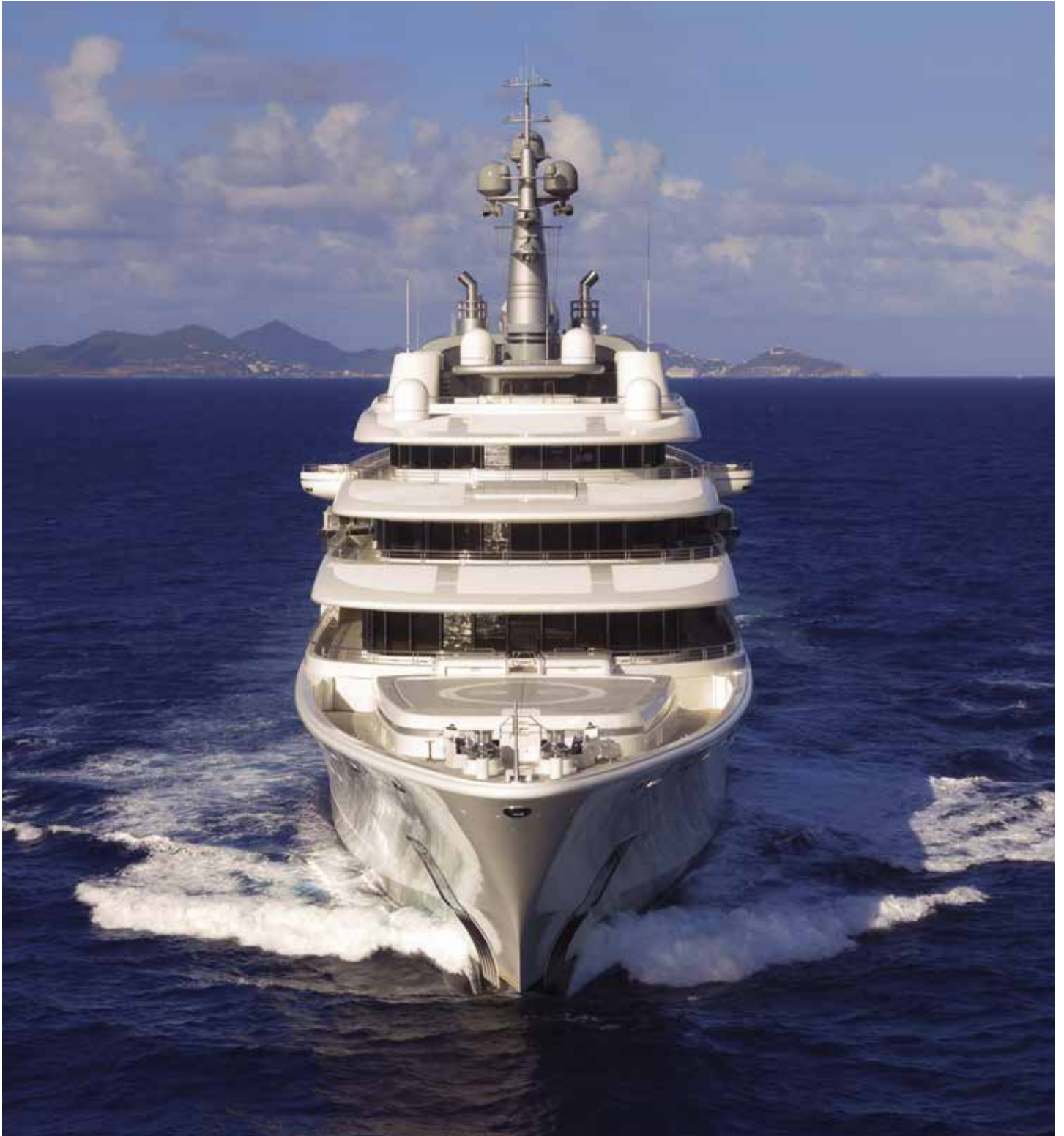




**THE WORLD'S LEADING  
SUPERYACHT SERVICE & SUPPLY GROUP**



**Annual report and financial statements**  
For the year ended 31 December 2018



**GYG is a market leading superyacht painting, supply and maintenance company, offering services globally with a focus throughout the Mediterranean, Northern Europe and the USA. The Group primarily trades under the Pinmar, Pinmar Supply, Rolling Stock, Technocraft and ACA Marine brands.**

