estimated to grow slightly faster than the number of projects, due to the increasing size of superyachts within the global fleet. Market estimates suggest that the current annual value of the Refit paint market is c.€233m and will grow to an estimated c.€285m by 2024 (CAGR 3.4%) with the 70m+ and 90m+ segments exhibiting higher growth rates, 5.1% and 7.5% respectively.

The independent market research that provided the superyacht market forecasts was conducted prior to the onset of the COVID-19 pandemic in Europe and the USA. Please refer to the CEO's report for the latest assessment of the impact on the current and future market.

<sup>1</sup>Source: Superyacht Intelligence Feb 2020.



# CHAIRMAN'S STATEMENT

2019 was a transformational year for the Group from which I am pleased to report a solid set of results and a much-improved operational platform. The Group delivered a substantial increase in revenues over 2018 as a result of its strategy to increase share in the New Build sector, alongside a stronger performance in the Refit sector following the return to more normalised market conditions.

Significant progress has been made during 2019 to increase our share in the larger yacht segment (LOA >70m) of the growing New Build market in Northern Europe, with six major contract wins contributing to a strengthening of the forward Order Book going in to 2020.

Management have made significant changes to the organisation over the course of the year, focusing on systems, processes and core business activities aimed at improving margins and enhancing both the quality and sustainability of earnings. The process and system improvements implemented during the year will provide a more stable and scalable platform on which to continue the Group's strategic growth, which will deliver operational efficiencies and improved financial performance going forward.

## FINANCIAL RESULTS

The Group delivered a 41.8% increase in revenues in the year ended 31 December 2019 to €63.8m (FY18: €45.0m). The Coatings division achieved a 51.5% increase in revenues to €53.7m (FY18: €35.5m) as a result of continued penetration in the New Build sector and a strong performance in Refit following the return to more normalised levels of demand. The Supply division delivered revenues of €10.1m (FY18: €9.5m), an increase of 6.3%.

The improved trading performance resulted in an adjusted EBITDA of €4.5m (FY18: loss of €0.9m) and an operating profit before tax of €1.3m (FY18: loss of €4.3m). The EBITDA margin of 7.1% (FY18: (2.0%)) reflects the early signs of improvement in operational performance.

## EARNINGS PER SHARE AND DIVIDENDS

The net profit for the year was €0.7m (FY18: loss of €3.2m) creating an earnings per share of €0.02 (FY18: loss per share of €0.06) and an adjusted basic earnings per share of €0.06 (FY18: loss per share of €0.02).

It is the Board's intention to return to the dividend list at the earliest appropriate opportunity, however the Board believes it was in the best interest of the Company not to declare a dividend in 2019 as it continues to strengthen the balance sheet and expand the scale of its activity.

## FINANCIAL POSITION

The Group's financial position has strengthened marginally following the return to profitability with net cash increasing slightly over 2018 levels. The Group adopted IFRS 16 during 2019 so all lease obligations are now recognised as liabilities



on the balance sheet with an offsetting asset value recognising the associated benefit of those leases.

In April 2020, the Group announced that it had reached an agreement with its banks to change the repayment terms of one of its loans, a bullet loan, to extend the payment dates. As the COVID-19 pandemic spread across the world, and the scope for additional impacts on our business grew, the Spanish government put a number of programmes in place to provide financial stability for Spanish companies. The Group entered into discussions about accessing one of these programmes in an effort to provide access to additional capital if it became necessary. On 30 June, GYG was provided with new borrowing facilities of €3.0m through one of these government sponsored programmes which has a twelve-month repayment holiday and then is repaid over the subsequent 24 months.

As part of this arrangement, the Group agreed to maintain the original repayment schedule for the bullet loan. By entering into the new facilities and agreeing to maintain the original payment schedule on the bullet loan, the Group's working capital projections and cash position over the next few years has been materially improved. The Directors concluded that the uncertainty surrounding how the pandemic might develop meant this was a prudent and sensible step to take. The Group's banking facilities now total €29.6m.

## PEOPLE & ORGANISATIONAL DEVELOPMENT

Management have made significant progress in strengthening the team and improving core processes and controls. They are currently investigating opportunities to upgrade IT systems to increase automation, improve operational efficiency and scale for future growth.

Following the resignation of Gloria Fernandez, Chief Financial Officer, in July 2019, Kevin McNair was appointed as the new Group CFO, having served as Interim CFO since March 2019.

### CURRENT TRADING AND OUTLOOK

During 2019, the Coatings division signed six major New Build contracts for projects commencing in 2020/2021 which has significantly increased the Group's share in the Northern European market and expanded the New Build customer base to two major new yards. Post-period end, the team signed a further contract for an 80m New Build yacht, scheduled to start in Q4 2020. The sales focus remains on extending market share for 2020-2023 by winning new orders with existing shipyards and converting opportunities with new clients, further reducing the impact of Refit seasonality.

Following the completion of major new infrastructure developments by the Refit shipyards in Barcelona and the USA, with the capacity to accommodate the growing 70m+ fleet, the Group is well positioned to exploit the strong growth forecast in this market segment both in Europe and the USA.

The Supply division remains focused on the large yacht fleet and extending its service proposition. The team will refresh and launch a new Pinmar Yacht Supply brand in H2 2020 while utilising the new CRM system to better target its marketing efforts to the 70m+ fleet.

The strong momentum experienced in H2 2019 continued into 2020, particularly in the Coatings division, resulting in increased levels of activity in both New Build and Refit in the first quarter.

Since mid-March when the COVID-19 pandemic spread through Europe and the USA, I have been impressed with the way in which GYG has reacted and responded. Invoking its contingency plans, the Group adapted its operations to comply with appropriate health and safety procedures and, whilst some projects have been delayed, none have been cancelled. As such, the market outlook is healthy and the Board looks to the future with continued confidence.

**STEPHEN MURPHY**  
Non-Executive Chairman

22 July 2020



# CHIEF EXECUTIVE'S REPORT

I am pleased to report our results for the year ended 31 December 2019, in which we have made significant progress across all areas of the Group. Our New Build strategy started to deliver meaningful results with six contract wins secured in the year. This, coupled with the return to a normalised Refit market, has resulted in a solid performance in the Coatings division. Trading in the Supply division continued to deliver steady growth in line with expectations.

During the year we restructured the senior management team and started several important initiatives aimed at improving our gross margins and delivering operational efficiencies. These initiatives have started to impact results and management will remain focused on these developments to further enhance our 2020 trading results and future EBITDA performance.

In the last few months, the world has been faced with the COVID-19 pandemic and as a Group we have adapted and responded appropriately. Within such changes, the health and safety of our employees remains our top priority and I would like to thank them for their resilience, adaptability and professionalism during this time.

## FINANCIAL OVERVIEW

The Group delivered revenues of €63.8m in the year ended 31 December 2019 (FY18: €45.0m) an increase of 41.8% with an operating profit of €1.3m (FY18: loss of €4.3m) and an adjusted EBITDA of €4.5m (FY18: loss of €0.9m) with a net profit of €0.7m (FY18: net loss of €3.2m). Our gross margins improved as a result of the higher production levels, with our average gross margin for 2019 at 23.5%, up from 17.9% in FY18. We ended the year with cash of €5.5m (FY18: €5.1m) and net debt of €8.2m, up from €7.8m in FY18.

## STRATEGY

### Coatings

We have made significant progress with our New Build strategy over the last 12 months adding six major contracts to our Order Book and are confident that our strategic decision to focus on the Northern European yards remains valid. These yards represent the premium segment of the 70m+ superyacht New Build market and are the most suited to GYG's high quality and technically advanced fairing and painting services. We have made very good progress in developing preferred supplier relationships with targeted yards that value disciplined project management, high capacity ability, deliverability and premium quality craftsmanship. The Group has achieved a significant increase in its market share of this niche market segment with plenty of headroom for continued growth both within the yards it currently serves and through developing targeted new relationships with other leading shipbuilders.



Remaining at the forefront of application technology and quality standards is a key part of GYG's unique New Build proposition and our recent collaboration with Akzo Nobel to bring its sprayable filler to the New Build market promises to be another important differentiator by greatly reducing the time taken to fill and fair large superyachts.

The investment the Group has made in developing its CRM system to facilitate intelligence led marketing campaigns backed up by a more effective sales and tendering process has seen solid returns in terms of higher conversion rates and increased pipeline velocity. We will leverage this powerful tool as we continue to grow our market share in the higher value segments. During 2019 the Group successfully consolidated its brand portfolio to leverage its market leading global brand, Pinmar. It has successfully migrated the previous Rolling Stock and ACA Marine customers and rolled out the Pinmar brand across all its global locations giving the Group more consistency and better clarity to the market.

We remain closely aligned to our key Refit shipyard partners and continue to invest in our facilities and resources to match the growth at these strategic locations that have and continue to develop the necessary infrastructure to accommodate the large superyacht Refit programmes. In 2019, we saw a significant upturn in capacity with the new facilities in Barcelona, MB92, and the USA, Savannah Yacht Center coming online. These substantial increases in capacity for large yachts alongside those of Lurssen in Germany, Feadship and Oceanco in Holland, all of whom have opened new Refit facilities to service their growing fleets, provide further opportunities for growth. Our strong relationships with the major fleet management companies continues to evolve as we see an increasing number of large yachts coming under professional management.

### Supply

Our growth strategy for the Supply division is focused on the large yacht fleet and extending our service proposition beyond our physical locations so we can capture a greater share of their annual spend. On 1 June, the Group announced the re-positioning of Pinmar Yacht Supply to the superyacht market,

with new branding, better presentation of our retail facilities and more focused digital marketing to the superyacht fleet. The deployment of the CRM system coupled with the improvements we have made in account management, warehouse efficiency and logistics, support this initiative.

#### **DIVISIONAL REVIEW**

GYG's activities are segmented between two divisions, Coatings and Supply. For the year ended 31 December 2019 the Coatings division increased revenues by 51.5% to €53.7m (FY18: €35.5m) and an adjusted EBITDA of €3.6m (FY18: loss of €1.5m). The Supply division delivered revenues of €10.1m (FY18: €9.5m) and an adjusted EBITDA of €0.9m (FY18: €0.6m).

#### **Operating profit**

The increase in revenues across the Group led to a significant increase in operating profits which totalled €1.3m (FY18: loss of €4.3m). At the adjusted EBITDA level, this showed a similar improvement which totalled €4.5m (FY18: loss of €0.9m).

#### **COATINGS DIVISION**

##### **New Build**

Following the adoption of the Group's 2018 New Build marketing strategy, management has invested substantial time developing relationships directly with the leading New Build shipyards in Northern Europe. The Group has been invited to tender for an increased number of contracts and has secured more work as a preferred paint partner contracted directly by the shipyard. This has resulted in a significant uplift in our win rate and delivered a stronger forward Order Book for New Build in 2020/2021.

During 2019, the Group generated €11.2m (FY18: €3.7m) of revenues primarily from two major New Build contracts in Holland and Germany which commenced in Q4 2018. These two New Build projects enabled the Group to offset some of the seasonal downturn in the Refit sector during the summer, facilitating better asset utilisation with reduced manpower and sub-contractor costs. Both these projects will complete in Q3 2020 with labour and management resources moving to several new projects starting in both new and existing shipyards. As we enter H2 2020, we are gearing up to start work on an unprecedented six New Build projects in Holland and Germany, five of which are 70m+ and include the well documented 180m research vessel REV.

##### **Refit**

The Refit market saw a return to more normalised trading patterns in 2019 with a significant uplift in demand spurred by the delayed or postponed projects from 2018. Furthermore, the commissioning of major new infrastructure in key Refit shipyards both in Europe and the USA served to increase the capacity particularly for the growing 70m+ and 90m+ fleets. As the global market leader with a dominant share of the 70m+ and 90m+ segments, the Group was well positioned to exploit the upturn in demand winning significantly more orders for larger vessels with increased average value than in previous years. The Group undertook 46% more major Refit projects in 2019 than the previous year generating revenues of €42.5m (FY18: €31.8m).

Having a strong, consistent and visible Order Book for Refit enables the operations department to plan and control manpower, materials and equipment much more efficiently. During the year the team made improvements in the resource

utilisation, materials management and information systems. The full effects of these improvements will become evident during 2020 as they are rolled out across our global operations, leading to improved gross margins and underpinning the quality of earnings.

#### **SUPPLY DIVISION**

The Supply division's turnover increased by 6.3% to €10.1m reflecting a solid performance in a competitive market. The trade business continues to exhibit steady growth from improvements in account management and business development. A consolidation of warehousing capacity, coupled with organisational changes to purchase and supply chain management, have led to efficiency gains and cost reductions together with improvements in stock management and logistics. The full benefits of these initiatives will materialise in 2020.

Progress has been made in expanding both the customer base and service offering from the superyacht direct Supply division. During 2019, the Coatings CRM system was developed for yacht supply enabling the sales team to access the Group's market database and to start leveraging the synergies with the Coatings sales team who are in communication with the same fleet. Such progress and initiatives demonstrate a major growth opportunity for the Supply division.

Brand recognition and awareness across the market is growing and will be further enhanced as the Group promotes the refreshed Pinmar Yacht Supply image and launches a new intelligence driven marketing campaign specifically targeting the 70m+ fleet.

#### **OPERATIONAL REVIEW**

During 2019 the Group restructured the senior management team to provide greater focus on the important drivers including sales, operations and logistics. This is part of management's continued direction to implement several efficiency and productivity initiatives aimed at improving gross margin and reducing fixed costs. We started to see the benefits of these initiatives in Q4 2019 and expect the full effects to become evident in 2020 enhancing both the quality and sustainability of the Group's earnings.

The Group continues to innovate and invest in new application technology, leveraging its strong relationships with the main superyacht paint manufacturers. In 2019 the Group entered a collaboration agreement with Akzo Nobel to develop and bring to market an application methodology for its new sprayable filler product. This is anticipated to deliver a significant reduction in the time taken to fill and fair large superyachts. With demand increasing in the 70m+ New Build segment, shipyards are looking for ways to reduce delivery times; fairing and painting is one of the longest individual processes during the outfitting phase. As such, management believes this new filler system will be extremely attractive for shipyards and will help to further differentiate the GYG proposition. This collaboration follows the Group's pioneering adoption of electrostatic topcoat application, which is delivering significant quality and environmental benefits, further asserting GYG's position leading the industry, being at the forefront of new technologies and standards in superyacht finishing.

GYG continues to develop its human resources function through a combination of structured in-house training programmes and strategic recruitment. We have, and continue to, strengthen

# CHIEF EXECUTIVE'S REPORT

## (CONTINUED)

the management team introducing a mix of industry experience and related business expertise. Our management operate with well-defined objectives and key performance indicators ensuring a focus on the main business agenda. During 2019 we introduced an incentive scheme for the painting teams to benefit from the successful achievement of cost, time and quality goals at the project level which is proving to be very motivational.

Our IT team continue to work on a programme of system developments to automate business processes and provide better management information leading to improvements in operational planning and control.

### MARKET DEVELOPMENTS

Our target market, the 40m+ superyacht fleet, continues to grow at a steady 3.5% with an average of 66 new vessels added to the fleet each year. Independent market research predicts that the 40m+ fleet will continue to deliver a similar number of yachts per year through 2024 as the growth rate reduces to a compound average growth rate (CAGR) of around 3.2%. A detailed analysis of the forward order books of the New Build yards indicates that the 70m+ and 90m+ segments will deliver higher growth rates of 4.3% and 4.6% respectively, evidencing the trend for larger superyachts. This is particularly positive for GYG given its strategic targeting of the shipyards that are constructing the larger, 70m+, vessels.

The Refit market continues to exhibit progressive growth with a forecast CAGR from 2019-2024 of 3.4% at the unitary level. Market estimates suggest that the current annual value of the Refit paint market is c.€233m and will grow to an estimated c.€285m by 2024 (CAGR 3.4%) with the 70m+ and 90m+ segments signalling higher growth rates, which again is positive for GYG which has a market leading share of these segments.

### CURRENT TRADING

I am pleased with the progress we made in 2019 and feel confident that we are well placed to take advantage of the continued market growth that is forecast. We entered 2020 with a record Order Book (Order Book: Jan 2020 €44.4m, Jan 2019 €33.9m) that provides both consistency and sustainability of earnings. The Order Book at 30 June 2020 provides more forward visibility than ever before:

Order Book at:	Total Order Book	Current Year	Current Year +1	Forward Order Book
30 June 2018	€29.9m	€11.2m	€13.1m	€5.6m
30 June 2019	€38.6m	€15.3m	€18.2m	€5.1m
30 June 2020	€42.7m	€16.4m	€20.7m	€5.6m

The forward visibility of the Order Book enables our operations team to plan our resources efficiently. This will, together with the system and process improvement initiatives that we have implemented, facilitate significant improvement in our gross margins and the Group's EBITDA performance which is one of our main objectives for 2020, along with improving cash flows and reducing debt.

GYG has reacted and responded appropriately during the exceptional circumstances presented to the Group over the last few months due to the COVID-19 pandemic. The strengthening of the management team in 2019 together with the improvements to IT systems and organisational processes mean the Group was well equipped to respond quickly and effectively to the impact of the COVID-19 pandemic. Having invoked its contingency plans on 8 March when the virus started to spread across Europe, the Group maintained operations with enhanced health and safety protocols in place for front line staff, and all back-office staff began working remotely in line with the various government guidelines and regulations. During a two-week period (30 March – 14 April) of more stringent regulatory restrictions in Spain, UK and France, the Group was forced to temporarily suspend projects and close its retail stores. Following the improvements in resource planning and the introduction of more flexible labour contracts during 2019, the Group was able to rapidly reduce its labour costs during the short period of reduced activity.

Spanish and French operations were restarted on 15 April with testing protocols in place for front line staff. UK operations were re-started on 4 May. The Supply division maintained service to yachts and trade clients through online ordering and deliveries, and retail stores were re-opened on 4 May once government restrictions permitted. New Build and Refit projects in Holland, Germany and the USA continued with limited disruption as a result of travel restrictions and adjustments to working practices to accommodate changes to shipyard procedures and health and safety protocols. The health and safety of all employees, suppliers and customers remains GYG's top priority and we will endeavour to continue servicing our customers while maintaining our financial and operational resilience.

The superyacht New Build, Refit and Supply markets are stable and GYG's Order Book remains robust for 2020 and beyond. Despite the small number of projects where start dates have been delayed, there have been no cancellations. Sales activity has been high during the period with video communications replacing physical travel. Some owners have written off the summer 2020 cruising/charter season and are instead taking the opportunity for early maintenance work, which has led to a number of major Refit contracts being signed for an immediate start. Overall, despite the short period of disruption to operations, the Group is now operating above 90% capacity with a record Order Book going into Q3 2020. At this juncture, the Board remains confident that it will meet the current market expectations for 2020.

#### OUTLOOK

Whilst there are encouraging signs regarding containment of the virus in Europe and the USA, the future impact of the virus is unknown and the broader economic impacts are impossible to assess at this stage. Importantly, as outlined above, the Group has not witnessed the cancellation of any contract and the sales team is extremely busy as owners and management companies look to take advantage of the restricted summer

period to attend to maintenance. The demand for superyacht refits is neither perishable nor replaceable as it is driven by the requirement to both maintain the quality of the asset and comply with its class registration and insurance.

The New Build market remains robust and the Group continues to engage with a number of Northern European shipyards on upcoming projects. There is no doubt that the superyacht client base of approximately 2,500 ultra-high net worth individuals has a track record of resilience even in difficult market conditions and GYG looks forward to continuing to service its clients' requirements across its global markets. The Group has successfully implemented adjustments to its operating protocols enabling it to continue production safely and efficiently in the new paradigm. It has emerged from the period of restricted operations with solid momentum and is well placed to fulfill its strong Order Book and deliver sustainable growth in earnings.

**REMY MILLOTT**  
Chief Executive Officer

22 July 2020



# FINANCIAL REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2019

## FINANCIAL PERFORMANCE

Year ended 31 December 2019	Coatings €'000	Supply €'000	Total reportable segments €'000
Revenue	53,718	10,109	63,827
Adjusted EBITDA	3,628	880	4,508

Year ended 31 December 2018	Coatings €'000	Supply €'000	Total reportable segments €'000
Revenue	35,458	9,506	44,964
Adjusted EBITDA	(1,460)	545	(915)

Revenue in the year ended 31 December 2019 increased 41.8% to €63.8m (FY18: €45.0m). This was driven principally by a 51.5% increase in turnover in the Coatings division, reflecting the return to more normal trading conditions in the Refit market after a challenging year in 2018 (as described in the 2018 report and accounts) and the early stages of growth in New Build revenue. Additionally, the Supply division revenue grew by 6.3% growth in FY19.

As a result of the increase in revenue, operating costs (not including exceptional items, impairment, performance share plan costs, depreciation and amortisation), increased by 27.2% from €49.2m in FY18 to €62.6m in FY19. The growth in operating costs was significantly lower than the increase in revenue during the year, resulting in:

- a) an operating profit of €1.3m in the year (FY18: loss of €4.3m);
- b) an adjusted EBITDA of €4.5m (FY18: loss of €0.9m); and
- c) a net profit, excluding exceptional items, impairment and performance share plan costs, for the year of €1.1m (FY18: net loss of €1.7m).

The exceptional items of €0.3m in the year (FY18: €0.9m) related mainly to restructuring costs and as part of a cost saving plan which included redundancies and other costs associated with reorganising and restructuring parts of the Group.

Financial expenses of €0.8m in the year (FY18: €0.7m) mainly related to interest on the syndicated loan signed in March 2016, various working capital facilities, finance leases and foreign exchange rate.

## EARNINGS PER SHARE AND DIVIDENDS

Net profit for the year was €0.7m (2018: loss of €3.2m). Profit per share was €0.02 (FY18: loss of €0.06 per share) and adjusted basic profit per share was €0.06 (FY18: loss per share €0.02).

Basic earnings/(losses) per share are calculated by dividing net profit/(loss) for the year attributable to the Group (i.e. after tax and non-controlling interests) by the weighted average number of shares outstanding during that year.

Diluted earnings/(losses) per share have been calculated on a similar basis taking into account dilutive potential shares.

Adjusted basic earnings per share are presented to eliminate the effect of the exceptional items, amortisation and impairment of intangible assets, depreciation of tangible assets and performance share plan costs (considering the tax effect of these adjustments).

## FINANCIAL POSITION

Cash and cash equivalents totalled €5.5m at 31 December 2019 compared to €5.1m as at 31 December 2018. The increase year on year was driven principally by the management of working capital and increased EBITDA. As a result, the net debt as at 31 December 2019 was €8.2m, compared to €7.8m as at 31 December 2018. During the year, the Group adopted IFRS 16 as described in the financial statements which involved the Group reclassifying €2.0m of operating leases as borrowings during the period.

Total net assets on the balance sheet were €13.3m as at 31 December 2019, compared to €12.5m as at 31 December 2018 reflecting the improved levels of revenue and profit during the year.

	Year ended 31 December 2019	Year ended 31 December 2018
Earnings/(losses) for the period attributable to shareholders (€000)	753	(3,016)
Weighted average number of shares	46,640,000	46,640,000
Basic earnings/(losses) per share (€)	0.02	(0.06)
Adjusted basic earnings/(losses) per share (€)	0.06	(0.02)
Dilutive weighted average number of shares	47,777,975	47,364,350
Diluted earnings/(losses) per share (€)	0.02	(0.06)
Adjusted diluted earnings/(losses) per share (€)	0.06	(0.02)

The Board believed it was in the best interest of the Company not to pay a dividend in relation to FY18, however it is the Board's intention to return to the dividend list at the earliest appropriate opportunity.