The Global Yachting Group was originally created in 2012 through the merger of the two leading superyacht painting brands Pinmar and Rolling Stock; such expansion of the Group titled it as the only superyacht painting company with global operations. In March 2017, the Group also acquired a majority stake in ACA Marine as part of its strategic growth plans in the European superyacht finishing market. The Group was renamed GYG plc in July 2017 when it became a public company through an Initial Public Offering on the London Stock Exchange's AIM market.

GYG 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. An example of this is The Pinmar Standard 2.0 which is recognised as the most exacting quality metric in the industry and the Pinmar Academy is acknowledged as one of the leading paint maintenance and repair training programmes available for superyacht crews.

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 European 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 the UK, Holland and Germany providing a permanent presence in the major Northern European New Build and Refit market.

# CONTENTS

## 02-09

### OVERVIEW

<b>Highlights</b>	<b>03</b>
<b>Our Brands</b>	<b>04</b>
<b>What We Do</b>	<b>06</b>
<b>Market Size and Structure</b>	<b>08</b>

## 10-19

### STRATEGIC REPORT

<b>Chairman's Statement</b>	<b>10</b>
<b>Chief Executive's Report</b>	<b>12</b>
<b>Financial Review</b>	<b>17</b>
<b>Key Performance Indicators</b>	<b>18</b>
<b>Risk Management and Principal Risks</b>	<b>18</b>

## 20-39

### DIRECTORS' GOVERNANCE REPORT

<b>Board of Directors and Senior Management</b>	<b>20</b>
<b>Directors' Report</b>	<b>22</b>
<b>Corporate Governance Statement</b>	<b>24</b>
<b>Nomination Committee Report</b>	<b>31</b>
<b>Audit Committee Report</b>	<b>32</b>
<b>Directors' Remuneration Report</b>	<b>35</b>
<b>Statement of Directors' Responsibilities</b>	<b>39</b>

## 40-74

### FINANCIAL STATEMENTS

<b>Independent Auditor's Report to the Members of GYG plc</b>	<b>40</b>
<b>Consolidated Statement of Comprehensive Income</b>	<b>46</b>
<b>Consolidated Statement of Financial Position</b>	<b>47</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>48</b>
<b>Consolidated Cash Flow Statement</b>	<b>49</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>50</b>
<b>Parent Company Statement of Financial Position</b>	<b>72</b>
<b>Parent Company Statement of Changes in Equity</b>	<b>73</b>
<b>Notes to the Parent Company Financial Statements</b>	<b>74</b>
<b>Notice of Annual General Meeting</b>	<b>75</b>
<b>Company Information</b>	<b>IBC</b>

#### 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.





Photographer: Thierry Ameller.



# HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

- Group revenue of **€45.0m** (FY17: **€62.6m**)
  - Coating (Refit and New Build) revenue of **€35.5m** (FY17: **€53.7m**)
  - Supply revenue up 7% to **€9.5m** (FY17: **€8.9m**)
- Adjusted EBITDA<sup>1</sup> loss of (**€0.9m**) (FY17: **€7.2m**)
- Operating loss of **€4.3m** (FY17: operating profit of **€1.4m**)
- Net debt position<sup>2</sup> of **€6.6m** at 31 December 2018 (FY17: **€6.7m**)
- Cash of **€5.1m** as at 31 December 2018 (**€6.2m** at 31 December 2017)