The Group has factoring facilities with the Spanish bank, Bankia, that are categorised as both recourse and non-recourse arrangements.

One of the factoring agreements, titled Factoring Without Recourse, had historically been treated as a without recourse arrangement, and the related trade receivables and current financial liabilities were derecognised. The terms of that agreement have been reassessed during the year, and it has been concluded that substantially all risks and rewards in relation to insolvency and late payment had not been transferred to Bankia, and as a consequence did not meet the requirements of IFRS 9 to derecognise an asset and liability alongside with a financial liability.

As a result of the reassessment the comparatives for the year ended 31 December 2018 have been restated. Trade receivables alongside with current financial liabilities associated with factoring facilities amounting to €1.2m respectively, that were derecognised in the prior year, have been reinstated in the consolidated statement of financial position as at 31 December 2018. In relation to the cash flow statement, the decreases and increases in relation to trade and other receivables and trade and other payables within note 23 have been restated by €1.2m. The prior year adjustment has a net impact of nil on the net assets; it also has no impact on the consolidated statement of comprehensive income.

Subsequent to the year end, the Directors have agreed a new factoring without recourse arrangement with Bankia. The new agreed terms and conditions for this facility are designed to allow it to meet the requirements of IFRS 9 for factoring without recourse.

### CASH FLOW

Net cash from operating activities was €5.6m for the year (FY18: positive €1.6m). Net cash used in investing activities was €0.7m for the year (FY18: €0.8m). Net cash used in financing activities was €4.5m for the year (FY18: €2.0m) mainly corresponding to the repayment of existing borrowings and finance leases.

Overall net cash inflow for the year was €0.5m compared to an outflow of €1.2m for FY18.

### FINANCIAL OUTLOOK

As set out in the Chief Executive's Report, the Directors are confident about the Group's prospects going forward and are forecasting an improved financial performance in 2020. That having been said, the uncertainty surrounding the future evolution of the COVID pandemic is significant and is discussed in detail in the notes to the accounts. For this reason, the audit opinion in the 2019 accounts contains an emphasis of matter in respect of going concern as a result of COVID-19 although the audit opinion will remain unqualified. As things stand today, the Directors are confident of the Group's ability to trade successfully through this going forward but, like all businesses, we are operating in a rapidly changing environment with a material element of unknown risk.

**KEVIN MCNAIR**  
Chief Financial Officer

22 July 2020

## KEY PERFORMANCE INDICATORS ("KPIs")

KPI	30/12/2019	30/12/2018
Revenue	€63.8m	€45.0m
Gross margin	23.5%	17.9%
Adjusted EBITDA profit/(loss)	€4.5m	(€0.9m)
Adjusted EBITDA margin	7.1%	(2.0%)
External net debt	€8.2m	€7.8m
Order book	€44.4m	€33.9m
Average number of employees	390	403

Performance during the year at both the revenue line and adjusted EBITDA was ahead of expectations which was reflected in the three positive trading updates that the Group made to the market in relation to 2019.

# RISK MANAGEMENT AND PRINCIPAL RISKS

CATEGORY	RISK	DESCRIPTION	MITIGATION
COMMERCIAL	<b>Business and competitive environment</b>	<ul style="list-style-type: none"> <li>The Group operates in a competitive environment and may not be able to sustain its current market positions if it fails to compete successfully.</li> <li>A substantial portion of our revenues are generated from our recurring customers and the loss of any of these would adversely affect the Group.</li> <li>Refit still represents the main key segment for the Group, introducing cyclical in the Group's business. A correct balance between New Build, Supply and Refit would help to reduce this adverse impact of the refit cyclical.</li> <li>The Group's business is dependent on the demand for new super yachts and for ultra-high net worth yacht owners, which may not grow as anticipated or may be impacted by general economic conditions and/or changes in regulations.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure continuous high-level quality standards in all services and products.</li> <li>Programme to improve the effectiveness of our projects and ensure that we optimise the performance of our current production capacity.</li> <li>Continuous market analysis to detect new opportunities.</li> <li>Increase the number and location of key customers.</li> <li>Continue establishing long term relationships with our clients.</li> </ul>
REPUTATIONAL	<b>Reputational risk</b>	<ul style="list-style-type: none"> <li>The Group's brands, image and reputation constitute a significant part of our value proposition. Accordingly, any event, such as adverse publicity or a significant project failure or warranty claim, that could damage the Group's image, reputation or brand, could have a material adverse effect on its business.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance in all regulatory matters.</li> <li>Ensure high level quality in all services and products.</li> <li>A properly conceived and adequately resourced communication and branding policy.</li> </ul>
HUMAN RESOURCES	<b>Key person dependency</b>	<ul style="list-style-type: none"> <li>The Group's business depends on key senior management and highly skilled and technical employees. The departure of any such personnel or the failure to recruit and retain additional personnel, could adversely affect the Group's business.</li> </ul>	<ul style="list-style-type: none"> <li>Executive Directors are significant shareholders in the Company and have a vested interest in ensuring its continued success.</li> <li>Succession planning is in place for senior positions.</li> <li>Ensure salary and benefits to be appropriate to the position, with particular attention paid to those in key roles to help ensure the long-term success of the Group.</li> </ul>
OPERATIONS	<b>Adverse weather and changes in pattern cruises</b>	<ul style="list-style-type: none"> <li>Hurricanes or violent storms could cause relevant delays in operations. Due to our asset light model, the risk of suffering assets damages is not relevant but there could be a change in the cruising patterns and conflict with the capacity plan causing potential delays.</li> </ul>	<ul style="list-style-type: none"> <li>Analysis of weather forecasts.</li> <li>In case of adverse weather, relocating the work as a consequence of the different locations in which the Group operates and/or evaluate potential changes in the expected starting/completion dates.</li> </ul>

CATEGORY	RISK	DESCRIPTION	MITIGATION
OPERATIONAL	<b>Coronavirus (COVID-19)</b>	<ul style="list-style-type: none"> <li>The impact of the virus pandemic on operations across the Group.</li> </ul>	<ul style="list-style-type: none"> <li>Having reviewed the impact of the global and local responses to the virus, the principal risk is that potential travel restrictions imposed by either national governments or specific shipyards or the suspension of operations at specific shipyards cause significant delays in the Group's ability to start, progress or complete projects.</li> <li>The Group is working with individual shipyards to monitor the situation and develop response plans. The Group has also communicated to employees new procedures to minimise the spread of the virus.</li> <li>In light of the containment measures both mandated and recommended by various public authorities in response to the Coronavirus pandemic, GYG has activated a contingency plan for the health and safety of our staff whilst also taking precautions to continue working with our customers and partners.</li> <li>As a precaution, we are limiting both domestic and international travel to essential or necessary client visits but all clients and partners continued to be well informed at a local level of any specific impacts.</li> </ul>
FINANCE	<b>Debt Management</b>	<ul style="list-style-type: none"> <li>Financial capacity to handle acquisitions and growth opportunities.</li> <li>The Group must ensure that it has an adequate level of facilities to provide sufficient funding to operate its businesses.</li> <li>Inability to meet financial commitments.</li> </ul>	<ul style="list-style-type: none"> <li>Regular cash flow forecasts are prepared and reviewed.</li> <li>The financial reporting model used to manage the cash flow includes the analysis and follow-up of financial covenants.</li> <li>The levels of drawn and undrawn facilities are permanently reviewed and the headroom of the available banking facilities and covenant position are also reviewed and discussed at Board level on a monthly basis.</li> </ul>
FINANCE	<b>Impairment</b>	<ul style="list-style-type: none"> <li>The future expected cashflows to be generated by the Group's assets, either intangible or financial, fail to materialise.</li> </ul>	<ul style="list-style-type: none"> <li>With regards to intangible assets, Management regularly reviews forecasts of the expected performance of each cash generating unit (CGU). To the extent that those forecasted cashflows do not justify the value of the associated intangible asset, an impairment charge is taken to recognise the loss of carrying value of the asset.</li> <li>With regard to financial assets, Management regularly reviews the recoverability of those assets. To the extent that Management conclude that they will not be able to recover the full value of those assets, an impairment charge is taken to recognise the loss of carrying value of the asset.</li> </ul>
FINANCE	<b>International taxation</b>	<ul style="list-style-type: none"> <li>Individual countries can either increase or decrease their rates of corporation tax and other local taxes which may have a material impact on the profitability and cashflow of the Group.</li> </ul>	<ul style="list-style-type: none"> <li>The Group regularly reviews specific rates of taxation in the countries where it operates. To the extent that it is commercially practical, Management will try to locate commercial operations in localities which have the most beneficial tax regimes.</li> </ul>

# RISK MANAGEMENT AND PRINCIPAL RISKS (CONTINUED)

CATEGORY	RISK	DESCRIPTION	MITIGATION
FINANCE	Brexit	<ul style="list-style-type: none"> <li>The UK's withdrawal from the European Union (Brexit) and the potential impact this may have upon the business, in particular in the event of an unfavourable outcome in respect of any final agreements between the UK and EU.</li> </ul>	<ul style="list-style-type: none"> <li>Having reviewed the various potential areas of the Group's business that could be impacted by Brexit, Management have concluded that is unlikely to have any material effect on the Group's operations or its profitability. This analysis is based on the following: <ul style="list-style-type: none"> <li>The Group's functional and reporting currency is the Euro, and the Group's operations are mainly based in Spain, Germany, the Netherlands, France and USA, although it occasionally carries out projects in the UK and Italy.</li> <li>The vast majority of the Group's revenues and costs are contracted and paid in Euros. The US business operates entirely in US dollars.</li> <li>All of the Group's lenders are EU institutions and almost all the banking indebtedness is Euro denominated (some non-relevant banking operations are USD denominated).</li> </ul> </li> </ul>

## SECTION 172(1) STATEMENT

The Directors acknowledge their duty under s172 of the Companies Act 2006 and consider that they have, both individually and together, acted in the way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they have had particular regard to:

- the likely consequences of any decision in the long term**

The Group's long-term strategic objectives, including progress made during the year, and principal risks to these objectives, are set out in the Chief Executive's Review on pages 12 to 15 and in the Risk Management and Principal Risks section on pages 18 to 20 respectively.

- the interests of the Company's employees**

Our employees are fundamental to us achieving our long-term strategic objectives, as more fully explained in Principle 3 of the Corporate Governance Statement on pages 29 and 30;

- the need to foster the Company's business relationships with suppliers, customer and others**

A consideration of our relationship with wider stakeholders and their impact on our long-term strategic objectives is also disclosed in Principle 3 of the Corporate Governance Statement on pages 29 and 30;

- the impact of the Company's operations on the community and the environment**

The Group operates honestly and transparently. We consider the impact on the environment on our day-to-day operations and how we can minimise this. Further disclosure on how we promote a corporate culture based on ethical values and behaviours is included in Principle 8 of the Corporate Governance Statement on page 33;

- the desirability of the Company maintaining a reputation for high standards of business conduct**

Our intention is to behave in a responsible manner, operating within the high standard of business conduct and good corporate governance. Not only is this covered in our Corporate Governance Statement on pages 28 to 34, but is also epitomised in our risk management framework on pages 18 to 20; and

- the need to act fairly as between members of the Company**

Our intention is to behave responsibly towards our shareholders and treat them fairly and equally, so that they too may benefit from the successful delivery of our strategic objectives.

The Strategic Report, comprising pages 10 to 21, has been approved by the Board and is signed by order of the Board by:

**REMY MILLOTT**  
Chief Executive Officer

22 July 2020

Registered office:  
Cannon Place, 78 Cannon Street, London EC4N 6AF,  
United Kingdom

Registered number: 10001363 (England & Wales)



# BOARD OF DIRECTORS AND SENIOR MANAGEMENT

**STEPHEN  
MURPHY**  
Independent  
Non-Executive  
Chairman



Stephen has a strong financial and operational background having accumulated over 30 years' experience in senior management positions and executive director roles ultimately as Group Finance Director, Executive Director, Transportation and subsequently Group CEO of Virgin Group Investments Limited - the worldwide holding Company of the Virgin Group from 2005-2011. Stephen currently serves on several boards including Chairman of Ovo Energy Limited, Chairman of London & Capital Ltd, Independent Director and Chair of the Audit and Risk Committee of The Business Growth Fund and Independent Director at Get Living London Ltd.

Stephen has previously served as Chairman of a number of UK and international businesses.

Stephen qualified as a Chartered Management Accountant in 1979.

Stephen is also the Chairman of the Remuneration Committee and Nomination Committee and is a member the Audit Committee. Stephen was appointed to the Board on 5 July 2017.

**KEVIN  
MCNAIR**  
Chief  
Financial  
Officer



Kevin has more than 25 years' experience in financial management and capital markets. He has spent the past 15 years as finance director/chief financial officer of various publicly quoted and privately-owned businesses, most recently as interim CFO at Ebiquity plc. His previous roles have focused principally on project-based businesses similar to GYG. He also has extensive experience in mergers and acquisitions.

Kevin was appointed to the Board on 19 September 2019, having been the Group's Interim Chief Financial Officer since 11 March 2019.

**REMY  
MILLOTT**  
Chief  
Executive  
Officer



Remy has over 36 years of yachting industry experience, having begun his offshore career in 1982. He quickly progressed, becoming a yacht Captain by the age of 29.

He joined Pinmar in 1996 and in 2003 led the management buyout in partnership with the Ferretti Group, becoming Managing Director in the process. Following a growth phase under partial Ferretti ownership, he led the acquisition of the scaffolding business in 2005 and the US business in 2009, the buy-back of the Ferretti shares in 2009 and subsequently the merger of Pinmar and Rolling Stock in 2012, to create GYG.

Remy was appointed to the Board on 3 March 2016.

## SENIOR MANAGEMENT

**PETER  
BROWN**  
Managing  
Director  
USA



Peter has been involved in the Superyacht industry for over 37 years, having had a successful career at sea and as a yacht captain for over 16 years. He joined Pinmar in 1998 to develop the Barcelona facility and later became the General Manager of Pinmar. Peter headed up the expansion of Pinmar into the New Build sector in Germany in 2005, after which he took over Pinmar USA as Managing Director. As Peter continues to run the US business and its expansion, he also supports the Group and the COO on special projects using his deep experience of the yachting industry.

**RUPERT  
SAVAGE**  
Group  
Commercial  
Director



Rupert has over 30 years of yachting industry experience, was a highly respected yacht captain for over 16 years and is still a keen racing yachtsman.

He moved ashore and joined Rolling Stock in 2006 where he became Managing Director and was instrumental in the development and growth of the business into a leading player in the yacht painting and service sector.

Rupert has been responsible for the integration of the various Group companies, running the business on a day-to-day basis. He is now focused on the Group's commercial development and continues to be influential in the strategic growth of the business.

Rupert was appointed to the Board on 3 March 2016.

**RICHARD  
KING**  
Independent  
Non-Executive  
Director



Richard spent 35 years with Ernst and Young LLP becoming deputy Managing Partner of UK & Ireland and a member of both the Europe, Middle East, India and Africa (EMEIA) Board and Global management group. Since leaving EY, Richard has been involved either as chairman or non-executive director on a variety of private and public companies and has been involved in company disposals in excess of £400 million. Richard currently serves as a non-executive director of Odyssean Investment Trust PLC, is a partner at Rockpool Investments LLP and is on the advisory board of Frogmore Property Group. He is also chair of trustees for the Willow Foundation.

Richard serves as the Chairman of the Audit Committee and is a member of both the Remuneration Committee and the Nomination Committee. Richard was appointed to the Board on 5 July 2017.

**ANDREW  
CLEMENCE**  
Group  
Marketing  
Director



Andrew has over 30 years' experience delivering strategic growth in the travel, hospitality and entertainment sectors. His formative management career was at Airtours plc where he held a number of senior management and board level positions in his 18 years' service, during which time the company transitioned from an owner-managed business into a £2 billion global enterprise. Having gained an MBA from the Manchester Business School, Andrew continued his career as Chief Commercial Officer at the Blue Sea Hotel Group S.L. where he was responsible for sales and business development. He subsequently became Chief Operating Officer at the Ibiza Rocks Group Ltd and, latterly held a similar position at Lowcosttravel Group Ltd, before joining GYG in November 2016. In his role as Group Marketing Director he is responsible for strategic development, marketing and communications.

**RAÚL  
GALÁN**  
Chief  
Operating  
Officer



Raúl has developed his 25-year career in manufacturing, as Business Unit Manager, Technical Manager and Industrial Manager, in diverse industries for multinational companies in Spain and Italy. He is a qualified Industrial Engineer, with an ESADE MBA degree, and has strong experience in complex business environments and organisational improvements. Raúl joined GYG in September 2018 as Chief Operating Officer, focusing on the Group's day to day running of production, margins and cost savings and maintaining the Group's approach to improve systems, processes and controls.

# DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 December 2019. The Corporate Governance Statement on pages 28 to 35 also forms part of this Directors' Report.

## GENERAL INFORMATION AND PRINCIPAL ACTIVITY

GYG plc is a public limited company incorporated in the United Kingdom, registered number 10001363, which is listed on the AIM market of London Stock Exchange plc. Its principal activity is that of a holding and investment company.

The principal activity of the Group in the year under review was that of a superyacht painting, supply and maintenance company, offering services globally through operations in the Mediterranean, northern Europe and the United States.

## REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Chairman's Statement on pages 10 and 11, the Chief Executive Officer's Report on pages 12 to 15 and the Strategic Report on pages 10 to 21 provide a review of the business, the Group's trading for the year ended 31 December 2019, key performance indicators, risk and an indication of likely future developments in the business of the Group.

## RESULTS AND DIVIDEND

The Group has reported its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The results for the period and financial position of the Company and the Group are set out in the financial statements and are reviewed in the Strategic Report.

The Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. Subject to the Companies Act 2006, the Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment. All dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares.

The Board was encouraged by the positive momentum last year and, as stated in the Chairman's Statement on page 10, the Board has a firm intention to reinstate the progressive dividend policy at the earliest appropriate opportunity.

## DIRECTORS

The Directors of the Company who served during the year ended 31 December 2019, and up to the date of signing of this report, were:

Director	Date of appointment if during the period	Date of resignation if during the period	Executive Director	Non-Executive Director	Independent
Stephen Murphy				•	•
Remy Millott			•		
Gloria Fernandez		31 July 2019	•		
Kevin McNair	19 September 2019		•		
Rupert Savage			•		
Richard King				•	•

The brief biographical details of the current Directors are given on pages 22 and 23.

## ELECTION OF DIRECTORS

The appointment of each of the Chairman and the other Non-Executive Director is for an initial term of three years, with such appointments being terminable by either the Company or the individual Director on three months' notice. Each appointment is contingent on satisfactory performance and to the re-election criteria more fully explained in the following paragraph.

The Company's articles of association state that all Directors are subject to election by shareholders at the first annual general meeting following their appointment by the Board. Accordingly, Kevin McNair, who was appointed as a Director on 19 September 2019, retired at the annual general meeting of the Company held on 30 June 2020 and, being eligible, had offered himself for election. The resolution proposing his election as a Director of the Company was duly passed at that meeting.

At subsequent annual general meetings, one-third of the Directors must retire from office (or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third (unless their number is fewer than three, in which case one of them shall retire)). In this regard, the Director who had been selected to retire and, being eligible, offer himself for re-election at the 2020 annual general meeting, was Richard King. The resolution proposing his re-election as a Director of the Company was duly passed at that meeting.

Additionally, any Director not otherwise required to retire from office at an annual general meeting shall do so unless he was appointed or re-appointed as a Director at either of the last two general meetings before that meeting.

## DIRECTORS' INTERESTS

The Directors' interests in the Company's shares and options over ordinary shares are shown in the Directors' Remuneration Report on page 42.

No Director has any beneficial interest in the share capital of any subsidiary or associate undertaking.

## DIRECTORS' REMUNERATION

Details of the Directors' remuneration appear in the Directors' Remuneration Report on pages 39 to 42.

## DIRECTORS' INDEMNITY PROVISIONS

As permitted by the Company's articles of association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by s236 of the Companies Act 2006. The indemnity was in force throughout the financial period and at the date of approval of the financial statements. In addition, the Group has purchased and maintains Directors' and Officers' liability insurance in respect of itself and its Directors.

## STATEMENT OF ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS IN A BUSINESS RELATIONSHIP WITH THE GROUP

The Directors are mindful of their statutory duty to act in a way they each consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, as set out in the s172(1) statement on page 20. A review of the Group's approach to developing and maintaining relationships with its wider stakeholders, and the impact on the Group's long-term strategic objectives, is set out under Principle 3 of the Corporate Governance Statement on pages 29 and 30.

## POLITICAL AND CHARITABLE DONATIONS

The Company made no political donations during the reporting period.

Although the Company did not make any direct charitable donations during the year, it organised and facilitated The Pinmar Golf annual event, further details of which may be found on page 29. Funds raised by the event are distributed to beneficiaries through The Pinmar Golf Charity Fund.

## FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group's financial risk management policy is set out in note 25 in the notes to the consolidated financial statements.

## SHARE CAPITAL STRUCTURE

The Company's share capital, traded on AIM, comprises of a single class of ordinary shares of £0.002 each in nominal value, each carrying one vote and all ranking equally.

Holders of ordinary shares are entitled to receive all shareholder documents, to attend, speak and exercise voting rights, either in person or by proxy, on resolutions proposed at general meetings, and to participate in any distribution of income or capital. There are no restrictions on the transfer of shares in the Company or in respect of voting rights attached to the shares. None of the shares carry any special rights with regard to the control of the Company.

Movements in the Company's issued share capital during the year under review are set out in note 21 to the financial statements.

As at 31 December 2019, the Company's issued share capital was £93,280, divided into 46,640,000 ordinary shares of £0.002 each in nominal value.

## MAJOR INTERESTS

As at 22 July 2020, being the latest practicable date prior to the publication of this report, the Company had been notified of the following shareholdings amounting to 3% or more of the issued share capital of the Company:

Shareholder	Number of shares held	% of issued shares
Lombard Odier Asset Management (Europe) Limited*	11,240,550	24.10%
Lonsdale Capital Partners L.P.	7,822,912	16.77%
Close Brothers Asset Management	4,898,493	10.50%
Remy Millott	3,270,863	7.01%
Rupert Savage	2,716,981	5.83%
Jupiter Asset Management Limited	2,116,262	4.54%
Peter Brown	1,965,975	4.22%
Société Générale SA (SG SA)	1,864,333	4.00%
InterTrader Limited**	1,691,333	3.63%

\* Disclosure on behalf of accounts managed on a discretionary basis by Lombard Odier Investment Managers group.

\*\* Disclosed as an interest via CFD.

## WARRANTS AND SHARE OPTIONS

As anticipated in the Admission Document published in June 2017, the Company granted a warrant to Zeus Capital Limited to subscribe for 466,400 ordinary shares, being equal to 1% of the ordinary share capital following Admission at a price per ordinary share of 131 pence. The Zeus warrant is capable of exercise during the period starting on the first anniversary of Admission and ending on the sixth anniversary of Admission. Further details are set out in note 24 to the financial statements.

As at 22 July 2020 (being the latest practicable date before the publication of this document), options to subscribe for shares under the GYG Performance Share Plan 2017 were outstanding which entitle their holders to acquire 557,334 ordinary shares of £0.002 per share.

# DIRECTORS' REPORT

(CONTINUED)

## **PURCHASE OF OWN SHARES BY THE COMPANY**

The Company has not previously had authority to purchase its own shares. However, the Companies Act 2006 permits a public company to purchase its own shares in accordance with powers contained in its articles of association and with the authority of a resolution of shareholders. The Directors believe that the Company should be authorised to take advantage of these provisions and therefore, pursuant to the power contained in the Company's articles of association, a special resolution was proposed at the 2020 annual general meeting seeking shareholder approval to allow the Company to make market purchases of the Company's ordinary shares on such terms and in such manner as the Directors may determine from time to time, subject to the limitations set out in the resolution which was contained in the notice of annual general meeting (the "Notice of AGM") posted to shareholders and made available on the Company's website at [www.gygplc.com](http://www.gygplc.com) on 5 June 2020. This resolution was duly passed at the 2020 annual general meeting, and the Company has now been authorised to purchase up to a maximum of 4,664,000 ordinary shares, being 10% of the Company's issued ordinary share capital on 2 June 2020 (being the latest practicable date before the date of the Notice of AGM). The resolution set out the minimum and maximum price that the Company may pay for purchases of its ordinary shares.

Your Directors are of the opinion that it is advantageous for the Company to have the flexibility to purchase its own shares should the Board deem such action appropriate. The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price, future investment opportunities and the overall position of the Company. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would be in the interests of shareholders generally. Shares purchased would either be cancelled and the number of shares in issue reduced accordingly or held as treasury shares.

Options to subscribe for up to 557,334 ordinary shares, and warrants to subscribe for up to 466,400 ordinary shares, had been granted and were outstanding as at 2 June 2020 (being the latest practicable date before the publication of the Notice of AGM) representing approximately 2.19% of the issued ordinary share capital of the Company at that date. As at that date, the Company held no treasury shares. If the Directors were to exercise in full the power for which authority was granted under the resolution, the options and warrants outstanding as at 2 June 2020 (being the latest practicable date before the publication of the Notice of AGM) would represent approximately 2.44% of the ordinary share capital of the Company in issue following such exercise.

## **CHANGE OF CONTROL**

The Company is not party to any significant agreement which takes effect, alters or terminates upon a change of control of the Company other than the Directors' service contracts, details of which are set out in the Directors' Remuneration Report on page 41.

## **GOING CONCERN**

These financial statements have been prepared on a going concern basis, which assumes the Group and parent company will continue to be able to meet their liabilities as they fall due, within 12 months of the date of approval of these financial statements.

The Group meets its day-to-day working capital requirements from cash flows generated from operations and banking facilities. The Group has committed banking facilities which are due to be repaid in March 2021 with a bullet payment of €4m.

In June 2020, following the COVID-19 pandemic, the Group entered into additional new €3m bank facilities with its existing banking group. These new facilities have a grace period of 12 months, followed by 48 monthly instalments. In addition, a waiver was received in relation to compliance with financial covenants attached to the existing bank loans throughout the going concern assessment period. These facilities were put in place to provide increased liquidity headroom to operate following the COVID-19 pandemic and coupled with operational cash flows to enable settlement of the existing bank facilities as they fall due.

In evaluating the going concern assumption, the Group have prepared cash flow forecasts to December 2021, together with sensitivity analyses. The Group considered the adequacy of the facilities in the light of the current and projected trading performance, and strong Order Book and are confident the Group will continue to operate within its available facilities for the foreseeable future, including the settlement of the bullet payment of the existing bank facilities.

The forecasts include a number of material assumptions with regards to the duration or severity of the impact of the COVID-19 pandemic. Given the uncertainty at the time of the publication, there is a risk that liquidity may not be in line with the sensitised forecasts and that further action will be necessary to ensure that sufficient liquidity will be available to meet liabilities as they fall due.

Given the information available, current trading and orders being received, the Directors are confident that the forecasts will be met, and sufficient liquidity will be available to meet liabilities as they fall due, including the bullet payment on the existing bank facilities, and therefore believe it is appropriate to prepare the financial statements on a going concern basis. However, if the impact of the COVID-19 pandemic were to be more severe with more significant impacts on operations the Group may not have sufficient cash resources to meet its liabilities as they fall due, which indicates the existence of a material uncertainty which may cast significant doubt for the Group and parent company with regards to their ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and parent company were unable to continue as a going concern.

### INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP have indicated that they are willing to continue in office as the Group's auditor. The auditor of a public company must be appointed at each general meeting at which accounts are laid. A resolution to appoint PricewaterhouseCoopers LLP as auditor to hold office until the conclusion of the next annual general meeting of the Company will be proposed at the general meeting to be held on 2 September 2020 (see below for further details).

### DISCLOSURE OF INFORMATION TO THE AUDITOR

As far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's auditor in connection with preparing their report) of which the Group's auditor is unaware, and each Director has taken all reasonable steps as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

### 2020 ANNUAL GENERAL MEETING AND GENERAL MEETING

The 2020 annual general meeting of the Company was held at Innovation House, 39 Mark Road, Hemel Hempstead HP2 7DN, United Kingdom on 30 June 2020 at 10.30am. The notice convening the meeting (the "Notice of AGM") with a summary of the business to be transacted was posted to shareholders and made available on the Company's website at [www.gygplc.com](http://www.gygplc.com) on 5 June 2020.

As previously announced, publication of the Group's Annual Report and Financial Statements for the year ended 31 December 2019 (the "2019 Accounts") had been delayed pending greater clarity being provided by the regulators on the uncertainties created by the COVID-19 pandemic. As the Company was required to hold its annual general meeting by 30 June 2020, and the 2019 Accounts were not available at the time of issuing the Notice of AGM, the Notice of AGM contained customary annual general meeting resolutions but did not contain a resolution proposing receipt by shareholders of the 2019 Accounts. A further general meeting of the Company at which this resolution will be put to shareholders will, therefore, be held on 2 September 2020 at 10.30am. The notice convening the general meeting (the "Notice of GM") with a summary of the business to be transacted is set out on pages 81 to 84 and is also available on the Company's website at [www.gygplc.com](http://www.gygplc.com).

As a consequence of the ongoing COVID-19 pandemic, and in light of the UK Government's current guidance on public gatherings and the new regulations set out in the Corporate Insolvency and Governance Act 2020, the Board has concluded that shareholders cannot be permitted to attend the general meeting in person.

The Company will hold the general meeting by electronic means with the minimum necessary quorum of two shareholders, in accordance with its articles of association. The meeting will comprise only the formal votes for each resolution set out in the Notice of GM.

The Board will continue to monitor COVID-19 developments as well as any further UK Government advice and will announce further details if any amendment is required to these arrangements.

Approved by the Board of Directors on 22 July 2020 and signed on its behalf by:

**SUE STEVEN**  
Company Secretary

22 July 2020

# CORPORATE GOVERNANCE STATEMENT

## An introduction from the Chairman

Dear Shareholders

As Chairman of GYG plc, I am responsible for leading the Board so as to ensure that the Group has in place the strategy, people, structure and culture to deliver value to shareholders and other stakeholders of the Group as a whole over the medium to long-term. On behalf of the Board I am, therefore, pleased to present our Corporate Governance Statement for the year ended 31 December 2019.

High standards of corporate governance are a key priority for the Board of GYG plc and the Board has adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework. The Company complies with the QCA code in so far as is practical given the size of the Company and nature of its operations.

As individual Directors we are mindful of our statutory duty to act in the way each of us considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, as set out in our s172(1) statement on page 20.

It is the responsibility of the Board to ensure that the Group is managed for the long-term benefit of all shareholders and stakeholders, with effective and efficient decision-making. Corporate governance is an important aspect of this, reducing risk and adding value to our business. The QCA Code and the Companies Act have proved to be a useful guide to assist me and the Board of GYG plc in articulating how we approach and apply good corporate governance.

The QCA Code sets out ten principles, in three broad categories, and in this Corporate Governance Statement I have set out the Group's application of the QCA Code and the Companies Act, including, where appropriate, cross references to other sections of the annual report and to our website.

**STEPHEN MURPHY**  
**Chairman**

22 July 2020

### **QCA PRINCIPLES DELIVER GROWTH**

#### **1. Establish a strategy and business model which promote long-term value for shareholders**

GYG plc has a long-established reputation in European marine supply and the global superyacht Refit segment and is growing its market share in New Build by developing long term relationships with leading New Build shipyards across Europe and enhancing its international footprint in the Refit sector.

The Board has established a strategy and business model which seek to promote long-term value for shareholders and has identified the following key areas of operation to focus on improving on the Group's performance going forwards:

- leverage market leading position across all segments;
- enter into new agreements with shipyards to create long-term trading partnerships;
- generate further operational efficiencies and synergies;
- expanding the marine supply offering; and
- acquisition-led growth where and when appropriate to expand the business model.

A fuller explanation of how the strategy and business model are executed is set out on pages 10 to 21 of the Strategic Report.

#### **2. Seek to understand and meet shareholder needs and expectations**

The Company recognises the importance of engaging with its shareholders and reports formally to them when its full-year and half-year results are published. At the same time, Executive Directors present the results to institutional investors, analysts and the media. The Non-Executive Directors are available to discuss any matter stakeholders might wish to raise, and the Chairman and the other independent Non-Executive Director attend meetings with investors and analysts as required. The Chairman writes to major shareholders once a year offering them the opportunity to meet with him.

At every Board meeting, the Chief Executive Officer provides a summary of the content of any engagement the Executive Directors have had with investors to ensure that major shareholders' views are communicated to the Board as a whole. The Board is also provided with brokers' and analysts' reports when published. This process enables the Chairman and the other Non-Executive Director to be kept informed of major shareholders' opinions on strategy and governance, and for them to understand any issues or concerns.

Shareholders are usually encouraged to attend the annual general meeting at which the Group's activities and results are considered, and questions answered by the Directors. However, given the ongoing COVID-19 pandemic and the associated UK Government measures, including restrictions on public gatherings, attendance was not permitted this year. Shareholders were invited to submit questions by email to the Company prior to the meeting, but no such questions were received.

General information about the Group is also available on the Company's website ([www.gygplc.com](http://www.gygplc.com)). This includes an overview of activities of the Group and details of all recent Company announcements.

In 2019, the Non-Executive Directors commissioned an independent Perception Audit of key shareholders' views and concerns. The Directors take all feedback very seriously, and the key issues arising from the Perception Audit were carefully considered by the Board and appropriately addressed.

The Company also receives occasional feedback direct from investors, which, again, is carefully considered by the Board, with appropriate action being taken where necessary. None of the feedback received from investors has involved non-compliance with the QCA Code but, where appropriate, matters raised have been addressed in this year's annual report, and changes have been introduced or an explanation provided as to why the Board does not think it is in the interests of shareholders to do so at this time.

### **3. Take into account wider stakeholder and social responsibilities and their implications for long-term success**

In addition to its shareholders, the Company believes its main stakeholder groups are its employees, clients, suppliers and relevant statutory authorities in its areas of operation.

The Group encourages feedback from its customers through engagement with individual customers and relevant advisors throughout a project. As a consequence of such feedback, the Group's quotes have been further updated to provide better clarification for clients in areas such as payment terms, warranty and standard terms and conditions. A detailed scope of works schedule is also now included, and the format of quotes has been unified across all the Group's locations. We also continue to run the Pinmar Paint Academy's non-profit making paint courses which teach yacht crews about what the Group does, and how the crews can best maintain their paintwork.

The Group recognises the increasing importance of corporate social responsibility and endeavours to take it into account when operating its business in the interests of its stakeholders, including its investors, employees, customers, suppliers, business partners and the communities where it conducts its activities.

The Board recognises the benefits of a diverse workforce which enables the Group to make better decisions about how to optimise resources and work by eliminating structural and cultural barriers and bias. It allows us to protect and enhance our reputation by recognising and respecting the needs and interests of diverse stakeholders; to deliver strong performance and growth by attracting, engaging and retaining diverse talent; and to innovate by drawing on the diversity of perspectives, skills, styles and experience of our employees and stakeholders.

The Group is committed to ensuring that it treats its employees fairly and with dignity. This includes being free from any direct or indirect discrimination, harassment, bullying or other form of victimisation. The Group has policies in place to encourage employees to speak up about any inappropriate practices or behaviour.

The Group believes that having empowered and responsible employees who display sound judgement and awareness of the consequences of their decisions or actions, and who act in an ethical and responsible way, is key to the success of the business. Feedback from employees is received from employee representatives who meet with management on a regular basis to discuss business-related issues. As a result of such feedback, the Group intends to implement more training and to explore the introduction of apprenticeship schemes.

The operation of a profitable business is a priority and that means investing for growth as well as providing returns to its shareholders. To achieve this, the Group recognises that it needs to operate in a sustainable manner and therefore has adopted core principles to its business operations which provide a framework for both managing risk and maintaining its position as a good 'corporate citizen', and also facilitate the setting of goals to achieve continuous improvement.

The Group aims to conduct its business with integrity, respecting the different cultures and the dignity and rights of individuals in the countries where it operates. The Group supports the UN Universal Declaration of Human Rights and recognises the obligation to promote universal respect for and observance of human rights and fundamental freedoms for all, without distinction as to race, religion, gender, language or disability.

For the last 31 years, the Group has organised an annual charity golf tournament, known as "The Pinmar Golf". Since its inception, the Group has received donations from its supporters totalling €1,109,299 and, in 2019 alone, the sum of €73,213 was raised by the event. The funds raised are distributed through The Pinmar Golf Charity Fund and have been used to great effect, supporting a host of worthy Mallorca-based and also industry-related charities. In the last year, funds have been shared across a wide range of causes including: Joves Navegants, Fundación Handisports, OK Prosthetics, Tyume Valley Schools, Sail 4 Cancer, Asdica, Serve On and Shambhala Fundación. An environmental focus has also been introduced to the Group's fundraising activities, and 25% of the 2019 total will be apportioned to projects that are focused on marine conservation. Further details of The Pinmar Golf and the charitable causes which have received support through the funds raised from this event may be found at <https://pinmargolf.es/charities.html>.

2019 saw the last Pinmar Golf tournament, and the Group will be introducing new hospitality events in the future through which yacht crew and the industry will be brought together to continue the good work that has been achieved so far with the charities.

### **Health and safety**

The Directors are committed to ensuring the highest standards of health and safety, both for employees and for the communities within which the Group operates. The Group's Chief Operating Officer is the person with overall responsibility for health and safety matters. During the reporting period a small fire occurred which damaged a container and materials at the Group's operations in La Ciotat. The insurance assessor concluded that this was through no fault of the Company and a claim was filed with the insurer.

# CORPORATE GOVERNANCE STATEMENT

## (CONTINUED)

### **3. Take into account wider stakeholder and social responsibilities and their implications for long-term success (continued)**

The Group seeks to meet or, where possible, exceed legal requirements aimed at providing a healthy and secure working environment to all employees and understands that successful health and safety management involves integrating sound principles and practice into its day-to-day management arrangements and requires the collaborative effort of all employees. All employees are positively encouraged to be involved in consultation and communication on health and safety matters that affect their work. In addition, the Board receives monthly reports on the number of accidents in relation to the number of workers. In this regard there have been no significant issues reported, and the accident rate in 2019 has declined since 2017.

Post-period in response to the ongoing COVID-19 pandemic, the Group invoked its contingency plans, and the Group maintained operations with enhanced health and safety protocols in place for front line staff and all back-office staff working remotely, in line with the various government guidelines and regulations.

#### **Environment**

The Directors are committed to minimising the impact of the Group's operations on the environment. The Group recognises that its business activities have an influence on the local, regional and global environment and accepts that it has a duty to carry these out in an environmentally responsible manner. It is the Group's policy to endeavour to meet or, where possible, exceed relevant legal requirements and codes of practice on environmental issues so as to ensure that any adverse effects on the environment are minimised. It strives to provide and maintain safe and healthy working conditions, and to keep its entire staff informed of its environmental policy whilst encouraging them to consider environmental issues as an everyday part of their role.

The Coatings Division has obtained the ISO 14001:2015 certificate, confirming the Company's continued leadership in our industry with regard to environmental matters. This international standard is used by large and small organisations across the world and is an excellent framework to assist with the implementation of an environmental management system which helps organisations reduce their environmental impact whilst growing their business.

### **4. Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board has overall responsibility for the Group's internal control systems and for monitoring their effectiveness. The Board, with the assistance of the Audit Committee, maintains a system of internal controls to safeguard shareholders' investment and the Group's assets, and has established a continuous process for identifying, evaluating and managing the significant risks the Group faces.

Details of the principal risks currently facing the Group and how they are mitigated are set out on pages 18 to 20 of the Strategic Report.

The Board delegates to management the responsibility for designing, operating and monitoring both the systems and the maintenance of effective internal controls within the Group. The

Company also has a whistleblowing policy in place. Both the Board and senior management are responsible for reviewing and evaluating risk, and the Executive Directors meet on a regular basis to review ongoing trading performance, discuss budgets and forecasts and any new risks associated with ongoing trading, the outcome of which is reported to the Board.

The Board's review process is, with the assistance of the Audit Committee, based principally on reviewing regular reports from management to consider whether significant risks are identified, evaluated, managed and controlled, and whether any significant weaknesses are promptly remedied or indicate a need for more extensive monitoring. The system is designed to manage rather than eliminate the risk of failure to achieve the Company's objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board considers the materiality of financial and non-financial risks and the relationship between the cost of, and benefit from, internal control systems.

In 2019 a formal risk assessment exercise was conducted by management in conjunction with those employees who have responsibility for specific controls. The process reviewed, identified and prioritised risks, evaluated controls and assessed whether any improvements to such controls were necessary. The results of the risk assessment were subsequently reviewed by the Board and confirmed that no significant weakness or failing had been identified during the process.

In addition to the ongoing monitoring of risk, it is intended that such a formal risk assessment exercise will continue to be conducted on an annual basis.

Management is also responsible for establishing and maintaining adequate internal control and risk management systems relating to the financial reporting process and the Group's process for the preparation of consolidated accounts. The systems and controls in place include policies and procedures which relate to the maintenance of records that accurately and fairly reflect transactions, correctly evidence and control the Group's assets, provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and review and reconcile reported results.

The other key procedures which exist to provide effective internal controls and risk management systems are as follows:

- lines of responsibility and delegated authorities are clearly defined;
- a formal risk register, which is regularly reviewed and updated;
- annual review of the Group's insurance policies with its insurance broker to ensure that the policies are appropriate for the Group's activities and exposures;
- a comprehensive system for consolidating financial results from Group companies and reporting these financial results to the Board;

- annual revenue, cash flow and capital forecasts reviewed regularly during the year, regular monitoring of management accounts and capital expenditure reported to the Board and regular comparisons with forecasts;
- financial controls and procedures;
- clear guidelines for the authorisation of significant transactions including capital expenditure and disposals under defined levels of authority;
- regular meetings of the Executive Directors; and
- an Audit Committee which approves audit plans and published financial information and reviews reports from the external auditor arising from the audit and deals with significant control matters raised.

The Group's policies and procedures are regularly updated and distributed throughout the Group. The Board confirms that it has, during the reporting period, reviewed on an ongoing basis the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems and has reviewed insurance provisions. No significant failing or weaknesses have been identified.

The Board monitors the activities of the Group through regular Board meetings and it retains responsibility for approving any significant financial expenditure or commitment of resources.

## MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

### 5. Maintain the Board as a well-functioning, balanced team led by the chair

The Chairman, Stephen Murphy, is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role. The Company is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders and is mindful of the cost/benefit implications of further Board expansion for the Company. The Company will continue to keep this under review and maintain a balance of Non-Executive Director input as the Company grows.

To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board and Committee meetings. All Directors have access to the advice and services of the Chief Financial Officer and the Company Secretary, who are responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

The Board is responsible to the shareholders and sets the Group's strategy for achieving long-term success. It is ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group. At each of its meetings, the Board reviews the strategy and evaluates the progress of the Group in achieving its annual objectives. It also considers the risk of potential activities and monitors financial progress against budget.

In between Board meetings, the Executive Directors maintain regular informal contact with the Non-Executive Directors.

Whilst the Board retains overall responsibility for, and control of the Group, day-to-day management of the business is conducted by the Executive Directors who meet with the senior management team on a weekly basis.

#### *Board of Directors*

The composition of the Board during the period is summarised in the table on page 24 of the Directors' Report. As at the date of this report the Board comprises five members including two independent Non-Executive Directors, namely Stephen Murphy and Richard King.

#### *Independence of Directors*

The Directors acknowledge the importance of the principles of the QCA Code which recommend that a company should have at least two independent Non-Executive directors. The Board has, therefore, considered and determined that, since the date of their appointment on 5 July 2017, both the Chairman and the other Non-Executive Director were, and continue to be, independent of the executive management and free from any relationship which could materially affect the exercise of their independent judgement.

Both the independent Non-Executive Directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The independent Non-Executive Directors are of sufficient experience and competence that their views carry significant weight in the Board's decision making.

At each meeting the Board considers Directors' conflicts of interest. The Company's articles of association provide for the Board to authorise any actual or potential conflicts of interest.

The Non-Executive Directors have regular opportunities to meet without Executive Directors being present (including time after Board and Committee meetings).

#### *Time commitments*

On joining the Board, Non-Executive Directors receive a formal appointment letter, which identifies the terms and conditions of their appointment and, in particular, the time commitment expected of them. A potential director candidate (whether an Executive Director or Non-Executive Director) is required to disclose all significant outside commitments prior to their appointment.

In the appropriate circumstances, the Board may authorise Executive Directors to take non-executive positions in other companies and organisations, provided the time commitment does not conflict with the Director's duties to the Company, since such appointments should broaden their experience. The acceptance of appointment to such positions is subject to the approval of the Chairman.

The Board is satisfied that both the Chairman and the other Non-Executive Director are able to, and do, devote sufficient time to the Company's business.

# CORPORATE GOVERNANCE STATEMENT

(CONTINUED)

## MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

### 5. Maintain the Board as a well-functioning, balanced team led by the chair (continued)

#### *Attendance at Board and Committee meetings*

The Board considers that it has shown its commitment to leading and controlling the Group by meeting 12 times during the year ended 31 December 2019, and the attendance of each Director at Board and Committee meetings during the period is set out in the table below:

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Stephen Murphy	12/12	6/6	5/5	2/2
Remy Millott	12/12			
Gloria Fernandez (resigned 31 July 2019)	5/8*			
Kevin McNair (appointed 19 September 2019)	4/4			
Rupert Savage	12/12			
Richard King	11/12	6/6	5/5	2/2

\* Non-attendance at three Board meetings as a result of being absent on maternity leave.

Attendance is expressed as the number of meetings attended/number eligible to attend. Directors' attendance by invitation at meetings of Committees of which they are not a member is not reflected in the above table.

### 6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board currently comprises three Executive and two Non-Executive Directors with an appropriate balance of sector, financial and public market skills and experience to deliver the Group's strategy for the benefit of shareholders over the medium to long term. The balance of skills and experience of the current Board is summarised below:

Director	Sector	Financial	General Management	Other public company (board level)
Stephen Murphy		•	•	•
Remy Millott	•		•	
Kevin McNair		•	•	•
Rupert Savage	•		•	
Richard King		•	•	•

The skills and experience of the Board are set out in their biographical details on pages 22 and 23. The experience and knowledge of each of the Directors gives them the ability to constructively challenge the strategy and to scrutinise performance. The Board also has access to external advisors where necessary. Neither the Board nor its Committees sought external advice on any significant matter during the reporting period.

On joining the Board, new Directors are advised of their legal and other duties and obligations as a director of an AIM-listed company. They also take part in a formal induction process, including the provision of past Board materials to provide background information on the Company and information on Board processes and governance framework. The induction is tailored to meet each new Director's specific needs.

Throughout their period in office the Directors are continually updated on the Group's business, the industry and competitive environment in which it operates, corporate social responsibility matters and other changes affecting the Group by written briefings and meetings with senior executives.

Each Director takes responsibility for maintaining his/her skill set, which includes roles and experience with other boards and organisations as well as attending formal training and seminars. The Executive Directors receive regular and ongoing updates from their professional advisors covering financial, legal, tax and Stock Exchange regulations.