## OPERATIONAL HIGHLIGHTS

- Despite a challenging 2018 due to a very soft Refit market and lower project wins in New Build, GYG had a Record Order Book<sup>3</sup> as at 31 March 2019 of **€33.8m, €28.5m** ahead of the same point in the prior year (**€10.3m** as of 31 March 2018).
- Higher visibility of income at an earlier stage with increasing New Build income throughout the year, softening the Refit seasonality after the announcement since the 2018 year end of three substantial New Builds over 70m+ in length in Northern Europe.
- MB92 Barcelona, one of the leading superyacht Refit centers in the world, recently invested in the South of France, acquiring an established shipyard and one of the largest dry docks in Europe, dedicated to superyachts. GYG has signed a new commercial agreement with MB92 Group to extend the current relationship in Spain to their new French operation.
- Two major yacht facilities in the US are nearing completion of significant site upgrades which are expected to come online in H1 2019. GYG is well placed in both facilities and the Group's US team is gearing up for additional expansion, with a strengthening of its workforce and management team.
- Significant progress has been made in systems, processes and controls across the Group. The Board has also restructured the organisation's senior and middle management, with a more concentrated focus on production and gross margins, pipeline, sales and key industry partnerships, combined with improved technology.

<sup>1</sup> Adjusted EBITDA is defined as operating profit before depreciation, amortisation, impairment, share based payments and exceptional items. This is an alternative performance measure, that provides an analysis of the operating results excluding non-cash variables and non-recurring items which can vary substantially from company to company. This indicator is widely used by investors when evaluating businesses, rating agencies and creditors to evaluate the level of debt, comparing EBITDA with net debt.

<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 finance 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.

<sup>3</sup> Order Book is defined as contracted but unbilled New Build and Refit projects across the Group.

## OUR BRANDS

GYG operates a portfolio of five market leading brands: Pinmar, Pinmar Supply, Rolling Stock, ACA Marine and Technocraft, offering a comprehensive painting and supply service for the global superyacht sector.



**PINMAR** is the global market leading brand focusing in the premium motor sector (40m+) having completed the fairing and finishing on some of the world's most prestigious superyachts. Pinmar is a major player in both the New Build and Refit sectors and the only paint company to offer a global service with major hubs across Europe and the USA. With its 43-year history of technical innovation, Pinmar is recognised as a pioneer of the superyacht painting industry having championed the development of several major improvements in application technology, environmental management and finish quality. The **Pinmar Standard 2.0** is recognised as the most exacting quality metric in the industry and the **Pinmar Academy** is acknowledged as one of the leading paint maintenance and repair training programmes available for superyacht crews.

**PINMAR SUPPLY** is a major yacht chandlery and supply company with a network of retail outlets and partners in Palma, Barcelona, Valencia, Girona, Vigo, Gibraltar, La Ciotat and Malta. It also operates a mobile fleet providing

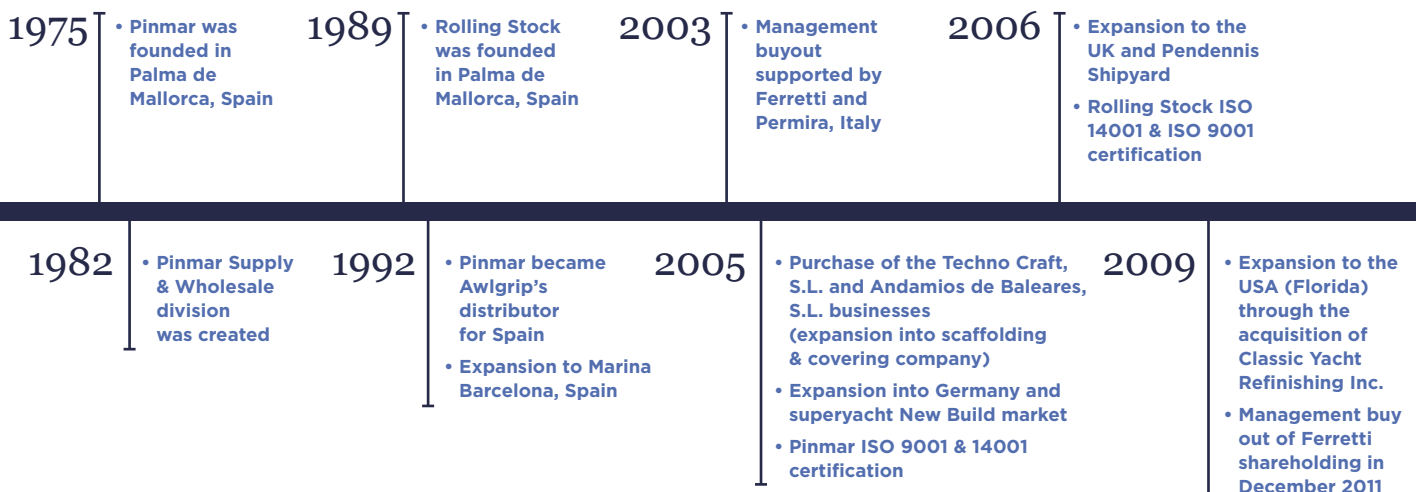
dockside service and delivery to the major shipyards and marinas in Mallorca and the Spanish Peninsular. The Company's central distribution centre offers a worldwide logistics service supplying a growing portfolio of the world's largest superyachts. Pinmar Supply's trade division operates as a principal distributor in Spain for Akzo Nobel's marine paint brands, 3M abrasives and other major product manufacturers, with operations extending to the Canaries, Egypt, Portugal, Malta and Greece.

**ROLLING STOCK** is based in Palma, Mallorca and operating across Europe, Rolling Stock has a 30-year heritage in the superyacht industry and is now focused on the sailing superyacht niche. With its unrivalled reputation for quality and particular expertise with high performance and specialist coatings, Rolling Stock is acknowledged as the leader in its field.

**ACA MARINE** acquired by GYG in 2017, ACA Marine is a regional operator based in France focusing on the local Refit market and smaller New Builds in France and Italy.