The Company Secretary provides information and advice on corporate governance and individual support to Directors on any aspect of their role, particularly supporting the Chairman and those who chair Board Committees. The Company Secretary is also responsible for ensuring that Board procedures are followed, that the Company complies with company law and the AIM Rules, and that the Board receives the information it needs on a timely basis to fulfil its duties effectively.

The Company is a strong supporter of diversity in the boardroom and, during the period to 31 July 2019, the Board comprised of one female and four male Directors. The Board currently comprises five male Directors following the resignation of Gloria Fernandez and the subsequent appointment of Kevin McNair. The Company Secretary is female. The Company remains of the opinion that appointments to the Board should be made relative to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise.

## 7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

### *Board evaluation*

The Board is mindful that it needs to continually monitor and identify ways in which it might improve its performance and recognises that board evaluation is a useful tool for enhancing a board's effectiveness. Alongside the formal annual evaluation, the Chairman routinely assesses the performance of the Board and its members and discusses any problems or shortcomings (if any) with the relevant Directors.

After considering different alternatives, the Board made the decision to undertake the 2019 evaluation internally, using a process led by the Chairman, which included the completion by each Director of a confidential questionnaire in respect of the Board evaluation, and of a confidential questionnaire for each of the Committees of which they were a member. These questionnaires covered all aspects of good governance, and the Directors were also required to assess their satisfaction with the operation of the Board and its Committees, as well as the effectiveness of these bodies in fulfilling the key responsibilities set out in their respective terms of reference.

A similar confidential questionnaire process was undertaken in respect of the evaluation of the Chairman's performance, with feedback being provided to the Chairman by the other Non-Executive Director.

Further details of the criteria against which the Board, its Committees and the individual effectiveness of the Directors and the Chairman were considered can be found at [www.gygplc.com/investor-relations/investor-relations-corporate-governance](http://www.gygplc.com/investor-relations/investor-relations-corporate-governance).

The completed questionnaires were analysed by the Company Secretary and the outcomes were reviewed and considered by the Board as a whole. As in the previous year, there were no

significant issues identified during the evaluation process, and any minor areas requiring a level of improvement either have been or will be addressed. It was, therefore, concluded that:

- the Board continued to meet its regulatory requirements and that appropriate processes were in place for setting the strategic direction of the Group;
- each Committee continued to be effective and that all members were considered to have made valuable contributions;
- individual Directors continued to perform effectively; and
- the process for evaluation of the Chairman's performance had been conducted in a professional and thorough manner, and that the Chairman performed his role appropriately.

### *Succession planning*

The Nomination Committee is responsible for succession planning of the executive leadership team and for the appointment and re-appointment of any Non-Executive Directors if and when necessary. Further details of the Company's approach to succession planning are set out in the Nomination Committee Report on page 35.

## 8. Promote a corporate culture that is based on ethical values and behaviours

The Group adopts a policy of equal opportunities in the recruitment and engagement of staff as well as during the course of their employment. It endeavours to promote the best use of its human resources on the basis of individual skills and experience matched against those required for the work to be performed.

The Group recognises the importance of investing in its employees and, as such, the Group provides opportunities for training and personal development and encourages the involvement of employees in the planning and direction of their work. These values are applied regardless of age, race, religion, gender, sexual orientation or disability.

The Group believes that it has robust policies and procedures for combating bribery and corruption. A copy of the Group's Anti-Corruption and Bribery Policy can be found on the Group's website ([www.gygplc.com/investor-relations/investor-relations-corporate-governance](http://www.gygplc.com/investor-relations/investor-relations-corporate-governance)).

The Group recognises that commercial success depends on the full commitment of all its employees and commits to respecting their human rights, to provide them with favourable working conditions that are free from unnecessary risk and to maintain fair and competitive terms and conditions of service at all times. The performance and reward system endorses the desired ethical behaviours across all levels of the Group.

# CORPORATE GOVERNANCE STATEMENT

## (CONTINUED)

### **9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**

The Chairman, Stephen Murphy, is responsible for leadership of the Board, ensuring its effectiveness, setting its agenda and ensuring that the Directors receive accurate, timely and clear information. The Chairman also ensures effective communication with shareholders and facilitates the effective contribution of the other Non-Executive Director. Remy Millott, as Chief Executive Officer, is responsible for the operational management of the Group and the implementation of Board strategy and policy. By dividing responsibilities in this way, no one individual has unfettered powers of decision-making.

There is a formal schedule of matters reserved for decision by the Board in place which enables the Board to provide leadership and ensure effectiveness, a copy of which may be found at on the Company's website ([www.gygplc.com/investor-relations/investor-relations-corporate-governance/](http://www.gygplc.com/investor-relations/investor-relations-corporate-governance/)). Such matters include business strategy and management, financial reporting (including the approval of the annual budget), Group policies, corporate governance matters, major capital expenditure projects, material acquisitions and divestments and the establishment and monitoring of internal controls.

The appropriateness of the Board's composition and corporate governance structures are reviewed through the ongoing Board evaluation process and on an ad hoc basis by the Chairman together with the other Directors, and these will evolve in parallel with the Group's objectives, strategy and business model as the Group develops.

### **BOARD COMMITTEES**

The Board has established Audit, Nomination and Remuneration Committees and the Company Secretary acts as secretary to each of the three Committees.

#### ***Audit Committee***

The Audit Committee has Richard King as chairman, and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on, and for reviewing reports from the Group's auditor relating to the Group's accounting and internal controls, in all cases having due regard to the interests of shareholders. The Audit Committee meets at least twice a year. Stephen Murphy is the other member of the Audit Committee. The Audit Committee's terms of reference are available on the Company's website ([www.gygplc.com/investor-relations/investor-relations-corporate-governance/](http://www.gygplc.com/investor-relations/investor-relations-corporate-governance/)).

A report on the duties of the Audit Committee and how it discharges its responsibilities is provided on pages 36 to 38.

#### ***Remuneration Committee***

The Remuneration Committee has Stephen Murphy as chairman, and reviews the performance of the Executive Directors, and determines their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of shareholders. The Remuneration Committee meets at least twice a year. Richard King is the other member of the Remuneration Committee. The Remuneration Committee's terms of reference are available on the Company's website ([www.gygplc.com/investor-relations/investor-relations-corporate-governance/](http://www.gygplc.com/investor-relations/investor-relations-corporate-governance/)).

The Directors' Remuneration Report and details of the activities and responsibilities of the Remuneration Committee are set out on pages 39 to 42.

#### ***Nomination Committee***

The Nomination Committee has Stephen Murphy as chairman, and identifies and nominates, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee meets at least once a year. Richard King is the other member of the Nomination Committee. The Nomination Committee's terms of reference are available on the Company's website ([www.gygplc.com/investor-relations/investor-relations-corporate-governance/](http://www.gygplc.com/investor-relations/investor-relations-corporate-governance/)).

Details of the activities and responsibilities of the Nomination Committee are set out on page 35.

### **BUILD TRUST**

#### **10. Communicate how the Company is governed and is performing**

As explained earlier in this Corporate Governance Statement, the Board has established a Nomination Committee, an Audit Committee and a Remuneration Committee. The work of each of the Board Committees undertaken during the year ended 31 December 2019 is detailed on pages 35 to 42.

The results of the proxy votes received in relation to the 2020 annual general meeting are available on the Company's website ([www.gygplc.com/investor-relations/investor-relations-corporate-governance/](http://www.gygplc.com/investor-relations/investor-relations-corporate-governance/)). No resolutions had a significant proportion (>20%) of votes cast against them at that meeting.

The Board maintains a healthy dialogue with all of its stakeholders. Throughout the course of the financial year the Board communicates with shareholders directly and also uses an external service provider to canvass shareholders on any views, concerns and expectations they may wish to express indirectly.

# NOMINATION COMMITTEE REPORT

In accordance with its terms of reference, the Nomination Committee is responsible for reviewing the structure, size and composition of the Board based upon the skills, knowledge and experience required to ensure that the Board operates effectively, and for identifying and nominating, for the approval of the Board, candidates to fill board vacancies as and when they arise. The Nomination Committee is also responsible for succession planning of the executive leadership team and makes recommendations to the Board for the re-appointment of any Non-Executive Directors if and when necessary.

Stephen Murphy acts as Chairman of the Nomination Committee and its other member is Richard King. Both members are independent Non-Executive Directors. The Nomination Committee meets at least once a year and at other times as and when required. Details of meeting attendance are shown in the Corporate Governance Statement on page 32.

The effectiveness of the Nomination Committee is reviewed by the Board annually.

The Nomination Committee met twice during the reporting period. Business conducted as those meetings included the following:

## STRUCTURE, SIZE AND COMPOSITION OF THE BOARD

The Nomination Committee reviewed the structure, size and composition of the Board in conjunction with the outcome of the 2019 Board/Committee performance evaluation process and was of the view that the current composition of the Board of three Executive Directors and two independent Non-Executive Directors was appropriate at the present time, taking into account the Company's current size and stage of development. However, the Nomination Committee noted that it would continue to monitor and keep under review the structure, size and composition of the Board.

## BOARD APPOINTMENT

In view of Gloria Fernandez' decision not to return to her role as the Group's Chief Financial Officer at the end of her maternity leave period, the Nomination Committee, having previously consulted with the Executive Directors, considered Kevin McNair's performance during the period since he had joined the Group as interim Chief Financial Officer in March 2019 and concluded that he had been diligent in the execution of his duties, that his performance had been of the required standard and that he fulfilled the key requirements necessary to undertake the role of Chief Financial Officer to the Group on a permanent basis. Accordingly, it was agreed that an external search for possible alternative candidates for the position would not be conducted, and that the Nomination Committee would recommend to the Board that Kevin be offered the role of Chief Financial Officer on a permanent basis, and also that he be appointed as an Executive Director of the Board of GYG plc. After due consideration, the Board approved the Nomination Committee's recommendation and Kevin was appointed as the Group's Chief Financial Officer and an Executive Director of GYG plc with effect from 19 September 2019.

## SUCCESSION PLANNING

The Nomination Committee has identified succession planning as a key consideration for GYG and a formal succession plan is now in place. Key individuals in the senior/middle management teams have been identified and a matrix has been prepared which is updated on a regular basis. This matrix indicates how succession challenges would be managed on a short- and long-term basis within the practical constraints of the Company's financial capabilities and its strategic position within a developing but specialist industry.

The Nomination Committee also oversees the talent management and development within the Group and seeks to make appropriate investment at all levels of the organisation to provide meaningful opportunities and a realistic level of internal candidates for key roles. The Nomination Committee also identifies where succession solutions would involve external recruitment and plans appropriately for such situations.

## BOARD/COMMITTEE PERFORMANCE EVALUATION PROCESS

It was noted that a formal Board/Committee performance evaluation would be conducted by way of a questionnaire and Chairman interviews during 2019. Further details of this process and the outcomes are set out on page 33 of the Corporate Governance Statement.

## RETIREMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee considered the terms of the Company's articles of association (the "Articles") regarding retirement and re-election of Directors and noted that all Directors were subject to election by shareholders at the first annual general meeting following their appointment by the Board. Accordingly, Kevin McNair, who was appointed as a Director on 19 September 2019, retired at the annual general meeting of the Company held on 30 June 2020 and, having been eligible had offered himself for re-election. The resolution proposing his election as a Director of the Company was duly passed at that meeting. Also, in accordance with the terms of the Articles, one further Director was required to retire and, being eligible, offer himself for re-election at the 2020 annual general meeting. The process for determining which Director would retire and offer himself for re-election is set out in the Articles, and it was agreed by the Board that Richard King would be the retiring Director at the 2020 annual general meeting. The resolution proposing his re-election as a Director of the Company was duly passed at that meeting.

## STEPHEN MURPHY

**Chairman of the Nomination Committee**

22 July 2020

# AUDIT COMMITTEE REPORT

## AUDIT COMMITTEE

The Audit Committee meets at least three times a year and met six times during the reporting period. Details of meeting attendance are shown in the Corporate Governance Statement on page 32. The Group's auditor was also present at five of those meetings.

Richard King acts as Chairman of the Audit Committee and has recent and relevant financial experience through his former role with EY as deputy Managing Partner of UK & Ireland and a member of both the Europe, Middle East, India and Africa (EMEIA) Board and Global management group, and his subsequent involvement either as chairman or non-executive director on a variety of private and public companies. He is also a Fellow of the Institute of Chartered Accountants. Stephen Murphy is the other member of the Audit Committee and qualified as a Chartered Management Accountant in 1979. Both of the Audit Committee members are independent Non-Executive Directors.

In accordance with the FRC's Guidance on Audit Committees, no one other than the Audit Committee Chairman and the other member receive automatic invitations to meetings of the Audit Committee. The Chief Financial Officer and external auditor are invited to attend meetings on a regular basis, and other non-members may be invited to attend all or part of any meeting and as and when considered appropriate and necessary.

The Audit Committee meets the external auditor at least once a year without executive management present, and the Chairman of the Audit Committee keeps in touch on a continual basis with the key people involved in the Company's governance, including the Chief Executive Officer, the Chief Financial Officer, the Company Secretary and the external audit lead partner. An induction programme is provided for new Audit Committee members covering the role of the Audit Committee, its terms of reference and an overview of the Group's business, including the main business and financial dynamics and risks.

## SUMMARY OF THE ROLE OF THE AUDIT COMMITTEE

In the course of discharging its duties and responsibilities, the Audit Committee focuses particularly on compliance with legal requirements and accounting standards and on ensuring that an effective system of internal financial controls is maintained.

The Audit Committee has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on, and for reviewing reports from the Group's auditor relating to the Group's accounting and internal controls, in all cases having due regard to the interests of shareholders. Its other responsibilities include reviewing and monitoring:

- the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;

- the Group's internal financial controls and internal control and risk management systems;
- the requirement for an internal audit function;
- the Group's whistleblowing, fraud detection and anti-bribery procedures;
- the external auditor's independence and objectivity and the effectiveness of the audit process; and
- making recommendations to the Board on the appointment and re-appointment of the Group's external auditor.

The Audit Committee reports to the Board, identifying any need for action or improvement on any of these terms of reference and makes recommendations as to the steps to be taken. The effectiveness of the Audit Committee is reviewed by the Board annually.

## EXTERNAL AUDITOR

The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and assesses annually the qualifications, expertise, resources, remuneration and independence of the external auditor. The Audit Committee also receives a report on the external audit firm's own internal quality control procedures, and confirmation of the auditor's independence. For each annual cycle, the Audit Committee ensures that appropriate plans are in place for the external audit.

Deloitte LLP were the Company's and the Group's external auditor for the financial years ended 31 December 2017 and 31 December 2018.

During the reporting period, the Audit Committee undertook a tender process in respect of external audit services. A range of firms were approached, and Deloitte LLP were also invited to re-tender. Interested firms were subsequently requested to submit their proposals. Following this, a full tender process of firms shortlisted, based on their proposals, was conducted. The tendering firms were judged against objective criteria determined in advance of the process, and the shortlisted firms were invited to present their proposals in person to the Audit Committee. Whilst the Audit Committee appreciated the quality of the proposals presented by all the tendering firms, it considered that the submission and the team from PricewaterhouseCoopers LLP ("PWC") best met the pre-defined criteria it had set. After due consideration, it was agreed that the Audit Committee would recommend to the Board that PWC be appointed as the Company's and the Group's external auditor commencing with the audit of the financial year ended 31 December 2019. There were no contractual obligations restricting the Company's choice of external auditor.

In accordance with professional standards, the PWC senior statutory auditor responsible for the audit will be rotated every five years. The current senior statutory auditor was appointed in respect of the year ended 31 December 2019.

The Audit Committee annually reviews the effectiveness of the external auditor. This process involves the external auditor presenting to the Audit Committee its proposed audit scope, such presentation last having taken place in August 2019 in relation to the financial statements for the year ended 31 December 2019. The external auditor also presents to the Audit Committee the output of its detailed year-end work and the Audit Committee challenges significant judgements (if any).

In making its assessment of external auditor effectiveness, the Audit Committee reviews the audit engagement letters before signature, reviews the external auditor's summary of Group issues, and conducts an overall review of the effectiveness of the external audit process and the external auditor. The Audit Committee reports its findings to the Board.

The Audit Committee and the Board were satisfied with the performance of Deloitte LLP as external auditor prior to their resignation, and have also been satisfied with the performance of PWC since their subsequent appointment as external auditor. In both cases, the Audit Committee and the Board were also satisfied with the policies and procedures the external auditors had in place to maintain their objectivity and independence.

The Audit Committee also approves in advance any non-audit services to be performed by the auditor such as tax compliance and advisory work, audit-related assurance services (eg reviews of internal controls and reviewing the Group's interim financial statements).

Any non-audit services that are to be provided by the external auditor are reviewed in order to safeguard auditor objectivity and independence. During the reporting period, non-audit services have been provided in respect of the interim review of the half year financial statements, transfer pricing and covenant calculation. All non-audit services have to be approved by the Chairman of the Audit Committee, who considers whether appropriate safeguards are in place in respect of non-audit services being delivered. These include delivery of non-audit services by a partner independent of the audit. Accordingly, the Board can confirm that during the reporting period there have been no non-audit services that are considered to have impaired the objectivity and independence of the external auditor. A full breakdown of payments made to the external auditor during the financial year is disclosed within note 7 on page 62.

#### WORK UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE YEAR ENDED 31 DECEMBER 2019

The key matters considered during the reporting period by the Audit Committee whilst discharging its duties and responsibilities are set out below:

- consideration and approval of the unaudited interim financial statements for the period ended 30 June 2019;
- consideration of new IFRS accounting standards;

- discussions with the external auditor on the audit approach and strategy, the audit process, significant audit risks and key issues of focus for the annual audit;
- review of the financial integrity of the Group's financial statements including relevant corporate governance statements;
- approval of the audit fees for the financial year ended 31 December 2019;
- approval of non-audit work to be carried out by the external auditor;
- consideration of the independence and objectivity of the external auditor;
- review of the internal controls and risk management systems within the Group;
- consideration of the requirement for the Group to have an internal audit function;
- review of the effectiveness of the external auditor, as more fully described above;
- conducting a full tender process in respect of external audit services and recommending to the Board the appointment of PWC as the Group's external auditor; and
- post-period, review of the annual report and financial statements for the year ended 31 December 2019.

The ultimate responsibility for reviewing and approving the financial statements in the interim and annual reports remains with the Board.

#### SIGNIFICANT JUDGEMENTS RELATED TO THE FINANCIAL STATEMENTS

The Audit Committee, in consultation with management and the external auditor, has considered a number of significant judgements relating to the preparation of the financial statements contained in this annual report as follows:

##### *Revenue recorded for long-term contracts*

Revenue recorded through contract accounting is subject to estimation and judgement in the assessment of costs remaining to complete for contracts which are ongoing at year end. Understatement of expected or contingency costs would increase the percentage of completion causing revenue to be overstated. An overstatement of costs would have an opposite effect and impact on the completeness of revenue.

The Audit Committee has consulted with management and reviewed the external auditor's findings following their detailed testing and review procedures on selected contracts with higher risk characteristics and is satisfied that revenue has been properly recognised.

# AUDIT COMMITTEE REPORT (CONTINUED)

## *Going concern*

A full description of the Group's business activities, financial position and cash flows, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, including the Financial Review, and in note 2.3 of the financial statements. Further details of the borrowing facilities are also set out in note 17 of the financial statements.

The Audit Committee has reviewed the Group's cash flow and income forecasts, including a sensitivity analysis and a review of forecast compliance with loan covenants for the purposes of the going concern review. This process included an assessment of the expected impact of the COVID pandemic on those forecasts. This assessment has been reviewed extensively and will be updated regularly going forward. Management will continue to update their forecasts and take appropriate steps to manage covenant compliance.

## *Valuation of goodwill and other acquired intangibles in respect of the ACA SAS acquisition*

For the purpose of impairment testing, management have updated their forecasts and reviewed for impairment. Goodwill is allocated to each of the cash-generating units ("CGUs") expected to benefit from the synergies of the combination. As of year-end the recoverable amount of the CGU is more than the carrying goodwill and other intangible assets amount, concluding that an impairment is not necessary to be recognised.

The Audit Committee has considered the external auditor's findings and discussed the outcomes with management and, after due consideration, believes that the accounting and disclosures relating to goodwill valuation are appropriate.

## *Risk management and internal control*

The Board has overall responsibility for the Group's internal control systems and for monitoring their effectiveness. The Board maintains a system of internal controls to safeguard shareholders' investment and the Group's assets, and has established a continuous process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the process, which has been in place throughout the period and up to the date of approval of the annual report and financial statements.

The Board's internal control and risk management review process (conducted with the assistance of the Audit Committee), is outlined on pages 30 and 31.

## **INTERNAL AUDIT**

The Board considers the need for an internal audit function annually and in consultation with the external auditor has concluded that, given the current size of the Group's operations, it is not necessary at this time. In forming its decision, the Audit Committee considered that all of the finance function is located at the Palma, Mallorca head office, and this finance team makes regular visits to overseas locations. The efficacy of internal controls is considered on an ongoing basis and the Audit Committee believes these controls to be sufficient for a business the scale and complexity of the Group.

**RICHARD KING**

**Chairman of the Audit Committee**

22 July 2020

# DIRECTORS' REMUNERATION REPORT

As Chairman of the Remuneration Committee, I am pleased to present our report for the year ended 31 December 2019.

This report does not constitute a full directors' remuneration report in accordance with the Companies Act 2006 and the UK Listing Rules. As a company whose shares are admitted to trading on AIM, the Company is not required by the Companies Act to prepare such a report. We do, however, have regard to the principles of the QCA Code which we consider to be appropriate for an AIM company of our size. The report provides details of remuneration for all Directors and gives a general statement of policy on Directors' remuneration as it is currently applied. It also provides a summary of the long-term share incentive scheme currently in place.

**STEPHEN MURPHY**  
Chairman of the Remuneration Committee

## REMUNERATION COMMITTEE

### *Key responsibilities*

The Remuneration Committee is responsible for reviewing the performance of the Executive Directors and for determining their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of shareholders. The remuneration of the Non-Executive Directors is a matter for the Board or the shareholders (within the limits set out in the articles of association).

The effectiveness of the Remuneration Committee is reviewed by the Board annually.

### *Composition and meetings*

The Remuneration Committee meets at least twice a year (and at such other times as may be deemed necessary). Stephen Murphy acts as Chairman of the Remuneration Committee, and Richard King is the other member. Both members are considered by the Board to be independent.

Only members of the Remuneration Committee have the right to attend meetings, but other Directors and external advisers may be invited to attend all or part of any meeting as and when appropriate. No Director may be involved in discussions relating to their own remuneration.

The Remuneration Committee met five times during the reporting period. Details of meeting attendance are shown in the Corporate Governance Statement on page 32.

At those meetings, the Remuneration Committee:

- considered whether bonus targets had been achieved for the year ended 31 December 2018;
- conducted a review of basic salaries payable for the year ended 31 December 2019;
- set bonus performance targets for the year ended 31 December 2019;
- considered and approved awards to be made under the long-term incentive plan;

- considered and approved the settlement arrangements in respect of the outgoing Chief Financial Officer; and

- considered and approved the remuneration package in respect of the incoming Chief Financial Officer.

Post-period, the Remuneration Committee met to conduct a review of all aspects of the remuneration packages of the Executive Directors to ensure that they continue to reward and motivate achievement of medium and long-term objectives, and to align the interests of Executive Directors and shareholders. This assessment included:

- considering whether bonus targets had been achieved for the year ended 31 December 2019;
- reviewing basic salaries payable for the year ending 31 December 2020;
- setting bonus performance targets for the year ending 31 December 2020; and
- considering awards to be made under the long-term incentive plan.