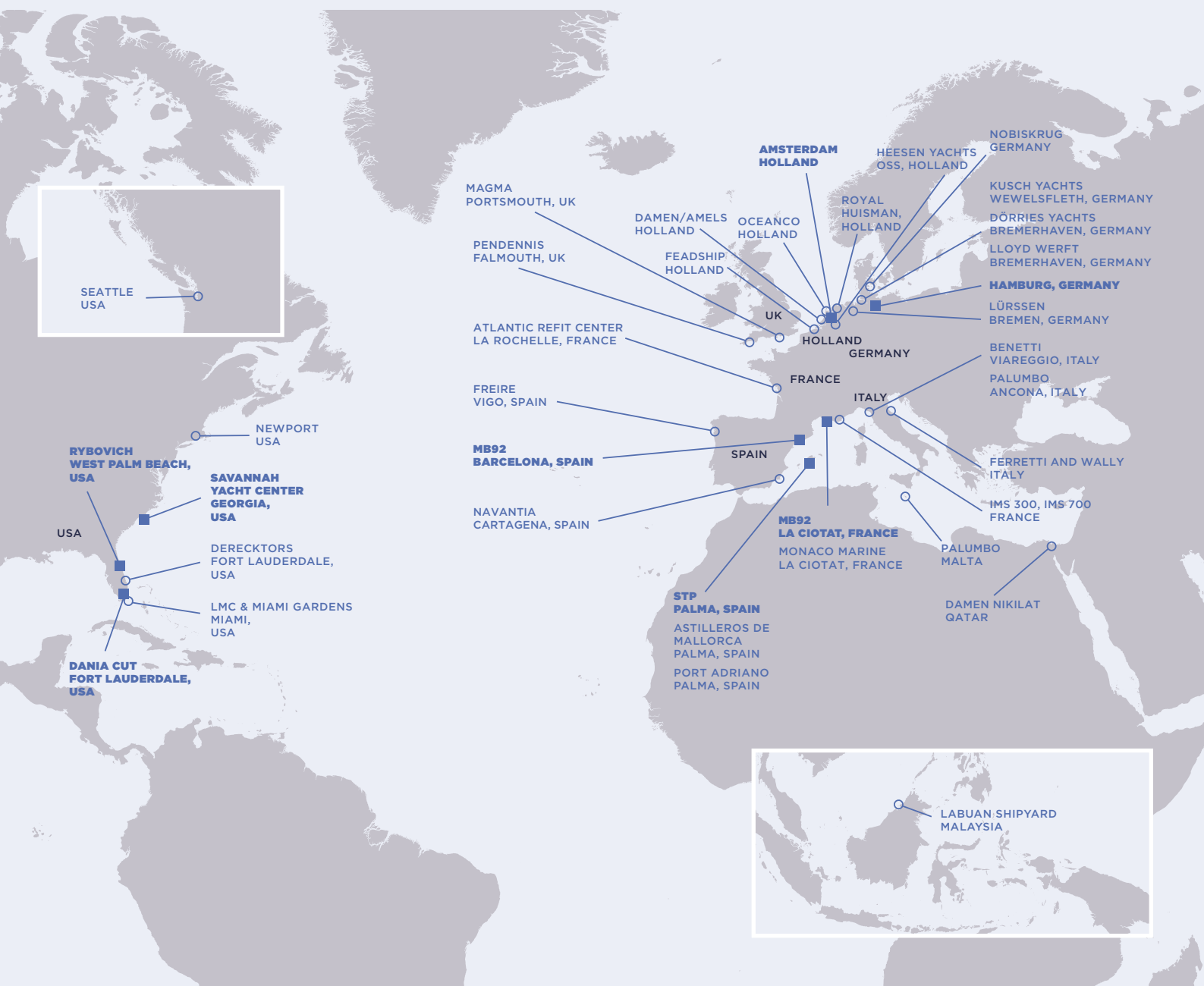
**TECHNOCRAFT** is a specialist engineering company that provides bespoke scaffolding and containment systems in addition to yacht hardware removal and maintenance services to superyachts. These services form an integral part of the superyacht Refit process and enable GYG to offer a unique turnkey approach to superyachts and the Refit yards. Technocraft's two divisions: yacht scaffold and containment systems and yacht hardware solutions, are both based in Palma with permanent hubs in Barcelona and La Ciotat, France. 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.

### A BRIEF HISTORY OF GYG PLC



# GYG global operations

## ■ Major Bases



2010	<ul style="list-style-type: none"> <li>Completion of the world's largest superyacht</li> </ul>	2014	<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>	2016	<ul style="list-style-type: none"> <li>GYG management buyout with support from Lonsdale Capital Partners to expand the Group</li> </ul>	2018	<ul style="list-style-type: none"> <li>GYG opens new hub in La Ciotat, France with Pinmar, Pinmar Supply and Technocraft supplying refit and supply services directly to shipyards and superyachts</li> </ul>
2012	<ul style="list-style-type: none"> <li>Creation of the Global Yachting Group through the merger of Pinmar and Rolling Stock companies</li> </ul>	2015	<ul style="list-style-type: none"> <li>Increasing internationalisation of relevant Refit services in the UK, Germany, France and Italy</li> <li>Incorporation of HCOS Ltd</li> <li>Finalising the largest sailing yacht in Kiel, Germany</li> </ul>	2017	<ul style="list-style-type: none"> <li>Agreement signed with Savannah Yacht Center, Georgia USA to facilitate growth in USA &amp; Caribbean markets</li> <li>Acquisition of ACA Marine</li> </ul>	2018	<ul style="list-style-type: none"> <li>Pinmar marketing campaign focused on growing market share of the Northern European New Build sector</li> <li>Pinmar Supply expands its superyacht business with the addition of new retail partners</li> </ul>



# WHAT WE DO

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

- **New Build** – the fairing and painting of new superyachts as part of the construction process
- **Refit** – the repainting and finishing of superyachts normally as part of a refitting programme, a process necessitating the removal of fittings and erection of scaffolding and containment system
- **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 its 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. GYG's businesses have been responsible for the painting and finishing of many of the world's largest and most iconic yachts.

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. Starting with a base metallic substrate with all its surface imperfections, the process starts with the application of protective primers followed by the manual application of several layers of specialist 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 out the fillers and provide a consistent surface for the top coats. After numerous cycles with detailed inspections between each application, the whole yacht is then washed-down and re-masked ahead of the final application of top coats. This final stage involves a team of highly experienced specialist top-coaters working as a cohesive unit where, using the latest electrostatic spray guns, they apply hundreds of litres of specialist marine paints with a high gloss 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 also 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 speed of application and consistency of the finish quality. Most importantly, with a 60% improvement in paint transfer, it has taken a positive step towards minimising its environmental impact.

Pinmar is now established as one of the leading paint applicators 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 preferred supplier relationships with major New Build shipyards.



## REFIT

Superyacht marine paints<sup>1</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 insurance and maritime industry regulations. Consequently, owners often use the major service periods as an opportunity for re-painting their superyachts due to significant cost savings and schedule synergies by combining such activities. Owners typically undertake an annual haul out and general maintenance to remain ahead of the service intervals and to keep the vessels in optimum condition.

Large superyachts can be painted either 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 to create a controlled environment. Before the paint team can start work preparing the vessel, specialist teams dismantle and remove all 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, typically between 2 and 3 layers of top coats will then be applied using the latest electrostatic spray guns. Final inspections are made to ensure the requisite film thickness, hardness and gloss finish are achieved before the infrastructure is removed and the ship 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.

GYG has unrivalled experience in the superyacht Refit market having painted more yachts over 30m than any other company. Today it focuses on the 40m+ 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. GYG offers a unique proposition with its trusted brands, turnkey solutions, premium quality, geographical reach and a global warranty. Pinmar leads the industry in terms of quality and has preferred partnership agreements in place with many of the largest Refit yards in Spain, France, Holland, Germany and the USA.

<sup>1</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 Supply offers a comprehensive selection of marine products to trade, retail customers and direct provisioning to superyachts worldwide.

**Retail Division** – Through its fixed and mobile retail outlets in Palma and Barcelona and its retail partner network, Pinmar Supply offers an extensive range of marine 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 distribution agreements in place with the major manufacturers, Pinmar Supply is able to compete through a combination of price, product knowledge and service.

**Global Supply Team** – Superyachts' requirement for a reliable and efficient supply service remains constant wherever the location. Pinmar Supply's

global team service this need by organising the logistics of shipping goods to anywhere in the world. The Pinmar 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 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 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 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.



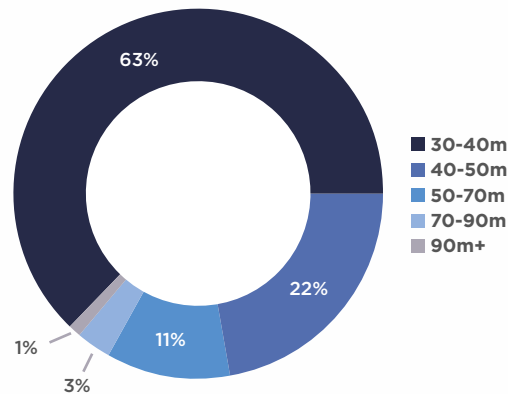


# MARKET SIZE AND STRUCTURE

The total number of delivered superyachts over 30m is currently 5,406<sup>1</sup> and is increasing at a compound average rate of 3.3% (CAGR 2009-2018), with an average of 152 new superyachts being delivered each year since 2014. For GYG's target segment of 40m+ the total fleet size is 1,986 and increased by an average of 79 vessels per year (CAGR 5.4%) over the last 10 years. The larger yacht segments (70-90m and 90m+) are exhibiting the highest growth rates reflecting the market trend for larger superyachts.