## POLICY ON EXECUTIVE REMUNERATION

The Remuneration Committee recognises the importance of the Company's reward and performance strategy in recruiting and retaining high quality individuals who can lead, develop and sustain business growth over the longer term.

The policy of the Remuneration Committee is to ensure that the Executive Directors are fairly rewarded for their individual contributions to the Company's overall performance and to provide them with a competitive remuneration package (including long-term incentive plans) to attract, retain and motivate individuals of the experience and competence required to ensure that the Company is managed effectively and successfully in the interests of shareholders. When setting the remuneration policy for Directors, the Remuneration Committee reviews and has regard to the pay and employment conditions across the Group, especially when determining salary increases.

The Chairman of the Remuneration Committee may consult with major shareholders from time to time, or when any significant remuneration changes are proposed, to understand their expectations with regard to Executive Directors' remuneration and will report back to the Remuneration Committee. Any other concerns raised by individual shareholders will also be considered. The Remuneration Committee also takes into account emerging best practice and guidance from major institutional shareholders.

The main elements of the remuneration packages of the Executive Directors are as follows:

### *Basic annual salary*

Basic salary is reviewed annually by the Remuneration Committee and takes into account a number of factors, including the current position and development of the Group, individual contribution and market salaries for comparable organisations. There is no prescribed minimum or maximum increase, and there is no obligation on the Remuneration Committee to increase basic salary.

# DIRECTORS' REMUNERATION REPORT

## (CONTINUED)

Directors' salaries for the year ended 31 December 2019 remained at the same level as for the year ended 31 December 2018. Directors' salaries have not been increased since the IPO in July 2017.

The Company does not provide an occupational pension scheme for Executive Directors, nor does it make contributions into the private pension schemes of the Executive Directors.

### *Discretionary bonus*

At the discretion of the Remuneration Committee, taking into account performance against certain financial and individual targets, an Executive Director may be entitled to an annual discretionary cash bonus on such terms and subject to such conditions as may be decided from time to time by the Remuneration Committee. Bonuses will normally be capped at 100% of the relevant Executive Director's base salary for exceptional out-performance.

The performance criteria are set by the Remuneration Committee based upon a combination of target financial criteria and specific personal objectives which are agreed by the Remuneration Committee with the Chief Executive Officer and the relevant Executive Director. For the Chief Executive Officer and the Group Commercial Director, the bonus awards are primarily weighted on financial targets, but also include a number of role-specific personal objectives. For the Chief Financial Officer, the weighting is 50:50 on financial targets and specific personal objectives. The weightings are kept under review to ensure that they are creating both intended outcomes and correct behaviours in the leadership team.

For the year ended 31 December 2019, the annual bonus financial targets for the Chief Executive Officer and the Chief Financial Officer were based on certain performance criteria in relation to revenue and EBITDA. The financial targets for the Group Commercial Director primarily related to revenue.

A full appraisal of performance against the financial and personal bonus targets was undertaken by the Remuneration Committee, and each Executive Directors' potential bonus award was determined. However, taking into account the interests of shareholders and, in line with the approach adopted across the whole Group, all proposed bonus awards were reduced by a fixed percentage.

The bonuses awarded to the Executive Directors for the year ended 31 December 2019 are set out in the table on page 41. The Chief Financial Officer did not participate in the 2019 bonus scheme for the full year, having only joined the Group on a permanent basis in September 2019.

For the year ending 31 December 2020, the annual bonuses for Executive Directors will be determined by a combination of the achievement of financial targets and individual targets. The individual targets are linked to certain KPIs and are underpinned by a condition relating to the Company's financial performance.

The Board considers that the actual targets for the year ending 31 December 2020 bonus are commercially sensitive and full details will be disclosed retrospectively in the annual report for that financial year, provided they are not considered commercially sensitive at that time. In accordance with the Directors' remuneration policy, targets are stretching and

aimed at rewarding performance against specific near-term goals, which are consistent with the interests of shareholders and the overall strategic direction of the business.

### *Long-Term Incentive Plan*

In order to operate the discretionary share-based incentive awards to Executive Directors and selected employees, the Company has established a performance share plan, the GYG plc Performance Share Plan 2017 (the "PSP"). This is expected to form the sole long-term incentive arrangement for Executive Directors and selected senior managers.

The Remuneration Committee supervises the operation of the PSP. Any employee (including an Executive Director) of the Company and its subsidiaries is eligible to participate in the PSP at the discretion of the Remuneration Committee.

The Remuneration Committee may grant awards to acquire ordinary shares as conditional share awards or as nil (or nominal) cost options. The Remuneration Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it is not the current intention to do so.

The Remuneration Committee may grant awards within six weeks following the Company's announcement of its results for any financial year. The Remuneration Committee also has discretion to grant awards at any other time when it considers there to be exceptional circumstances which justify the granting of such awards.

The extent of vesting of awards granted to the Executive Directors of the Company will normally be subject to performance conditions set by the Remuneration Committee measured over at least three years. The extent of vesting of awards granted to other participants may be subject to performance conditions set by the Remuneration Committee.

An employee may not receive awards in respect of any financial year over ordinary shares having a market value in excess of 100% of their annual base salary in that financial year. In exceptional circumstances, this limit may be increased to 150% at the discretion of the Remuneration Committee.

Options granted under the PSP during the reporting period are set out in the table on page 42. These options will vest in 2022 to the extent stretching earnings per shares (EPS) targets are met in the financial year ending 31 December 2021.

### *Benefits in kind*

Ancillary benefits provided to Executive Directors currently include critical illness cover, the reimbursement of all reasonable and authorised expenses and (in the case of the Chief Executive Officer and the Group Commercial Director) provision of a company car. The Remuneration Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practices or the operational needs of the Company.

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

The remuneration of the Directors who served on the Company's Board during the year to 31 December 2019 was as set out in the table below:

	Year ended 31 December 2019			Year ended 31 December 2018		
	Basic salary and fees €'000	Bonus €'000	Total €'000	Basic salary and fees €'000	Bonus €'000	Total €'000
<b>Executive Directors</b>						
Remy Millott	258.00	121.00	379.00	257.98	—	257.98
Gloria Fernandez <sup>1</sup>	<sup>2</sup> 197.20	—	197.20	150.00	—	150.00
Kevin McNair <sup>3</sup>	<sup>4</sup> 62.80	14.00	76.80	—	—	—
Rupert Savage	231.60	101.00	332.60	231.64	—	231.64
<b>Non-Executive Directors</b>		<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Stephen Murphy	113.89	—	113.89	113.03	—	113.03
Richard King <sup>5</sup>	57.00	—	57.00	56.52	—	56.52

<sup>1</sup> Resigned 31 July 2019.

<sup>2</sup> This figure included the sum of €120,000 in respect of pay in lieu of notice, plus various accrued benefits.

<sup>3</sup> Appointed 19 September 2019.

<sup>4</sup> During the reporting period, as a consultant, Kevin McNair also received payment of €121,900 in respect of his role as Interim Chief Financial Officer.

<sup>5</sup> Richard King is entitled to an additional fee of €13,890 per annum in respect of his role as the Chairman of the Audit Committee, which is included in the total above.

There are no arrangements under which any Director has waived or agreed to waive future emoluments, nor have there been any such waivers or emoluments during the financial year immediately preceding the date of this report.

The service agreements for all of the Executive Directors are between the relevant Director and Hemisphere Yachting Services, S.L.U. ("HYS"). All of the current Executive Directors are employed on a full-time basis.

**POLICY ON NON-EXECUTIVE DIRECTORS' REMUNERATION**

Non-Executive Directors receive a fixed fee and do not receive any pensions payments or other benefits. An additional fee is payable to the Director performing the role of Chairman of the Audit Committee.

Each of the Executive Directors' service agreements may be terminated by either party serving six months' written notice. If notice is given by HYS, in relation to each of Remy Millott and Rupert Savage, they are entitled to a settlement from HYS in the gross amount of €200,000 and, in relation to Kevin McNair, he is entitled to a settlement of €120,000. At its direction, HYS may make payment in lieu of notice equal to the salary amount the Director would otherwise have received during their notice period.

The appointment of the Non-Executive Directors is for an initial term of three years, with such appointments being terminable by either the Company or the individual Director on three months' notice. Each appointment is contingent on satisfactory performance and to the re-election criteria more fully explained on page 24.

Executive Director	Date of service contract
Remy Millott	23 June 2017
Kevin McNair	19 September 2019
Rupert Savage	23 June 2017
Non-Executive Director	Date of letter of appointment
Stephen Murphy	23 June 2017 (taking effect on 5 July 2017)
Richard King	23 June 2017 (taking effect on 5 July 2017)

# DIRECTORS' REMUNERATION REPORT

(CONTINUED)

## DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

### Directors' shareholdings

The interests of the Directors who served during the year in the share capital of the Company as at 31 December 2019, 31 December 2018 and the date of this report were as follows:

Director	31 December 2019 Number of ordinary shares of £0.002 each	31 December 2018 Number of ordinary shares of £0.002 each	As at date of report Number of ordinary shares of £0.002 each
Remy Millott	3,270,863	3,270,863	3,270,863
Gloria Fernandez <sup>1</sup>	278,297	278,297	278,297
Kevin McNair	40,000	—	40,000
Rupert Savage	2,716,981	2,716,981	2,716,981
Stephen Murphy	240,000	240,000	240,000
Richard King	130,000	130,000	130,000

<sup>1</sup> Resigned 31 July 2019.

All interests are beneficially held. There is no requirement for Directors to hold shares in the Company.

### Directors' interests in share options

Details of options over ordinary shares of £0.002 each awarded under the PSP to Directors who served during the year are set out in the table below:

Director	As at 31 December 2018	Granted during the period	Options exercised during the period	Options lapsed during the period	As at 31 December 2019	Exercise price	Earliest date from which exercisable	Expiry date
Remy Millott	82,500	—	—	—	82,500	£0.002	11/07/2020 <sup>1</sup>	11/07/2027
		143,870	—	—	143,870	£0.002	04/04/2022 <sup>1</sup>	04/04/2029
Gloria Fernandez	49,500	—	—	49,500	—	£0.002	11/07/2020 <sup>1</sup>	11/07/2027
		64,741	—	64,741	—	£0.002	04/04/2022 <sup>1</sup>	04/04/2029
Rupert Savage	74,250	—	—	—	74,250	£0.002	11/07/2020 <sup>1</sup>	11/07/2027
		97,112	—	—	97,112	£0.002	04/04/2022 <sup>1</sup>	04/04/2029
<b>TOTAL</b>	<b>206,250</b>	<b>305,723</b>	—	<b>114,241</b>	<b>397,732</b>			

<sup>1</sup> Options will normally vest on the later of (i) the third anniversary of the date of grant; and (ii) the Remuneration Committee determining the extent to which the performance targets have been satisfied.

## CONCLUSION

This report is intended to provide shareholders with sufficient information to judge the impact of the decisions taken by the Remuneration Committee and to assess whether remuneration packages for Directors are fair in the context of business performance.

The Remuneration Committee is mindful of shareholder views, and we believe that our Directors' remuneration policy is aligned with the achievement of the Company's business objectives and the interests of shareholders.

**STEPHEN MURPHY**  
**Chairman of the Remuneration Committee**

22 July 2020

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### DIRECTORS' CONFIRMATIONS

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and parent company's auditors are aware of that information.

### RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the parent company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's and the parent company's position and performance, business model and strategy.

This Statement of Directors' Responsibilities was approved by the Board of Directors on 22 July 2020 and is signed on its behalf by:

**REMY MILLOTT**  
Chief Executive Officer

22 July 2020

**KEVIN MCNAIR**  
Chief Financial Officer

22 July 2020

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GYG PLC

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

---

#### In our opinion:

- GYG plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the annual report and financial statements (the "Annual Report"), which comprise: the consolidated and parent company statements of financial position as at 31 December 2019; the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

---

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

---

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Material uncertainty related to going concern – Group and parent company

---

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.3 to the financial statements concerning the Group's and parent company's ability to continue as a going concern.

In evaluating the going concern assumption, the Directors of the Group have prepared cash flow forecasts to December 2021, together with sensitivity analyses. These forecasts throughout the going concern period assess the Group's and parent company's liquidity and their ability to meet liabilities as they fall due, and demonstrate the Group and parent company are expected to have sufficient cash flow headroom throughout the period. Those forecasts include a number of significant assumptions with regards to the duration or severity of the impact of the COVID-19 pandemic and the impact on the business, and consequently there is a risk that liquidity may not be in line with the sensitised forecasts and that sufficient cash flow headroom may not be available to meet liabilities as they fall due.

These conditions, along with the other matters explained in note 2.3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and parent company were unable to continue as a going concern.

## Audit Procedures Performed

In concluding there is a material uncertainty related to going concern we performed the following procedures:

- Evaluated the Directors' forecast scenarios, including challenging key assumptions, being the use of the government's furlough scheme, the Order Book volume, the profile of forecast cash flow and the variability of the cost base
- Examined the new bank facilities, their terms and conditions and the verified covenant waivers
- Obtained evidence to support disclosures within the financial statements and checked that the disclosures within the Annual Report are consistent with the financial statements and knowledge gained during the audit

## Our audit approach

### Overview



- Overall Group materiality: €465,000 (2018: €363,000), based on 0.75% of total revenues (2018: based on 0.8% of total revenues).
- Overall parent company materiality: €172,000 (2018: €340,000), based on 1% of total assets (2018: based on 2% of total assets).
- We performed full scope audits over five financially significant components as well as the GYG plc entity.
- In addition, we performed testing over significant balances within a further four non-significant components and performed a desktop review for one other component.
- Our audit scoping provided coverage of 100% revenue, 77% profit before tax and 96% total assets.
- Testing over financial statement line items which are managed at head office were audited in full, including goodwill, external borrowings, and Directors' emoluments.
- Going concern
- COVID-19
- Factoring
- Long-term contract accounting

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GYG PLC (CONTINUED)

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the "Material uncertainty related to going concern" section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<b>COVID-19 (Group and parent company)</b>  The COVID-19 pandemic has had a significant influence on the Group's business, both operationally and financially. The Directors have performed a detailed assessment of the potential impact of COVID-19, specifically in respect of the going concern assumption and impairment for investments and goodwill valuation. For more details on the going concern assumption please refer to the "Material uncertainty related to going concern" section above.  The Directors have reassessed impairment calculations for investments and goodwill valuation to include the impact of COVID-19. The carrying value of goodwill in the consolidated statement of financial position is €9.4m and the carrying value of investments in the parent company statement of financial position is €12.4m. An annual impairment review is performed in order to assess the recoverability of these assets. The Directors apply value-in-use-methodology and this calculation includes assumptions such as future cash flows, discount rate and long-term growth rate. The value in use is inherently judgemental as it is based on future forecasts. The impact of COVID-19, especially on the cash flow model for the coming year, has been considered in the updated calculation. The Directors have concluded that there is sufficient headroom in the calculations for investments and goodwill valuation.  Refer to the critical accounting judgements in note 3.2.1 and the discussion in the Director's Governance Report for more details on this critical accounting estimate.	<p>In assessing the impact of the scenarios set out by management in their going concern model, we performed procedures on the Directors' assessment and concluded that the Group and parent company will be able to continue as a going concern but that a material uncertainty exists. Please refer to the section "Material uncertainty related to going concern" above for details.</p> <p>The valuation methodology used for impairment assessment has been examined to ensure that it is compliant with the requirements of IAS 36 Impairment of assets. We obtained the Directors' value in use model for each cash generating unit. These were recalculated to ensure the mathematical accuracy of the model. Key assumptions were tested as follows:</p> <ul style="list-style-type: none"><li>• For each CGU, cash flow forecasts were agreed to Board approved budgets and examined in order to ensure that only cash flows relating to the asset at the balance sheet date were included.</li><li>• We performed a look back analysis to determine the Directors' forecasting accuracy over the last four years and used this in performing sensitivity analysis;</li><li>• Discount rates were recalculated with the support of our PwC internal valuation experts</li></ul> <p>Our conclusion in respect of going concern is included in the "Material uncertainty related to going concern" section above.</p> <p>We challenged management in particular on the operating cash flows and growth rate contained within those models, including assessing the impact of COVID-19 on the cash flow model for the coming year.</p> <p>We found the carrying value of goodwill and investments at the year-end date to be consistent with the evidence obtained.</p>

Key audit matter	How our audit addressed the key audit matter
<b>Factoring (Group)</b>	<p>GYG has factoring arrangements with an external provider, that were categorised as factoring with and without recourse. There are two agreements that are being referred to as "without recourse".</p> <p>After a review of the contract and consulting with specialists we have drawn conclusion that the current accounting treatment of one of the two agreements is not in line with IFRS 9. Trade receivables and financial liabilities should not have been derecognised from the balance sheet as substantially all risks and rewards of the ownership of the asset have not been transferred. In particular, the risk of late payment and insolvency was not transferred to the external provider.</p> <p>The Directors have corrected the accounting treatment for this year and restated the prior year's consolidated financial statements. The details of the prior year adjustment are explained in note 29 to the consolidated financial statements. For the current year trade receivables and current financial liabilities of €2.7m were reinstated on the consolidated statement of financial position.</p>
<b>Long-term contract accounting (Group)</b>	<p>84% of Group's total revenue of €63.8m (2018: €45.0m) is attributable to the Coatings division, which is based on long-term contracts for both Refit and New Build projects. Given the complexity of long-term contract accounting in revenue under IFRS 15, this is an area which could be prone to judgement or error and we have classified this as a significant audit risk.</p> <p>Refer to the critical accounting judgements in note 3.1.1 and the discussion in the Director's Governance Report for more details on this critical accounting estimate.</p> <p>We evaluated the design and implementation of controls regarding revenue and receivables and assessed how the Directors ensure that revenue is recognised in line with contractual terms.</p> <p>We tested a sample of contracts to a high level of assurance and focused on the calculation of work in progress. We agreed percentages of completion to underlying accounting records and analysed profit margin adjustments. We also performed look-back procedures to assess the appropriateness of Directors' estimates in the past by comparing forecasts as at 31 December 2018 to actuals. Additionally, we have examined the progress of projects subsequent to the year end to verify judgements of the stage of completion and revenue and profit recognised as at 31 December 2019.</p> <p>We concluded that revenue recorded for long-term contracts has been appropriately accounted for.</p>

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

The Group has twelve wholly owned subsidiaries. We defined a component to be an individual entity for which management prepares financial information. Accordingly, the parent company and each subsidiary is a component.

We identified five financially significant components based on their contribution to the Group's profit for the year. A full scope audit was performed over each of these, as well as over the parent company. Significant balances were identified in five remaining components and therefore testing on specific financial statement line items was performed to obtain audit evidence in support of those balances within the consolidated accounts. The remaining unaudited entity was subject to a desktop review.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GYG PLC (CONTINUED)

In addition, we performed audit procedures at a Group level over financial statement line items which are managed at head office, including goodwill, external borrowings, and Directors' emoluments.

The financially significant components were audited by PwC Spain. We have instructed them, held calls during the audit process, performed a review of working papers with particular focus on the audit of areas of heightened audit risk, and received reporting from them. Based on our involvement in the component auditor's work, sufficient appropriate evidence has been obtained in support of the Group audit.

Our audit scoping provided coverage of 100% revenue, 77% profit before tax and 96% total assets.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
<b>Overall materiality</b>	€465,000 (2018: €363,000).	€172,000 (2018: €340,000).
<b>How we determined it</b>	0.75% of total revenues (2018: 0.8% of total revenues).	1% of total Assets (2018: 2% total assets).
<b>Rationale for benchmark applied</b>	Based on the benchmarks used in the annual report, revenue is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. We have applied a rule of thumb of 0.75% of this benchmark which is appropriate for a listed entity.	GYG plc is an investment holding company with no trading operations. The benchmark for this entity is total assets as this is the primary value recognised in the financial statements for the parent company. We have applied a rule of thumb of 1% which is standard for this benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between €220,000 and €390,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €23,350 (Group audit) (2018: €18,000) and €8,600 (parent company audit) (2018: €18,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

**Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

**Responsibilities for the financial statements and the audit****Responsibilities of the Directors for the financial statements**

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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 Group's and the parent 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 Group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditors' 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

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

**Other required reporting****Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**MARK FOSTER**  
**(Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Milton Keynes

22 July 2020

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
<b>Continuing operations</b>			
Revenue	4	<b>63,827</b>	44,964
Operating costs		<b>(62,568)</b>	(49,233)
Adjusted EBITDA		<b>4,508</b>	(915)
Depreciation and amortisation	12, 13	<b>(2,808)</b>	(1,886)
Impairment	12	<b>—</b>	(480)
Performance share plan	24	<b>(108)</b>	(108)
Exceptional items	6	<b>(333)</b>	(880)
<b>Operating profit/(loss)</b>	5	<b>1,259</b>	(4,269)
Gain on financial instruments	22	<b>379</b>	417
Finance costs	9	<b>(810)</b>	(737)
<b>Profit/(loss) before tax</b>		<b>828</b>	(4,589)
Tax	10	<b>(145)</b>	1,392
<b>Profit/(loss) for the year</b>		<b>683</b>	(3,197)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>(33)</b>	31
<b>Total comprehensive profit/(loss) for the year</b>		<b>650</b>	(3,166)
Profit/(loss) for the year attributable to:			
Owners of the Company		<b>753</b>	(3,016)
Non-controlling interest		<b>(70)</b>	(181)
Total comprehensive profit/(loss) for the year attributable to:			
Owners of the Company		<b>720</b>	(2,985)
Non-controlling interest		<b>(70)</b>	(181)
<b>Earning/(loss) per share (€)</b>	11		
From continuing operations			
Basic		<b>0.02</b>	(0.06)
Diluted		<b>0.02</b>	(0.06)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 €'000	2018 €'000 Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	12	<b>9,350</b>	9,333
Other intangible assets	12	<b>10,448</b>	11,313
Property, plant and equipment	13	<b>10,353</b>	8,178
Other financial assets	25	<b>144</b>	1,605
Deferred tax assets	10	<b>508</b>	261
<b>Total non-current assets</b>		<b>30,803</b>	30,690
<b>Current assets</b>			
Inventories	14	<b>2,535</b>	2,546
Trade and other receivables	15	<b>8,656</b>	8,107
Cash and cash equivalents	16	<b>5,529</b>	5,069
<b>Total current assets</b>		<b>16,720</b>	15,722
<b>Total assets</b>		<b>47,523</b>	46,412
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade, deferred income and other payables	19	<b>(17,468)</b>	(16,763)
Obligations under finance leases	17	<b>(1,571)</b>	(816)
Borrowings	17	<b>(5,062)</b>	(4,384)
Provisions	20	<b>(468)</b>	(349)
Derivative financial instruments	25	<b>(14)</b>	(37)
<b>Total current liabilities</b>		<b>(24,583)</b>	(22,349)
<b>Net current (liabilities)/assets</b>		<b>(7,863)</b>	(6,627)
<b>Non-current liabilities</b>			
Obligations under finance leases	17	<b>(2,184)</b>	(1,139)
Borrowings	17	<b>(4,915)</b>	(6,488)
Deferred tax liabilities	10	<b>(2,555)</b>	(2,218)
Long-term provisions	20	<b>(19)</b>	(819)
Other financial liabilities	22	<b>—</b>	(547)
Other liabilities		<b>—</b>	(343)
<b>Total non-current liabilities</b>		<b>(9,673)</b>	(11,554)
<b>Total liabilities</b>		<b>(34,256)</b>	(33,903)
<b>Net assets</b>		<b>13,267</b>	12,509
<b>EQUITY</b>			
Share capital	21	<b>106</b>	106
Share premium		<b>7,035</b>	7,035
Retained earnings		<b>5,707</b>	5,894
Translation reserve		<b>(70)</b>	(37)
Capital redemption reserve		<b>114</b>	114
Share based payment reserve	24	<b>375</b>	267
<b>Equity attributable to owners of the Company</b>		<b>13,267</b>	13,379
<b>Non-controlling interest</b>		<b>—</b>	93
<b>Put option reserve</b>	22	<b>—</b>	(963)
<b>Total equity</b>		<b>13,267</b>	12,509

These Consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 July 2020 and were signed on its behalf by:

**REMY MILLOTT**  
Chief Executive Officer

**KEVIN MCNAIR**  
Chief Financial Officer

Registered Number: 10001363

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital €'000	Share premium €'000	Retained earnings €'000	Translation reserves €'000	Capital redemption reserve €'000	Share based payment reserve €'000	Total €'000	Non-controlling interests €'000	Put option reserve €'000	TOTAL EQUITY €'000
<b>Balance at 31 December 2017</b>	106	7,035	10,716	(68)	114	159	18,062	274	(963)	17,373
Effect of change in accounting policy (note 2.2)	—	—	(98)	—	—	—	(98)	—	—	(98)
<b>Adjusted opening balance</b>	106	7,035	10,618	(68)	114	159	17,964	274	(963)	17,275
Dividend distribution (note 21)	—	—	(1,708)	—	—	—	(1,708)	—	—	(1,708)
Credit to equity for share based payments	—	—	—	—	—	108	108	—	—	108
<b>Transactions with owners in their capacity of owners</b>	—	—	(1,708)	—	—	108	(1,600)	—	—	(1,600)
Loss for the year	—	—	(3,016)	31	—	—	(2,985)	(181)	—	(3,166)
<b>Total comprehensive loss for the year</b>	—	—	(3,016)	31	—	—	(2,985)	(181)	—	(3,166)
<b>Balance at 31 December 2018</b>	106	7,035	5,894	(37)	114	267	13,379	93	(963)	12,509
Acquisition of non-controlling interest (note 22)	—	—	(940)	—	—	—	(940)	(23)	963	—
Credit to equity for share based payments	—	—	—	—	—	108	108	—	—	108
<b>Transactions with owners in their capacity of owners</b>	—	—	(940)	—	—	108	(832)	(23)	963	108
Profit for the year	—	—	753	(33)	—	—	720	(70)	—	650
<b>Total comprehensive income for the year</b>	—	—	753	(33)	—	—	720	(70)	—	650
<b>Balance at 31 December 2019</b>	106	7,035	5,707	(70)	114	375	13,267	—	—	13,267

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

	Note	2019 €'000	2018 €'000 Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES (I)</b>	23	<b>2,960</b>	1,599
- Purchase of intangible assets		(82)	(47)
- Purchase of property, plant and equipment		(739)	(769)
- Proceeds from disposal of property, plant and equipment		92	7
<b>CASH FLOWS USED IN INVESTING ACTIVITIES (II)</b>		<b>(729)</b>	(809)
- Proceeds from obligations under finance leases		—	191
- Proceeds from bank borrowings		2,925	2,317
- Repayment of obligations under finance leases		(1,631)	(871)
- Repayment of borrowings		(2,927)	(1,836)
- Payments to acquire shares from non-controlling interests		(167)	—
- Dividends paid to shareholders		—	(1,708)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES (III)</b>		<b>(1,800)</b>	(1,907)
<b>Effect of foreign exchange rate changes (IV)</b>		<b>29</b>	(50)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV)</b>		<b>460</b>	(1,167)
Cash and cash equivalents at the beginning of the year		<b>5,069</b>	6,236
Cash and cash equivalents at the end of the year		<b>5,529</b>	5,069

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 1. GENERAL INFORMATION

GYG plc (hereinafter the "Company") was incorporated on 11 February 2016, as a private company limited by shares, as Dunwilco 2016 Limited under the United Kingdom Companies Act 2006. Subsequently, on 21 May 2016, the Company's corporate name was changed to Global Yachting Group Limited, on 25 May 2017 to GYG Limited, on 22 June 2017 the Company re-registered as a public limited company and on 5 July 2017 the Company completed an Initial Public Offering ("IPO") and was admitted to the AIM Market of the London Stock Exchange. The address of the registered office is Cannon Place, 78 Cannon Street, London EC4N 6AF, United Kingdom.

The principal activity of the Group is superyacht painting, supply and maintenance, offering services globally through operations in the Mediterranean, northern Europe and the United States.

These consolidated financial statements are presented in Euro which is the currency of the primary economic environment in which the Group operates.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1. Basis of preparation

These consolidated financial statements were prepared by the Board of Directors in accordance with the application of International Financial Reporting Standards (IFRSs) as adopted by the European Union and the interpretations issued by the IFRS Interpretations Committee (IFRS IC) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention unless indicated otherwise in the notes to the consolidated financial statements.

The principal accounting policies adopted are set out below.

### 2.2. Adoption of international financial reporting standards

In the current year, the Group has adopted the amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatory effective for an accounting period that begins on or after 1 January 2019, none of which has had a significant effect on the results or net assets of the Group, except for the following:

#### IFRS 16 "Leases"

IFRS 16 is the IASB's replacement of IAS 17. Its application is effective for reporting periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Leases are 'capitalised' by recognising the present value of the lease payments and showing them as a right-of-use asset either separately or together with property, plant and equipment (criteria applied by the Group). IFRS 16 replaces the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs). The Group has applied the standard from its mandatory adoption date of 1 January 2019, using the modified retrospective approach and measuring the asset at an amount equal to the present value of the remaining lease payments discounted using an incremental borrowing rate, adjusted by the amount of any prepaid or accrued lease payments and no adjustment has been registered to the opening balances of retained earnings.

The Group has applied the below practical expedients permitted under the modified retrospective approach:

- Exclude leases for measurement and recognition for leases where the term ends within 12 months from date of initial application.
- Apply a single discount rate (incremental borrowing rate) to a portfolio of leases with similar characteristics, based on current rates paid to comparable borrowings.

The impact on the balance sheet as of 1 January 2019 for the adoption of IFRS 16 is summarised as follows:

	IFRS 16 adoption effect €'000
Non-current assets: Property, plant and equipment - Right of use asset	2,859
Current liabilities: Lease liabilities	(758)
Non-current liabilities: Lease liabilities	(2,102)

In 2018, the Group adopted the amendments to IFRSs issued by the International Accounting Standards Board (IASB) and adopted by the European Union that are mandatory effective for an accounting period that begins on or after 1 January 2018, which mainly include "IFRS 15 – Revenue from contracts with customers" and "IFRS 9 – Financial instruments".

- IFRS 9 "Financial instruments". IFRS 9 is the IASB's replacement of IAS 39 Financial Instruments "Recognition and Measurement". This standard introduces a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The Group has applied the simplified impairment approach for trade receivables established by the standard, and has recognised a loss allowance based on expected credit losses amounting to €98 thousand at the date of the initial application.
- IFRS 15 "Revenue from contracts with customers". IFRS 15 specifies how and when an IFRS reporter will recognise revenue. Given the characteristics of the existing contracts with customers and once the five-step analysis established in the Standard has been completed, the Group has concluded that its adoption has not had any material impact in these financial statements.

#### Standards in issue but not yet effective

The Group does not anticipate these standards in issue but not yet effective to have a material impact on the results or net assets of the Group.

### 2.3. Going concern

These financial statements have been prepared on a going concern basis, which assumes the Group and parent company will continue to be able to meet their liabilities as they fall due, within 12 months of the date of approval of these financial statements.

The Group meets its day-to-day working capital requirements from cash flows generated from operations and banking facilities. The Group has committed banking facilities which are due to be repaid in March 2021 with a bullet payment of €4 million.

In June 2020, following the COVID-19 pandemic, the Group entered into additional new €3 million bank facilities with its existing banking Group. These new facilities have a grace period of 12 months, followed by 48 monthly instalments.

In addition, a waiver was received in relation to compliance with financial covenants attached to the existing bank loans throughout the going concern assessment period. These facilities were put in place to provide increased liquidity headroom to operate following the COVID-19 pandemic and coupled with operational cash flows to enable settlement of the existing bank facilities as they fall due.

In evaluating the going concern assumption, the Group have prepared cash flow forecasts to December 2021, together with sensitivity analyses. The Group considered the adequacy of the facilities in the light of the current and projected trading performance, and strong order book and are confident the Group will continue to operate within its available facilities for the foreseeable future, including the settlement of the bullet payment of the existing bank facilities.

The forecasts include a number of material assumptions with regards to the duration or severity of the impact of the COVID-19 pandemic. Given the uncertainty at the time of the publication, there is a risk that liquidity may not be in line with the sensitised forecasts and that further action will be necessary to ensure that sufficient liquidity will be available to meet liabilities as they fall due.

Given the information available, current trading and orders being received, the Directors are confident that the forecasts will be met, and sufficient liquidity will be available to meet liabilities as they fall due, including the bullet payment on the existing bank facilities, and therefore believe it is appropriate to prepare the financial statements on a going concern basis. However, if the impact of the COVID-19 pandemic were to be more severe with more significant impacts on operations the Group may not have sufficient cash resources to meet its liabilities as they fall due, which indicates the existence of a material uncertainty which may cast significant doubt for the Group and parent company with regards to their ability to continue as a going concern. The financial statements do not include the adjustment that would result if the Group and parent company were unable to continue as a going concern.

#### 2.4. Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (and its subsidiaries) made up to 31 December each period.

Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation process.

#### 2.5. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in

exchange for control of the acquire. Acquisition-related costs are recognised in profit or loss as incurred.

The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

#### 2.6. Intangible assets

##### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful economic lives. The estimated useful economic life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful economic lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software is valued at acquisition cost, amortisation is registered as a function of the useful economic life determined between 3 and 5 years.

##### *Goodwill*

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquisition and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

##### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Order backlog has an estimated useful economic life of less than one year. Customer relationships and brands have an estimated useful economic life of 15 years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.6. Intangible assets (continued)

### *Derecognition of intangible assets*

An Intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

## 2.7. Revenue recognition

The Group recognises revenue based on the consideration to which the Group expects to be entitled in a contract with a customer and following the five-step model defined by the IFRS 15:

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contracts
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue from the following activities:

### *Rendering of services*

Revenue is recognised for these services based on the stage of completion. The directors have assessed that the stage of completion of a contract is determined as follows:

- Revenue is recognised by reference to the stage of completion of the refit or new build project, determined as the proportion of the total time expected on the project that has elapsed at the end of the reporting period;
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred; and
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold.

This input method is an appropriate measure of the progress towards complete satisfaction of the performance obligations established in the contract under IFRS 15.

### *Sale of goods*

The Group sells maintenance materials, consumables, spare parts and equipment to customers through its retail outlets as well as shipping products. For sales of such products to retail customers, revenue is recognised when control of goods has transferred, being at the point the customer purchases the goods at the retail outlet or when the goods have been shipped to the specific location.

## 2.8. Leases

The Group leases various offices, warehouses and equipment.

As indicated in note 2.2 above, the Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting year, as permitted under the specific transition provisions in the standard.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that it would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Until 31 December 2018, leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the Group. All other leases were classified as operating leases.

Assets held under finance leases were recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor was included in the balance sheet as obligations under finance leases.

Rentals payable under operating leases were charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

## 2.9. Exceptional items

Certain items are presented in the Consolidated Statement of Comprehensive Income as exceptional where, in the judgement of the Directors, by virtue of their nature, size or incidence, in order to obtain a clear and consistent presentation of the Group's underlying business performance they need to be disclosed separately. These are items that fall outside the normal day to day operations of the business and the Directors believe are unlikely to ever occur again. Examples of items which may give rise to disclosure as exceptional items include restructuring costs if the restructuring involves a fundamental change to the Group's business model and transaction fees if the transaction involves a significant change to the structure or investment case for the Group. See note 6 for further details.

## 2.10. Adjusted EBITDA

Adjusted Earnings before Interest, Taxation, Depreciation and Amortisation ("Adjusted EBITDA") is a non-IFRS measure used by Directors to assess the operating performance of the Group.

The "Adjusted EBITDA" is also used as a metric to determine management remuneration as well as being measured within the financial covenants calculations.

"Adjusted EBITDA" is defined as operating profit before depreciation and amortisation, impairment, performance share plan and exceptional items.

As a non-IFRS measure, the Company's calculation of "Adjusted EBITDA" may be different from the calculation used by other companies and therefore comparability may be limited.

## 2.11. Foreign currency

For the purpose of presenting these financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used.

At each period end date, monetary assets and liabilities that are denominated in foreign currencies are re-translated at the rates prevailing on the period end date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities, except for exchange differences arising on changes in fair value of non-monetary assets and liabilities that are recognised directly in equity.

## 2.12. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

### 2.12.1. Current Tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

The Spanish subsidiaries Group companies, are included in a consolidated tax return within fiscal Group under Spanish regulation.

### 2.12.2. Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the consolidated statement of comprehensive income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 2.13. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets (other than land and assets under construction) less their residual values over their useful economic lives, using the straight-line method in the following bases:

Useful economic lives (years)	
Property	10-33
Plant and equipment	3-10
Other plant, tools and furniture	4-10
Other tangible assets	3-20

The estimated useful economic lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## 2.14. Impairment of tangible and intangible assets excluding goodwill

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

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.14. Impairment of tangible and intangible assets excluding goodwill (continued)

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

## 2.15. Inventories

Inventories are stated at the lower cost and net realisable value. Costs of inventories are determined on weighted average price basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

## 2.16. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 2.17. Financial assets

The Group classifies its financial assets as those to be measured at amortised cost.

### Recognition and derecognition

Sales of financial assets are recognised when the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### Measurement

At initial recognition, the Group measures a financial asset at its fair value. Transaction costs that are directly attributable to the acquisition of the financial asset are included in the fair value initial assessment of fair value.

### Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are

recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value.

The Group holds trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

## 2.18. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is equal to their fair value.

## 2.19. Loans and receivables – long term

Loans and receivables – long term are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

### Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

### Derivative financial instruments

The Group enters into interest rate swaps to manage its exposure to interest rate and foreign exchange rates risks.

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

### Fair value measurement

All financial instruments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 2.20. Related party transactions

The Group performs all its transactions with related parties on an arm's length basis. The Group carries out all its related-party transactions (financial, commercial or otherwise) by setting transfer prices stipulated by the OECD to regulate transactions with subsidiaries.

## 2.21. Consolidated cash flow statements

In these financial statements cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

The consolidated cash flow statements have been prepared using the indirect method and the terms used are defined as follows:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of the entities composing the consolidated Group and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents, if they have a direct impact on current cash flows.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities, if they have a direct impact on current cash flows.

## 2.22. Share-based payments

Equity-settled share-based payments to employees and other entities are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market vesting conditions. Details regarding the determination of the fair value of equity-settled share-based payments are set out in note 24.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the counterparty renders the service.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### 3.1 Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### 3.1.1 Revenue recognition

Revenue from contracts to provide services is recognised by reference to the stage of completion of the contract, determined as the proportion of the total labour hours expected to provide the service that have elapsed at the end of the reporting period. This requires the Directors to estimate labour hours to complete, based on the Company's experience and professional judgement.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

#### 3.2.1 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4. SEGMENT INFORMATION

The Group's reportable segments are determined by the internal reporting regularly provided to the Group's Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The Board of Directors has determined that, based on the Group's management and internal reporting structure, the Group has two reportable segments, Coatings – the provision of painting and other finishing services to yachts and superyachts and Supply – the distribution of yachting supplies to trade and other customers.

Any transaction between reportable segments is performed on an arm's length basis.

### 4.1. Business segments

Segment information about the above businesses is presented below for the year ended 31 December 2019 and 2018:

#### Year ended 31 December 2019

	Coating €'000	Supply €'000	Total reportable segments €'000
Revenue	53,718	10,109	63,827
Gross profit	12,731	2,254	14,985
Adjusted EBITDA	3,628	880	4,508
Depreciation and amortisation			(2,808)
Performance share plan			(108)
Exceptional items			(333)
<b>Operating profit</b>			<b>1,259</b>
Gain on financial instruments			379
Finance costs			(810)
<b>Profit before tax</b>			<b>828</b>

#### Year ended 31 December 2018

	Coating €'000	Supply €'000	Total reportable segments €'000
Revenue	35,458	9,506	44,964
Gross profit	5,990	2,050	8,040
Adjusted EBITDA	(1,460)	545	(915)
Depreciation and amortisation			(1,886)
Impairment			(480)
Performance share plan			(108)
Exceptional items			(880)
<b>Operating Loss</b>			<b>(4,269)</b>
Gain on financial instruments			417
Finance costs			(737)
<b>Loss before tax</b>			<b>(4,589)</b>

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

At 31 December 2019 and 2018 the Group has the following specific assets allocated to the business segments:

#### 31 December 2019

	Coating €'000	Supply €'000	Total reportable segments €'000
Goodwill	8,502	848	9,350
Inventories	157	2,378	2,535
Trade and other receivables	7,493	1,163	8,656
Trade, deferred income and other payables	(14,041)	(3,427)	(17,468)

**31 December 2018 restated**

	Coating restated €'000	Supply €'000	Total reportable segments restated €'000
Goodwill	8,485	848	9,333
Inventories	109	2,437	2,546
Trade and other receivables	7,080	1,027	8,107
Trade, deferred income and other payables	(13,336)	(3,427)	(16,763)

Details of the restatement of trade and other receivables is set out in note 29.

Assets, including PPE and certain intangibles, are used across the Group and are not, therefore, attributable to any specific segment.

**4.2. Geographical location**

Revenues from external customers attributed to the Group's country of domicile and attributed to foreign countries from which the Group derives revenue is presented below.

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Spain	31,434	27,187
United Kingdom	128	1,422
Rest of Europe	23,659	8,225
Rest of the World	8,606	8,130
	63,827	44,964

At 31 December 2019 the Group has non-current assets allocated to Europe and "Rest of the World" for an amount of €28,591 thousand and €2,212 thousand, respectively (€28,647 thousand and €2,043 thousand, respectively, at 31 December 2018).

**4.3. Information about major customers**

For the year ended 31 December 2019 there was one relevant customer whose revenues contributed 10% or more to the Group's revenue, related to the coating segment and representing a total amount of €7,636 thousand. There were no revenues from transactions with individual customers which contribute 10% or more to the Group's revenue for the year ended 31 December 2018.

**5. OPERATING PROFIT/(LOSS)**

Operating profit/(loss) has been arrived at after charging:

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Net foreign exchange losses	27	(11)
Depreciation of property, plant and equipment	(1,861)	(897)
Amortisation of intangible assets	(947)	(989)
Leases (see note 18)	(285)	(903)
Gain/(losses) on disposals	209	(15)
Impairment on intangible assets	—	(480)
Impairment on trade receivables	(76)	(25)
Cost of materials	(12,776)	(10,256)
Staff costs (see note 8)	(20,678)	(18,848)

**6. EXCEPTIONAL ITEMS**

The following table provides a breakdown of exceptional items:

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Transaction fees	—	(127)
Restructuring costs	(333)	(753)
	(333)	(880)

Restructuring costs for the year 2019 and 2018 were part of a group-wide cost saving plan which includes redundancies and other costs associated for reorganisation and restructuring of some departments.

Transaction fees for the year 2018 are mainly related to professional fees in relation to an aborted transaction.

The tax effect of the above exceptional costs amounts to €72 thousand for the year ended 31 December 2019 (€183 thousand for the year ended 31 December 2018).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 7. AUDITOR'S REMUNERATION

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	75	123
Fees payable to the Company's auditor for the audit of company's subsidiaries	108	40
Fees payable to the Company's auditor for other services:		
Other related assurance services	51	47
Other non-audit services	21	36
	255	246

## 8. STAFF COSTS

The average number of employees (including Executive Directors) was:

	Year ended 31 December 2019	Year ended 31 December 2018
Senior Management	13	12
Sales & Administration	81	97
Production	296	294
	390	403

Their aggregate remuneration comprised:

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Wages	16,697	15,248
Social security costs	3,981	3,600
	20,678	18,848

Directors' emoluments:

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
<b>Directors' emoluments</b>		
Salaries, fees and bonus (*)	1,136	808
Performance share plan costs	88	83
<b>Highest paid Director</b>		
Salaries, fees and bonus	359	258
Performance share plan costs	48	33

(\*) During the year ended 31 December 2019, as a consultant, Kevin McNair also received payment of €121,900 in respect of his role as Interim Chief Financial Officer.

The performance share plan costs detailed in the above table correspond to the expense registered during the year. No share options have been exercised in 2019 and 2018.

Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report.

## 9. FINANCE COSTS - NET

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Interest on bank overdrafts and loans	331	288
Unwinding of capitalised loan issue costs (note 17)	305	287
Interest on obligations under leases	83	61
Other financial costs - net	91	101
	810	737

**10. TAX****10.1. Tax recognised in profit or loss**

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
<b>Corporation Tax</b>		
Current year	(55)	(74)
Prior years	—	75
	(55)	1
<b>Deferred tax</b>		
Timing differences	157	428
Tax losses	(247)	963
	(90)	1,391
	(145)	1,392

Spanish Corporation tax is calculated at 25% of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The income tax expense for the year can be reconciled to the accounting profit/(loss) as follows:

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
<b>Profit/(Loss) before tax from continuing operations</b>	828	(4,589)
Tax at the Spanish corporation tax rate (25%)	(207)	1,147
Overseas tax differences	6	52
Tax effect of incomes/(expenses) that are not considered in determining tax profit	3	39
Utilisation of previously unrecognised losses	82	32
Other differences	(29)	122
	(145)	1,392

**10.2. Deferred tax balances**

The following is an analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

**31 December 2019**

	Opening Balance	Recognised in profit or loss	Other	Closing Balance
Property, plant & equipment	114	(40)	—	74
Tax losses	1,471	(247)	—	1,224
Intangible and tangible assets	(3,542)	197	—	(3,345)
<b>Net</b>	<b>(1,957)</b>	<b>(90)</b>	<b>—</b>	<b>(2,047)</b>
<b>Deferred tax assets</b>	<b>261</b>	<b>(25)</b>	<b>272</b>	<b>508</b>
<b>Deferred tax liabilities</b>	<b>(2,218)</b>	<b>(65)</b>	<b>(272)</b>	<b>(2,555)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 10.2. Deferred tax balances (continued)

31 December 2018

	Opening Balance	Recognised in profit or loss	Other	Closing Balance
Property, plant & equipment	93	18	3	114
Tax losses	508	963	—	1,471
Intangible and tangible assets	(3,952)	410	—	(3,542)
<b>Net</b>	<b>(3,351)</b>	<b>1,391</b>	<b>3</b>	<b>(1,957)</b>
<b>Deferred tax assets</b>	<b>601</b>	<b>27</b>	<b>(367)</b>	<b>261</b>
<b>Deferred tax liabilities</b>	<b>(3,952)</b>	<b>1,364</b>	<b>370</b>	<b>(2,218)</b>

The deferred tax assets have been offset against the deferred tax liabilities recognised in the same tax jurisdictions that are expected to unwind against the same taxable income. Deferred tax assets are calculated at the existing tax rates for the specific jurisdiction where the losses have occurred.

Losses in Spain can be carried forward for ten years, subject to certain restrictions. The losses associated with the deferred tax assets all relate to losses incurred in Spain and will expire as set out in the following table.

	31 December 2019 €'000	31 December 2018 €'000
Between two and five years	—	13
More than five years	1,224	1,458
	1,224	1,471

## 10.3. Unrecognised deductible temporary differences, unused tax losses and unused tax credits

	31 December 2019 €'000	31 December 2018 €'000
Tax losses	251	314
	251	314

## 11. EARNINGS/(LOSS) PER SHARE

### From continuing operations

Adjusted basic earnings/(losses) are presented to eliminate the effect of the exceptional items, amortisation and impairment of intangible assets, gains on financial instruments and performance share plan costs (considering the tax effect of these adjustments):

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Earnings/(losses) attributable to shareholders	753	(3,016)
Amortisation and impairment of intangible assets and depreciation of tangible assets	2,808	1,886
Performance share plan	108	108
Exceptional items	333	880
Tax effect of above adjustments	(1,056)	(827)
<b>Adjusted basic earnings/(losses)</b>	<b>2,946</b>	<b>(969)</b>

Basic earnings/(losses) per share are calculated by dividing net loss for the year attributable to the Group (i.e. after tax and non-controlling interests) by the weighted average number of shares outstanding during that year.

Diluted losses per share have been calculated on a similar basis taking into account dilutive potential shares under the agreements disclosed in note 24.

	Year ended 31 December 2019	Year ended 31 December 2018
Earnings/(losses) for the year attributable to shareholders (€000)	<b>753</b>	(3,016)
Weighted average number of shares	<b>46,640,000</b>	46,640,000
Basic earnings/(losses) per share (€)	<b>0.02</b>	(0.06)
Adjusted basic earnings/(losses) per share (€)	<b>0.06</b>	(0.02)
 Dilutive weighted average number of shares	 <b>47,777,975</b>	47,364,350
Diluted earnings/(losses) per share (€)	<b>0.02</b>	(0.06)
Adjusted diluted earnings/(losses) per share (€)	<b>0.06</b>	(0.02)

## 12. GOODWILL AND INTANGIBLE ASSETS

### Goodwill

	Goodwill €'000
<b>Cost</b>	
At 1 January 2018	9,292
Exchange differences	41
At 31 December 2018	9,333
Exchange differences	17
At 31 December 2019	9,350
<b>Carrying amount</b>	
At 31 December 2019	9,350
At 31 December 2018	9,333
At 1 January 2018	9,292

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) or group of units that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	31 December 2019 €'000	31 December 2018 €'000
Coating Supply	<b>8,502</b> 848	8,485 848
	<b>9,350</b>	9,333

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 12. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

### Other intangible assets

	Customer relationships, brands and backlog €'000	Software €'000	Total €'000
<b>Cost</b>			
At 1 January 2018	15,216	154	15,370
Additions	6	41	47
Transfers	11	25	36
At 31 December 2018	15,233	220	15,453
Additions	—	82	82
At 31 December 2019	15,233	302	15,535
<b>Accumulated amortisation</b>			
At 1 January 2018	2,555	95	2,650
Charge for the year	957	32	989
Transfers	—	21	21
Impairment	480	—	480
At 31 December 2018	3,992	148	4,140
Charge for the year	923	24	947
At 31 December 2019	4,915	172	5,087
<b>Carrying amount</b>			
At 31 December 2019	10,318	130	10,448
At 31 December 2018	11,241	72	11,313
At 1 January 2018	12,661	59	12,720

During the previous year, and as consequence of a Group's brand rationalisation, an impairment of a brand acquired in France was recognised amounting to €480 thousand.

#### *Impairment reviews*

The Group performs an annual impairment review for goodwill and other intangible assets, or more frequently if there are indications that these might be impaired.

Testing is carried out by allocating the carrying value of these assets to cash-generating units (CGUs) and determining the recoverable amounts of those CGUs. The recoverable amount is the higher of the fair value minus the costs of selling and its value in use. Value in use calculations are based on cash-flow discounting methods.

The discounted cash-flows are calculated based on 3-year projections of the budgets approved by the Board of Directors. These cash-flows consider past experience and represent the best estimate of management on future market developments and Group performance.

The key assumptions for determining the value in use include the pre-tax discount rate, which has been estimated at 16.25% for the goodwill registered for each of the Coating and Supply segments (and at 17.25% for ACA Marine, SAS) and a long-term growth rate of 3.0% per cent. These estimates, including the methodology used, may have a significant impact on the registered values and impairment losses. Management has concluded that the estimated growth rate used does not exceed the average long-term growth rate for the relevant markets where the Group operates (Europe and USA). Following the impact of the COVID-19 pandemic over the past several months, Management are comfortable that these assumptions are still reasonable.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the Group of CGUs to which goodwill and other intangible assets are allocated.

As part of this scenario analyses, the Directors considered the impact on the recoverable amounts of the assets based upon the following changes to the two key assumptions set out above for both of the periods under review:

- Long-term growth rate: reduced from 3.0% to 2.0%
- Pre-tax discount rate: increased from 16.25% to 20.0%

Under none of these scenarios did the recoverable amounts fall below or anywhere near the carrying value of the assets. As a result of this analysis, the Directors believe that any reasonably possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

### 13. PROPERTY, PLANT & EQUIPMENT

	Property €'000	Plant and equipment €'000	Other plant, tools and furniture €'000	Other tangible assets €'000	Total €'000
<b>Cost</b>					
At 1 January 2018	2,613	1,664	3,410	9,667	17,354
Additions	—	275	239	240	754
Disposals	—	—	—	(40)	(40)
Transfers	—	—	(36)	—	(36)
Exchange differences	—	12	—	3	15
At 31 December 2018	2,613	1,951	3,613	9,870	18,047
Additions	57	258	267	157	739
IFRS 16 – Right of use assets – Additions (note 2.2)	3,380	—	—	—	3,380
Disposals	(108)	(1)	(136)	(32)	(277)
Exchange differences	—	3	(1)	1	3
At 31 December 2019	5,942	2,211	3,743	9,996	21,892
<b>Accumulated depreciation</b>					
At 1 January 2018	957	1,039	2,569	4,437	9,002
Charge for the year	72	156	183	486	897
Disposals	—	—	—	(22)	(22)
Transfers	—	—	(21)	—	(21)
Exchange differences	—	12	—	1	13
At 31 December 2018	1,029	1,207	2,731	4,902	9,869
Charge for the year	85	182	176	496	939
IFRS 16 – Right of use assets – Charge (note 2.2)	922	—	—	—	922
Disposals	(57)	—	(104)	(32)	(193)
Exchange differences	—	2	—	—	2
At 31 December 2019	1,979	1,391	2,803	5,366	11,539
<b>Carrying amount</b>					
At 31 December 2019	3,963	820	940	4,630	10,353
At 31 December 2018	1,584	744	882	4,968	8,178
At 1 January 2018	1,656	625	841	5,230	8,352

Property, plant and equipment consists of different categories of tangible assets which are used across the Group in the delivery of goods and services. Other tangible assets consist primarily of scaffolding equipment.

The main additions for the year ended 31 December 2019 and 2018 correspond to the acquisition of machinery and other equipment.

It is the Group's policy to formalise insurance policies as necessary to cover the risks which might affect its property, plant and equipment. For the year ended 31 December 2019, all such risks were fully covered.

#### Leases

This note provides information for the leases where the Group is a lease. The amounts recognised in the balance sheet are as follows:

	31 December 2019 €'000
Non-current assets: Property, plant and equipment – Right of use asset	2,457
Current liabilities: Lease liabilities	(1,571)
Non-current liabilities: Lease liabilities	(2,184)

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 2.2. The incremental borrowing rate used in these calculations was 2.0%.

As of 31 December 2018, the Group had assets under finance leases by €3,191 thousand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 14. INVENTORIES

	31 December 2019 €'000	31 December 2018 €'000
Raw materials	187	109
Goods for resale	2,348	2,437
	2,535	2,546

The cost of inventories recognised as an expense during the year amounted to €16,183 thousand (€10,269 thousand in 2018).

## 15. TRADE AND OTHER RECEIVABLES

	31 December 2019 €'000	31 December 2018 Restated €'000
Trade receivables	6,561	5,191
Contract assets	1,128	1,378
Other receivables	310	576
Tax receivables	657	962
	8,656	8,107

Prior year numbers have been restated. A detailed explanation is set out in note 29.

Trade and other receivables are all current and any fair value difference is not material. Trade receivables are considered past due once they have passed their contracted due date.

Amounts invoiced to customers are due in 30 days. The Group recognises an allowance for doubtful debts of 100% against those receivables overdue that after a specific analysis are considered not recoverable.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality of the customers and the amounts are still considered recoverable.

The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Amounts receivable from customers can be analysed as follows:

	31 December 2019 €'000	31 December 2018 €'000
Amount receivable not past due	4,352	3,641
Amount receivable past due but not impaired	2,209	1,550
Amount receivable impaired (gross)	222	146
Less impairment	(222)	(146)
	6,561	5,191

Neither the amounts due from service contract customers nor receivables from other debts are past due or impaired in the current and prior periods.

The ageing of past due but not impaired receivables is as follows:

	31 December 2019 €'000	31 December 2018 €'000
<60 days	948	1,111
61-90 days	679	168
>91 days	582	271
	2,209	1,550

The movement in the allowance recorded for doubtful debts is as follows:

	31 December 2019 €'000	31 December 2018 €'000
Balance at the beginning of the year	(146)	(100)
Transfer	(44)	—
Effect of change in accounting policy (note 2.2)	—	(98)
Amounts written off during the year as uncollectible	44	76
Impairment losses (recognised)	(76)	(25)
Amounts recovered during the year	—	1
	<b>(222)</b>	<b>(146)</b>

#### **Contract assets**

The contract assets primarily relate to the Group's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are included within the caption "Trade and other receivable". The balance decreased during the year by €250,000 as the Group was able to bill more work during the period which is reflected in the increase in trade receivables.

#### **16. CASH AND CASH EQUIVALENTS**

	31 December 2019 €'000	31 December 2018 €'000
Cash and cash equivalents	<b>5,529</b>	5,069
	<b>5,529</b>	5,069

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

#### **17. BORROWINGS AND OBLIGATIONS UNDER LEASES**

	31 December 2019 €'000	31 December 2018 Restated €'000
Syndicated loan	6,788	8,626
Capitalised costs – net	(313)	(571)
Revolving credit facility	527	1,027
Factoring facility	2,714	1,199
Other financial liabilities	261	591
<b>Total borrowings</b>	<b>9,977</b>	10,872
Amount due for settlement within 12 months	<b>5,062</b>	4,384
Amount due for settlement after 12 months	<b>4,915</b>	6,488

The difference in capitalised costs – net set out above and the figure in note 9 relates to fees charged to the Group by the banks for a modification of the syndicated loan facility.

	31 December 2019 €'000	31 December 2018 €'000
Obligations under leases (note 2.2)	<b>3,755</b>	1,955
<b>Total obligations under leases</b>	<b>3,755</b>	1,955
Amount due for settlement within 12 months	<b>1,571</b>	816
Amount due for settlement after 12 months	<b>2,184</b>	1,139

#### **17.1. Summary of the borrowing arrangements**

##### **Syndicated loan**

On 3 March 2016, the Group subsidiary, Hemisphere Coating Services, S.L.U., signed a syndicated loan agreement with three financial institutions, expiring on March 2021.

This syndicated loan is guaranteed by certain of the Group subsidiaries and consists of two different facilities:

- Facility A: loan for a total amount of €9,180 thousand with biannual maturities of €918 thousand until expiration on March 2021 since the beginning of the contract.
- Facility B: loan for a total amount of €4,000 thousand maturing at the end of the contract on March 2021 (see note 2.3).

Both facilities bear interest at EURIBOR +3%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 17.1. Summary of the borrowing arrangements (continued)

The loan requires compliance with certain financial covenants. At 31 December 2019 the Group has achieved the financial covenants required by the syndicated loan. For the year ended at 31 December 2018 and considering the underperformance a waiver was signed with the financial institutions.

Additionally, the Group has at its disposal:

- Revolving credit facilities up to €1.5 million.
- Factoring and discounting facilities up to €14.5 million.
- Bank guarantees up to €10.3 million, of which €2.8 million were drawn as of 31 December 2019.

As a result of the above agreements, at year end the Group has bank facilities totalling €26.6 million of which €8.9 million were drawn and €17.7 million were undrawn as of 31 December 2019.

Prior year numbers have been restated. A detailed explanation is set out in note 29.

## 17.2. Obligations under leases

As of 31 December 2019, the Group had the following minimum lease payments due to lessors in accordance with current contracts in place:

	Minimum lease payments
	As at 31 December 2019 €'000
<b>Amounts payable under Obligations under leases:</b>	
Within one year	1,571
In the second to fifth years inclusive	2,156
After five years	28
	<b>3,755</b>

Finance lease liabilities were included in borrowings until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 in the process of adopting the new leasing standard. See note 2.2 for further information about the change in accounting policy for leases.

As of 31 December 2018, the Group had the following minimum finance lease payments due to lessors (including, where applicable, the purchase options) in accordance with current contracts in place:

	Minimum lease payments
	As at 31 December 2018 €'000
<b>Amounts payable under finance leases:</b>	
Within one year	816
In the second to fifth years inclusive	1,139
	<b>1,955</b>

The financial lease contracts are formalised in euros and have fixed interest rates in accordance with the financial market.

## 18. OBLIGATIONS UNDER OPERATING LEASES

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short term and low-value leases, see note 13 for further information.

As of 31 December 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Minimum lease payments
	As at 31 December 2018 €'000
<b>Amounts payable under operating leases:</b>	
Within one year	590
In the second to fifth years inclusive	1,408
After five years	52
	<b>2,050</b>

The Group recognised €903 thousand as expenses in the year ended 31 December 2018 for operating lease payments.

## 19. TRADE AND OTHER PAYABLES

	31 December 2019 €'000	31 December 2018 €'000
Trade payables	9,231	8,525
Contract liabilities – Deferred income	5,372	5,114
Wages and salaries	573	313
Tax payables	2,292	2,811
	<b>17,468</b>	16,763

Trade payables increased by €706,000 during the period as the Group's revenue was significantly higher than in the previous period leading to increased purchases from suppliers.

Under the caption "Contract liabilities – Deferred income" are contractual advances from customers related to on-going and future projects. This number increased by €258,000 as the Group received more in deposits from clients during the period that it did in 2018. As revenue is recognised in relation to these contracts, the liability is decreased by an equal amount until the liability is fully extinguished.

Trade average credit period taken for trade purchases is established between 30 and 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

## 20. PROVISIONS

	€'000	
	31 December 2019 €'000	31 December 2018 €'000
At 1 January 2018	1,123	
Charge for the year	45	
<b>At 31 December 2019</b>	<b>1,168</b>	
Charge for the year	119	
Released	(800)	
<b>At 31 December 2019</b>	<b>487</b>	
Current	468	
Non-current	19	
	31 December 2019 €'000	31 December 2018 €'000
Guarantee provision	468	349
Legal and tax provision	19	19
Contractual claims	—	800
	<b>487</b>	1,168

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 20. PROVISIONS (continued)

As of 31 December 2019, the Group has a current provision amounting to €468 thousand, for re-painting guarantees contemplated in the contractual agreements with clients for the painting of boats and vessels. This provision is calculated as an average percentage of the guarantees borne in the past three years compared to the total turnover for the corresponding year.

As of 31 December 2018, the Group had a non-current provision of €800 thousand relating to contractual claims made by a shipyard against the Group in relation to a refit project that the Group undertook. The Group also had a receivable for €800 thousand from the paint manufacturer that provided the paint that was used in the project that was subject to the claim. On February 2020, the Group signed a settlement agreement with the shipyard which had made the claim. Under the terms of the settlement, the claim against the Group was dropped and the Group undertook to drop the claim against the paint manufacturer. The Group also undertook to repaint the vessel which was the subject of the claim at some point within the next five years on commercial terms which the Directors to believe to be acceptable.

At 31 December 2019 the Group and its legal advisers consider that the provisions recorded are sufficient for covering future obligations.

## 21. EQUITY

At 31 December 2018 and 2019 the Company's share capital amounted to €106 thousand represented by 46,640,000 ordinary shares with a par value of £0.002, issued and fully paid up.

No dividend was declared or paid during the year ended 31 December 2019. A dividend of £1,492,480 (equivalent euro value of €1,708 thousand), corresponding to 3.2 pence per ordinary share, was paid on June 2018. This dividend was based on an annualised dividend yield of 6.4 per cent (calculated on the Placing Price) pro-rated for the period for which the Company had been AIM quoted for the year ending 31 December 2017.

At 31 December 2019 the Group registered a share based payment reserve amounting to €375 thousand based on the agreements disclosed in note 24.

## 22. ACQUISITIONS

On 30 June 2019, the Group completed the acquisition of ACA Marine, SAS, acquiring the remaining 30% to Atko, SARL of the issued share capital for an amount of €167 thousand. This agreement included the cancellation of the Put and Call Option Agreement that was in place, and therefore those balances related to the ACA Put Option registered under the captions "Put option reserve" and "Other financial liabilities" have been adjusted, generating a gain of €379 thousand.

## 23. NOTES TO THE CASH FLOW STATEMENT

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 Restated €'000
<b>Profit/(loss) for the year before tax</b>	<b>828</b>	<b>(4,589)</b>
- Depreciation and amortisation	2,808	1,886
- Impairment	—	480
- Performance share plan	108	108
- Gain on financial instruments	(379)	(417)
- Finance net costs	810	744
- Exchange differences	(27)	11
<b>Adjustments to profit/(loss)</b>	<b>3,320</b>	<b>2,812</b>
- Decrease in inventories	12	521
- (Increase)/decrease in trade and other receivables	(549)	3,415
- Increase in trade and other payables	520	324
<b>Changes in working capital</b>	<b>(17)</b>	<b>4,260</b>
- Interest paid	(491)	(616)
- Income tax paid	(680)	(268)
<b>Other cash flows used in operating activities</b>	<b>(1,171)</b>	<b>(884)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2,960</b>	<b>1,599</b>

Prior year numbers have been restated. A detailed explanation is set out in note 29.

## 24. SHARE-BASED PAYMENTS

### Performance Share Plan

The Company established a Performance Share Plan (the "PSP") for Directors and other selected senior management, which was adopted by the Board on 23 June 2017.

This award grants an option to acquire ordinary shares in the capital of the Company at a price of £0.002 per ordinary share, subject to the Performance Target. The award will normally vest on the third anniversary of grant or, if later, when the Remuneration Committee determines the extent to which any performance conditions have been satisfied. These will be exercisable up until the tenth anniversary of grant unless they lapse earlier.

Details of the share options outstanding during the year are as follows:

	Number of share options	Weighted average exercise price (pence)
Outstanding at 1 January 2018	257,950	0.2
Outstanding at 31 December 2018	257,950	0.2
Granted during the year	413,625	0.2
Cancelled during the year	(114,241)	—
Outstanding at 31 December 2019	557,334	0.2

Assumptions used in the Black-Scholes model to determine the fair value:

	2017 PSP	2019 PSP
Share price at grant date (pence)	100	63.5
Exercise price (pence)	0.2	0.2
Option life (years)	2.5	3
Risk-free interest rate (%)	2.5%	0.63%
Expected volatility (%)	28.6%	77.5%
Expected dividend yield (%)	5.5%	5.6%

Expected volatility was determined by calculating the historical volatility of the Group's share price since the Company was admitted to the AIM Market.

In 2019 the Group has recognised an expense amounting to €108 thousand (€108 thousand in 2018) for this plan.

#### ***Warrant***

The Company granted a warrant to Zeus Capital to subscribe for such number of ordinary shares as is equal to 1 per cent of the enlarged share capital of the Company following completion of the placing. The warrant shall be exercisable in whole or in part at any time during the period of 5 years from the first anniversary of Admission. The warrant shall be exercisable at the placing price multiplied by 105%.

Details of the share options outstanding during the year are as follows:

	Number of share options	Weighted average exercise price (pence)
Outstanding at 31 December 2018	466,400	105
Outstanding at 31 December 2019	466,400	105

Assumptions used in the Black-Scholes model to determine the fair value:

Share price at grant date (pence)	100
Exercise price (pence)	105
Option life (years)	5
Risk-free interest rate (%)	2.5%
Expected volatility (%)	28.6%

In 2017 the Group recognised an expense amounting to €92 thousand for this warrant.

## **25. FINANCIAL INSTRUMENTS**

### ***Capital risk management***

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Directors regularly review the working capital forecasts of the Group to understand the impact of Group performance and outside factors, such as the COVID-19 pandemic, on the liquidity position of the Group. Where necessary, the Directors alter the balance of different types of equity that the Group can access.

The capital structure of the Group consists of net debt (borrowings disclosed in note 17) and equity of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. FINANCIAL INSTRUMENTS (continued)

### *Significant accounting policies*

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

### *Categories of financial instruments*

	31 December 2019 €'000	31 December 2018 Restated €'000
<b>Financial assets</b>		
<i>At amortised cost</i>		
Cash and cash equivalents (note 16)	5,529	5,069
Loans and receivables – long term	144	1,605
Trade and other receivables (note 15)	8,656	8,107
	<b>14,329</b>	14,781
<b>Financial liabilities</b>		
<i>At amortised cost</i>		
Amortised cost – borrowings (note 17)	7,002	9,082
Finance lease liabilities (note 17)	—	1,955
Obligations under leases (note 17)	3,755	—
Other financial liabilities (note 17)	36	591
Liabilities under factoring facilities	2,714	1,199
Trade, deferred income and other payables (note 19)	17,468	16,763
Other	—	1
<i>At fair value through P&amp;L</i>		
Put option (note 22)	—	546
Derivative instruments not designated hedge accounting relationships	14	37
	<b>30,989</b>	30,174

At 31 December 2018, "Loans and receivables – long term" mainly comprised of a cash retention made by a client amounting to €673 thousand and the amounts recoverable from a supplier under a warranty claim amounting to €800 thousand, both figures related to the same project. On February 2020, the Group signed a settlement agreement with the shipyard which had made the claim (see note 20).

The carrying value of all financial assets and financial liabilities equate to the fair value.

Management of the Group's financial risks is centralised in the Group's Finance Department, which has established mechanisms to monitor interest rate and exchange rate exposure, as well as credit and liquidity risk. The main financial risks affecting the Group are indicated below:

### *1. Credit risk*

Credit risk arises from cash and cash equivalents and credit exposure to customers, including outstanding receivables. Credit risk is managed on a Group basis.

For banks and financial institutions, only those with a Moody's rating of Aaa (or equivalent) or with which the Group has an existing borrowing relationship are accepted.

Clients within the Coatings sector are either ultra-high net worth individuals, the companies through which they own their boats or shipyards that act as main contractors on behalf of the boat owners. The credit risk of the first two categories is extremely low. The risk is also mitigated by the fact that the Group has to complete a project before the owner can use the vessel again. The staged payments typical in these types of contracts means that there is very little exposure to unpaid receivables by the end of a project.

The Group regularly reviews the credit ratings of each shipyard with whom in contracts to understand any potential credit risk associated with them. Individual risk limits are set based on external ratings in accordance with limits set by the board.

Credit exposure within the supply business comprises trade receivables with yachts and their owners which are described above. Trade customers (e.g. not yachts) have individual credit limits based on public ratings and payment history. The compliance with credit limits by Supply customers is regularly monitored by line management. For some trade receivables the Group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Group's treatment of bad debts and potential bad debts during the periods under review for trade and other receivables, including an analysis of past due amounts, is set out in note 15.

## 2. Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash and equivalents and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due.

At the end of the reporting period, the Group held cash and cash equivalents of €5.5 million (2018: €5.1 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is carried out by management at Group level.

In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against external regulatory requirements and maintaining debt financing plans.