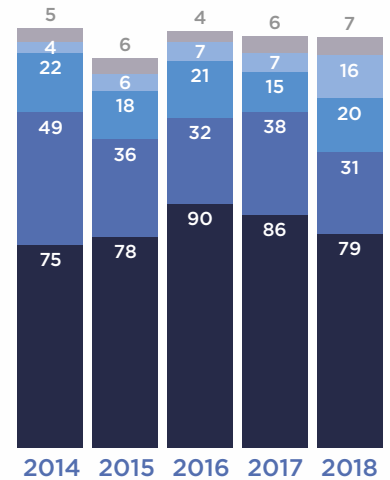
<sup>1</sup> Source: Superyacht Intelligence March 2019.

30M+ FLEET SEGMENTED BY LOA\*



\*LOA – Length Overall

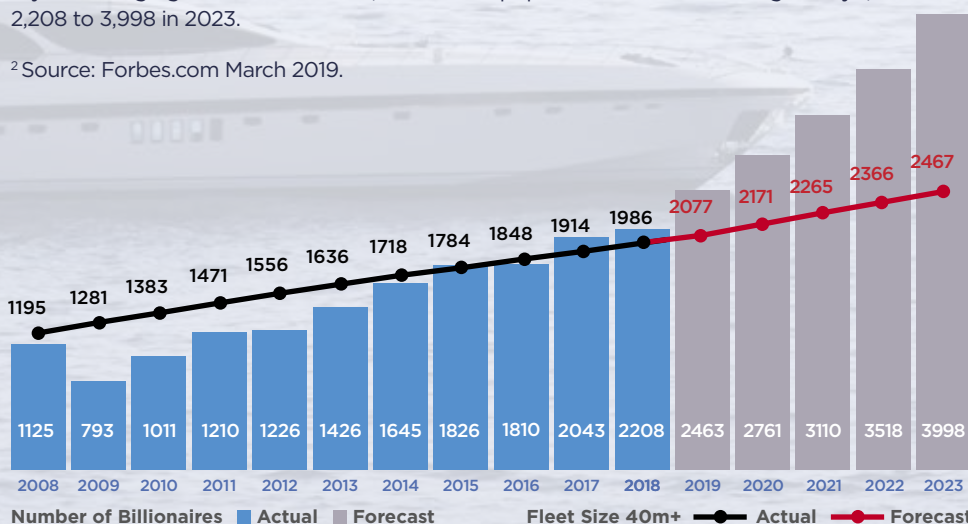
30M+ FLEET GROWTH BY LOA\*



## GROWTH IN THE NUMBER OF BILLIONAIRES CORRELATED WITH 40M+ FLEET GROWTH

The overall market growth of the superyacht fleet correlates to the global increase in the number of billionaires (UHNWIs) which has risen from 1,125 in 2008 to 2,208 in 2018<sup>2</sup>. The growth of the UHNW population to 2023 is forecast to continue its exponential positive growth. Buoyed by a 5-year average growth rate of 12.6%, the UHNW population is estimated to grow by 1,790 from 2,208 to 3,998 in 2023.

<sup>2</sup> Source: Forbes.com March 2019.