### Financing arrangements

The Group had access to €17.7 million of undrawn working capital facilities at 31 December 2019. The Group's working capital facilities are subject to annual review and renewal.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for: all non-derivative financial liabilities and net settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities at 31 December 2019	Less than 12 months €'000	Greater than 12 months €'000	Carrying amount €'000
<b>Non-derivatives</b>			
Trade payables	17,468	—	17,468
Borrowings	5,062	4,915	9,977
Liabilities under factoring facilities	2,714	—	2,714
Lease liabilities	1,571	2,184	3,755
<b>Total</b>	<b>26,815</b>	<b>7,099</b>	<b>33,914</b>
<b>Derivatives</b>			
Interest rate swap	14	—	14
<b>Total</b>	<b>14</b>	<b>—</b>	<b>14</b>

Contractual maturities of financial liabilities at 31 December 2018 restated	Less than 12 months Restated €'000	Greater than 12 months €'000	Carrying amount Restated €'000
<b>Non-derivatives</b>			
Trade payables	16,673	—	16,673
Borrowings	4,284	6,488	10,772
Liabilities under factoring facilities	1,199	—	1,199
Obligations under finance leases	816	1,139	1,955
<b>Total</b>	<b>22,972</b>	<b>7,627</b>	<b>30,599</b>
<b>Derivatives</b>			
Interest rate swap	—	37	37
<b>Total</b>	<b>—</b>	<b>37</b>	<b>37</b>

## 3. Currency risk

The Group operates primarily in euro and US Dollar. The Group mitigates the risk by incurring costs in currencies matching its revenues. Any remaining transactional foreign currency exposure is not considered to be material and is not hedged. As at 31 December 2019, the Group had not derivative contracts for currency hedging purposes.

## 4. Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group's management focusses on the uncertainty of financial markets and attempts to minimise the potential adverse effects on its profitability. The Group enters into derivative financial instruments to manage its exposure to interest rate risk, with three Interest Rate Swaps to mitigate the risk of rising interest rates.

### 4.1 Interest rate risk

As of 31 December 2019 and 2018, the main borrowing corresponds to the syndicated loan which bear a variable interest.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. FINANCIAL INSTRUMENTS (continued)

### 4.1.1 Sensitivity analysis:

A change of a 0.5% in interest rates would have the following impact on the Group financial statements:

	31 December 2019 €'000	31 December 2018 €'000
Profit for the year		
Increase in rates	(37)	(48)
Decrease in rates	37	48

This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This analysis also assumes that all other variables remain constant and considers the effect of financial instruments with variable interest.

### 5. Capital management

The primary objective of the Group's capital management is to ensure that it has the capital required to operate and grow the business at a reasonable cost of capital without incurring undue financial risks. The syndicated loan also requires compliance with certain financial covenants. At 31 December 2019 the Group has achieved these financial covenants and the Directors continue updating their forecasts and taking appropriate steps to manage covenant compliance.

## 26. SUBSIDIARIES

The Group consists of a parent company, GYG plc, incorporated in the UK and a number of subsidiaries held directly by GYG plc, which operate and are incorporated mainly in Spain but also in some other countries around the world.

A list of the Company's subsidiaries is included below:

Name	Principal activity	Registered Office	Ownership
Civisello Inversiones, S.L.U.	Holding	Global Building. Muelle Viejo. Palma de Mallorca. Spain.	100%
Hemisphere Yachting Services, S.L.U.	Holding	Global Building. Muelle Viejo. Palma de Mallorca. Spain.	100%
Hemisphere Coating Services, S.L.U.	Coating	Global Building. Muelle Viejo. Palma de Mallorca. Spain.	100%
Hemisphere Central Services, S.L.U.	Central Services	Global Building. Muelle Viejo. Palma de Mallorca. Spain.	100%
Pinmar Yacht Supply, S.L.	Supply	Camino Escollera, 5. Palma de Mallorca. Spain.	100%
Pinmar USA, Inc.	Coating	Avenue 2010. Riviera Beach. FL 33404. USA.	100%
Global Yachting Group, Ltd	Coating	Station Road 55. Buckinghamshire. UK.	100%
ACA Marine, Ltd	Holding	Cannon Place 78. Cannon Street. London. UK.	100%
Hemisphere Yachting Services, GmbH	Coating	Lehmweg 17, 20251 Hamburg. Germany.	100%
Hemisphere Coating Services, B.V.	Coating	Herikerbergweg 238. 1101CM Amsterdam. Netherlands.	100%
Hemisphere Coating Services, S.A.S. (previously ACA Marine, SAS)	Coating	46 Quai Francois Mitterrand. 13600 La Ciotat. France.	100%

The Group financial statements incorporate the financial statements of the parent Company, GYG plc and the above subsidiaries.

For the year ending 31 December 2019 the following subsidiaries of the Company were entitled to exemption from audit under s479 A of the Companies Act 2006 related to subsidiary companies:

Name	Principal activity	Companies House Registration Number	Ownership
Global Yachting Group, Ltd	Coating	9533209	100%
ACA Marine, Ltd	Holding	10649007	100%

## 27. RELATED PARTY TRANSACTIONS

### Services provided

	31 December 2019 €'000	31 December 2018 €'000
Global Yacht Finishing, S.L.	49	41
	49	41

**Services received**

	31 December 2019 €'000	31 December 2018 €'000
AKC Management Services, Ltd	199	—
Quoque Ltd.	181	92
Global Yacht Finishing, S.L.	357	353
	<b>737</b>	445

GYG leases offices from Global Yacht Finishing, S.L. (being Rupert Savage (Sales & Commercial Director) and Mark Conyers (Rolling Stock Director) shareholders in this entity).

Quoque Ltd (company owned by a close family member of the Chief Executive Officer) has provided consulting services in relation to change programmes and ERP selection and implementation. These services are reviewed and approved prior to commencement by the non-executive directors. In addition to the amounts listed above for services received, the Group reimbursed or paid for various accommodation and travel expenses of €23 thousand in 2019 (€7 thousand in 2018) for Quoque employees in the performance of those services.

During the year GYG contracted with AKC Management Services Ltd. for the provision of management services amounting to €199 thousand, of which €47 thousand was outstanding at the year end (being Kevin McNair director of both companies).

All these transactions were undertaken at arm's length basis and on normal commercial terms and were pre-approved by the Board.

**Balances**

	(Credit) 31 December 2019 €'000	(Credit) 31 December 2018 €'000
Atko, S.A.R.L. (note 22)	—	(194)
AKC Management Services, Ltd	(47)	—
Global Yacht Finishing, S.L.	(29)	(170)
	<b>(76)</b>	(364)

**Remuneration of key management personnel**

The remuneration of Executive Directors and Non-Executive Directors, who are the key management personnel of the Group, is set out below.

	31 December 2019 €'000	31 December 2018 €'000
Salaries, fees and bonus	1,136	808

The above amounts include "salaries, fees and bonus" paid in £ amounting to £150 thousand in 2019 (£150 thousand in 2018).

During the year ended 31 December 2019, as a consultant, Kevin McNair also received payment of €121,900 in respect of his role as Interim Chief Financial Officer. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration report.

**28. POST BALANCE SHEETS EVENTS**

Subsequent to 31 December, the COVID-19 pandemic spread across the world. The impact of the pandemic on the Group is set out in the Strategic Report. As part of its response to the pandemic, the Group entered into an agreement with its banks to access €3.0 million of new borrowing facilities to provide additional liquidity in case the pandemic continued for a longer than anticipated period. No other events have occurred after 31 December 2019 that might significantly influence the information reflected in these consolidated financial statements.

**29. RESTATEMENT OF PRIOR PERIOD BALANCES**

The Group has factoring facilities with the Spanish bank, Bankia, that are categorised as both recourse and non-recourse arrangements.

One of the factoring agreements, titled Factoring Without Recourse, had historically been treated as a without recourse arrangement, and the related trade receivables and current financial liabilities were derecognised. The terms of that agreement have been reassessed during the year, and it has been concluded that substantially all risks and rewards in relation to insolvency and late payment had not been transferred to Bankia, and as a consequence did not meet the requirements of IFRS 9 to derecognise an asset and liability alongside with a financial liability.

As a result of the reassessment the comparatives for the year ended 31 December 2018 have been restated. Trade receivables alongside with current financial liabilities associated with factoring facilities amounting to €1.2 million respectively, that were derecognised in the prior year, have been reinstated in the consolidated statement of financial position as at 31 December 2018. In relation to the cash flow statement, the cash flow from operating activities has been restated in relation to trade and other receivables (see note 23) and the cash flows used in financing activities has been restated in relation to proceeds from bank borrowings by €1.2 million respectively. The prior year adjustment has a net impact of nil on the net assets. It also has no impact on the consolidated statement of comprehensive income.

Subsequent to the year end, the Directors have agreed a new factoring without recourse arrangement with Bankia. The new agreed terms and conditions for this facility are designed to allow it to meet the requirements of IFRS 9 for factoring without recourse.

# PARENT COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2019	Note	2019 €'000	2018 €'000
<b>Non-current assets</b>			
Investment in subsidiary	3	<b>12,443</b>	12,335
Long-term receivables from Group companies	5	<b>4,059</b>	4,059
		<b>16,502</b>	16,394
<b>Current assets</b>			
Short-term receivables from Group companies		<b>993</b>	714
Trade and other receivables		<b>37</b>	48
Cash and bank balances		<b>65</b>	89
		<b>1,095</b>	851
<b>Total assets</b>		<b>17,597</b>	17,245
<b>Current liabilities</b>			
Trade and other payables		<b>(388)</b>	(474)
Derivative financial instruments		<b>—</b>	(8)
<b>Total current liabilities</b>		<b>(388)</b>	(482)
<b>Net current assets</b>		<b>707</b>	369
<b>Total liabilities</b>		<b>(388)</b>	(482)
<b>Net assets</b>		<b>17,209</b>	16,763
<b>Equity</b>			
Share capital	6	<b>106</b>	106
Share premium		<b>7,035</b>	7,035
Retained earnings/(deficit)		<b>9,579</b>	9,241
Capital redemption reserve		<b>114</b>	114
Share based payment reserve		<b>375</b>	267
<b>Equity attributable to owners of the Company</b>		<b>17,209</b>	16,763
<b>Total equity</b>		<b>17,209</b>	16,763

The Parent Company income for the year was €338 thousand (income of €1,775 thousand in 2018).

The Parent Company financial statements were approved and authorised for issue by the Board of Directors on 22 July 2020 and were signed on its behalf by:

**REMY MILLOTT**  
Chief Executive Officer

**KEVIN MCNAIR**  
Chief Financial Officer

Registered Number: 10001363

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital €'000	Share premium €'000	Retained earnings €'000	Capital redemption reserve €'000	Share based payment reserve €'000	TOTAL €'000
<b>Balance at 1 January 2018</b>	<b>106</b>	<b>7,035</b>	<b>9,174</b>	<b>114</b>	<b>159</b>	<b>16,588</b>
Total comprehensive (loss) for the year	—	—	1,775	—	—	1,775
Transactions with owners in their capacity as owners						
Dividend distribution (note 6)	—	—	(1,708)	—	—	(1,708)
Credit to equity for share based payments	—	—	—	—	108	108
	—	—	(1,708)	—	108	(1,600)
<b>Balance at 31 December 2018</b>	<b>106</b>	<b>7,035</b>	<b>9,241</b>	<b>114</b>	<b>267</b>	<b>16,763</b>
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>338</b>	<b>—</b>	<b>—</b>	<b>338</b>
Transactions with owners in their capacity as owners	—	—	—	—	108	108
Credit to equity for share based payments	—	—	—	—	108	108
<b>Balance at 31 December 2019</b>	<b>106</b>	<b>7,035</b>	<b>9,579</b>	<b>114</b>	<b>375</b>	<b>17,209</b>

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

GYG plc (hereinafter the "Company") was incorporated on 11 February 2016, as a private company limited by shares, as Dunwilco 2016 Limited under the United Kingdom Companies Act 2006. Subsequently, on 21 May 2016, the Company's corporate name was changed to Global Yachting Group Limited, on 25 May 2017 to GYG Limited, on 22 June 2017 the Company re-registered as a public limited company on 5 July 2017 the Company completed an Initial Public Offering ("IPO") and was admitted to the AIM Market of the London Stock Exchange (see note 6). The address of the registered office is Cannon Place, 78 Cannon Street, London EC4N 6AF, United Kingdom.

The corporate purpose of the Company is to act as the parent company for a Group operating in superyacht painting, supply and maintenance, offering services globally through operations in the Mediterranean, Northern Europe and the United States.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the Company are presented are as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2016, the Company decided to adopt FRS 101. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) "Reduced Disclosure Framework" as issued by the FRC in July 2015 and July 2016.

These financial statements have been prepared on a going concern basis, which assumes the Group and parent company will continue to be able to meet their liabilities as they fall due, within 12 months of the date of approval of these financial statements. The Directors assessment of this judgement is set out in note 2 to the consolidated financial statements.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions permitted under the relevant standards in relation to the following disclosures:

- share-based payments (IFRS 2);
- financial instruments (IFRS 7);
- capital management (IAS 1);
- presentation of a statement of cash flows for the period (IAS 7); and
- certain related party transactions (IAS 24, paragraphs 17, 18, 19).

Where required, equivalent disclosures are given in the consolidated financial statements. The principal accounting policies adopted are the same as those set out in note 2 of the consolidated financial statements except as noted below. Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

## 3. INVESTMENT IN SUBSIDIARY

	31 December 2019 €'000	31 December 2018 €'000
Cost and carrying amount	12,443	12,335
	12,443	12,335

The Company's only direct investment is a 100% ownership in Civisello Inversiones, S.L. This company is the direct owner of the Hemisphere Yachting Services, S.L.U. subgroup. The Directors believe that the carrying value of the investment is supported by its underlying net assets. To arrive at this belief, they complete a regular assessment of the recoverability of the investment based on the value in use of the Group's subsidiaries.

The Company's subsidiary undertakings are shown in note 26 of the consolidated financial statements.

## 4. PROFIT FOR THE YEAR

Per section 408 of the Companies Act 2006 no Statement of Comprehensive Income for the parent company has been presented. The total comprehensive income for the year was €338 thousand (income of €1,775 thousand in 2018).

The Auditor's remuneration for audit and other services are disclosed in note 7 of the consolidated financial statements.

## 5. LONG-TERM RECEIVABLES FROM GROUP COMPANIES

The Company holds loan notes receivable from Civisello Inversiones, S.L.U. amounting to €4,059 thousand. These bear interest at 4.5% and are due to be repaid in full by 31 December 2026.

The directors believe that the total value of the Company's investment in its subsidiaries is not less than the amounts at which they are stated in the Parent Company Statement of Financial Position.

## 6. EQUITY

At 31 December 2019 and 2018 the Company's share capital amounted to €106 thousand represented by 46,640,000 ordinary shares with a par value of £0.002, issued and fully paid up.

A dividend of £1,492,480 (equivalent euro value of €1,708 thousand), corresponding to 3.2 pence per ordinary share, was paid on June 2018. This dividend was based on an annualised dividend yield of 6.4 per cent (calculated on the Placing Price) pro-rated for the year for which the Company had been AIM quoted for the year ending 31 December 2017.

## 7. SHARE-BASED PAYMENTS

Details of equity-settled share-based payment arrangements by the Company to Directors, other selected senior management and other entities that remain outstanding at the year end, are set out in note 24 to the Group financial statements.

# NOTICE OF GENERAL MEETING

## GYG PLC (THE “COMPANY”)

(incorporated and registered in England and Wales under number 10001363)

### THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

*If you are in any doubt about its content or as to what action you should take, you should consult your stockbroker, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or another appropriately authorised independent adviser if you are in a territory outside the United Kingdom.*

*If you have sold or transferred all your shares in the Company, please pass this document together with the accompanying documents to the purchaser or transferee or to the stockbroker or other agent through whom you made the sale or transfer, for transmission to the purchaser or transferee.*

Notice is hereby given that a general meeting of the Company will be held on 2 September 2020 at 10.30 am for the purposes of considering and voting on the resolutions set out below. All resolutions will be proposed as ordinary resolutions.

Shareholders are advised to monitor the Company's website ([www.gyglc.com](http://www.gyglc.com)) and the Regulatory News Service announcements issued by the Company for any updates or amendments to the general meeting which may be required in light of the current COVID-19 crisis.

Hard copy proxy forms are not being sent to shareholders as the Company would like to encourage its shareholders to vote electronically, either via [www.signalshares.com](http://www.signalshares.com), or via CREST where shares are held in CREST. For further information, please see note 2.d. on page 82.

### ORDINARY RESOLUTIONS

#### 1. Report and accounts

To receive the financial statements and the reports of the Directors and the auditor for the year ended 31 December 2019.

#### 2. Appointment of auditor

To appoint PricewaterhouseCoopers LLP as auditor of the Company to hold office until the conclusion of the Company's next annual general meeting.

#### 3. Authority to agree auditor's remuneration

To authorise the Directors of the Company to agree the remuneration of the Company's auditor.

### Recommendation

The Directors consider that all the resolutions to be proposed at the general meeting are in the best interests of the Company and its members as a whole. The Directors will be voting in favour of all the proposed resolutions and unanimously recommend that you vote in favour of them.

By order of the Board

**SUE STEVEN**  
**Company Secretary**

7 August 2020

Registered Office:  
Cannon Place,  
78 Cannon Street,  
London EC4N 6AF,  
United Kingdom

Registered in England  
and Wales No: 10001363

# NOTICE OF GENERAL MEETING (CONTINUED)

## EXPLANATORY NOTES – RESOLUTIONS

All resolutions are proposed as ordinary resolutions, which means that, for each of those resolutions to be passed, more than 50% of the votes cast must be in favour of the resolution.

The notes below explain the proposed resolutions.

### RESOLUTION 1: RECEIVING THE REPORTS AND ACCOUNTS

The Directors must present the accounts and reports of the Company for the year ended 31 December 2019 to shareholders at a general meeting. These include the report of the Directors, the financial statements and the report of the auditor on the financial statements. Shareholders are being asked to receive the report and accounts.

### RESOLUTION 2: APPOINTMENT OF AUDITOR

The auditor of a public company must be appointed at each general meeting at which accounts are laid. Resolution 2 proposes the appointment of PricewaterhouseCoopers LLP ("PWC") as auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company. Following a full tender process conducted during 2019, PWC were appointed by the Board as the Company's auditor in place of Deloitte LLP.

### RESOLUTION 3: AUTHORITY TO AGREE AUDITOR'S REMUNERATION

Resolution 3 gives authority to the Directors, in accordance with standard practice, to agree the remuneration of the Company's auditor.

## MEMBER NOTES:

The following notes explain your general rights as a shareholder and your right to attend and vote at the general meeting of the Company, or to appoint someone else to vote on your behalf.

### 1. Entitlement to attend and vote

To be entitled to attend and vote at the general meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of business on 28 August 2020. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the general meeting. In the case of joint holders, where more than one of the joint holders votes, only the vote submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

As a consequence of the COVID-19 pandemic, and in light of the UK Government's current guidance on public gatherings and the new regulations set out in the Corporate Insolvency and Governance Act 2020, the Board has concluded that shareholders cannot be permitted to attend the general meeting in person.

### 2. Proxies

- a. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the general meeting. A shareholder may appoint more than one proxy in relation to the general meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company. In view of the impact of COVID-19, you are strongly advised to appoint the chairman of the meeting as your proxy to ensure your vote is counted.
- b. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
- c. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the general meeting.
- d. You can vote either:
  - by logging on to [www.signalshares.com](http://www.signalshares.com) and following the instructions;
  - you may request a hard copy form of proxy directly from our Registrars, Link Asset Services on telephone number: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The Registrars are open between 9:00 am – 5:30 pm, Monday to Friday excluding public holidays in England and Wales; or
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
  - In each case the appointment of a proxy must be received by Link Asset Services at 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom by 10.30 am on 28 August 2020.
- e. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

- f. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note h. below) will not prevent a shareholder from attending the general meeting and voting in person if he/she wishes to do so. However, please note the information in note 1 above regarding the impact of COVID-19 on meeting attendance.
- g. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the general meeting (and any adjournment of the general meeting) by using the procedures described in the CREST Manual (available from [www.euroclear.com/site/public/EUI](http://www.euroclear.com/site/public/EUI)). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- h. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10.30 am on 28 August 2020. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- i. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### 3. Corporate representatives

Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

### 4. Nominated persons

Any person to whom this Notice is sent as a person nominated under s146 of the Companies Act 2006 ("CA 2006") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the general meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

The statement of the rights of members in relation to the appointment of proxies in paragraph 2 above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by members of the Company.

### 5. Issued share capital and total voting rights

As at close of business on 22 July 2020 (being the latest practicable business day prior to the publication of this notice), the Company's ordinary issued share capital consists of 46,640,000 ordinary shares of £0.002 each, carrying one vote each. Therefore, the total voting rights in the Company as at close of business on 22 July 2020 were 46,640,000.

### 6. Members' requests under s527 of CA 2006

Under s527 of CA 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the auditor's Report and the conduct of the audit) that are to be laid before the general meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with s437 of CA 2006 (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with s527 or s528 of CA 2006. Where the Company is required to place a statement on a website under s527 of CA 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the general meeting for the relevant financial year includes any statement that the Company has been required under s527 of CA 2006 to publish on a website.

# NOTICE OF GENERAL MEETING (CONTINUED)

## **7. Members' rights to ask questions**

Any shareholder attending the general meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the general meeting, but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the general meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the general meeting that the question be answered.

## **8. Communication**

You may not use any electronic address (within the meaning of s333(4) of CA 2006) provided in either this notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

## **9. Website**

A copy of this notice, and other information required by s311A of CA 2006, can be found on the Company's website at [www.gygplc.com](http://www.gygplc.com).

## **10. Voting results**

As soon as practicable after the general meeting, the results of the voting at the meeting and the number of proxy votes cast for and against, and the number of votes withheld, in respect of each resolution will be announced via a Regulatory Information Service and also placed on the Company's website [www.gygplc.com](http://www.gygplc.com).

# COMPANY INFORMATION

## Directors:

Stephen Murphy  
Remy Millott  
Kevin McNair  
Rupert Savage  
Richard King

## Registered Office:

Cannon Place  
78 Cannon Street  
London  
EC4N 6AF  
United Kingdom

**Company Number:**  
10001363 (England & Wales)

**Company Secretary:**  
Sue Steven

**Company Website:**  
[www.gygplc.com](http://www.gygplc.com)

**Nominated Adviser and Broker:**  
**Zeus Capital Limited**

82 King Street  
Manchester  
M2 4WQ  
United Kingdom

and

10 Old Burlington Street  
London  
W1S 3AG  
United Kingdom

## Auditors and Reporting Accountants:

**PricewaterhouseCoopers LLP**  
Exchange House  
Midsummer Boulevard  
Central Milton Keynes  
MK9 2DF  
United Kingdom

## Solicitors:

**CMS Cameron McKenna Nabarro Olswang LLP**  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EN  
United Kingdom

## Financial PR:

**FTI Consulting, Inc.**  
200 Aldersgate  
Aldersgate Street  
London  
EC1A 4HD  
United Kingdom

## Company Registrars:

**Link Asset Services**  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU  
United Kingdom

## Bankers:

**Banco Santander, S.A.**  
Edificio Dehesa, Planta 1a  
Avda. de Cantabria SN  
28660 Boadilla del Monte  
Madrid  
Spain

**Caixabank, S.A.**  
Avda Diagonal, 621  
Torre 2 PI 1  
08028 Barcelona  
Spain

**Bankia, S.A.**  
Paseo de la Castellana 189  
28046 Madrid  
Spain



Registered Office:  
Cannon Place  
78 Cannon Street  
London  
EC4N 6AF  
United Kingdom