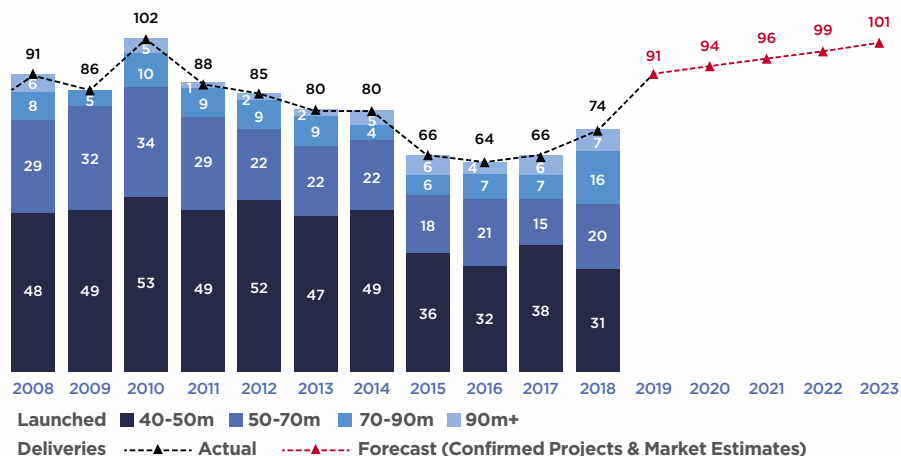




## GLOBAL SUPERYACHT DELIVERIES & FORWARD ORDER BOOK

The global Order Book<sup>1</sup> showed 423 orders for new superyachts over 30m at the end of 2018 and 228 (54%) orders in the 40m+ segment. Growth in the 40m+ fleet looks healthy in the short to medium term with a forecast compound average growth rate over the next 5 years (2019-2023) of 4.2%<sup>1</sup>. The addressable paint market value of the 40m+ New Build segment over the next 5 years is estimated to be in the region of c.€1.2Bn<sup>1</sup>.

<sup>1</sup> Source: Superyacht Intelligence March 2019.



## 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 insurance and maritime industry regulations. Owners typically take the opportunity to undertake repainting work whilst the yacht is out of service for its Refit survey and, consequently, major paintwork tends to follow a 5-year cycle.

The Refit market is underpinned by 20% of the active fleet due for paintwork each year and continues to grow, as a result of the continued growth of worldwide billionaires buying larger yachts and increasing the size of the global superyacht fleet. Due to the fragmented nature of the Refit

market there is no accurate industry data on the actual performance of the annual paint market; however, market intelligence<sup>1</sup> based on sample data from major international Refit yards suggest that the market has under-performed since 2016.

The market intelligence<sup>1</sup> suggests a circa 30% reduction in the Refit paint activity based on paintable surface areas between 2016 and 2018, with 2018 down 7.5% in comparison with 2017. Industry forecasts<sup>1</sup> predict strong growth in the Refit market, particularly in 2020 and 2021 driven by the 5-year Refit cycles and the growing fleet.

<sup>1</sup> Source: Superyacht Intelligence March 2019.

# CHAIRMAN'S STATEMENT

Our FY18 results are disappointing relative to the solid growth we reported in 2017. We started the year with a strong sales pipeline and strategic initiatives to grow our market share in both New Build and Refit. However, the Refit market was unexpectedly soft following the disruption to cruising patterns as a result of the hurricanes at the end of 2017 and a significant downturn at two of our significant Refit yards (Barcelona and La Ciotat). It also took us longer than expected to close major New Build projects, which would have underpinned the Order Book and mitigated the seasonality and temporary weakness across the Refit market sector.



Despite this, we started to see good recovery in Q4 2018 with a number of contracts signed, and now expect Refit trading patterns to return to normal during 2019. I am pleased to report that during Q1 2019, as a result of the strategic endeavours with the New Build shipyards throughout 2018, we have announced three major New Build projects in Holland, contributing to a record forward Order Book for 2019, and future visibility with the orders extending through 2020.

Management have taken several actions to improve the Group's performance including the strengthening of the leadership team with the appointment of a new Chief Operations Officer, Raúl Galán. There is a clear plan and targets in place to deliver operational efficiencies, improve cost controls and provide more focus on sales and business development.

## FINANCIAL RESULTS

As a result of this challenging year, revenue in the year ended 31 December 2018 decreased 28% to €45m (FY17: €62.6m), with a 34% decrease in the Coating Division, reflecting the continued turbulence in the Refit market and the lower than expected New Build revenue, partially compensated by the continued good performance of the Supply Division with a 7% growth in 2018.

The significantly reduced level of activity led to lower gross margin of 17.9% this year (FY17: 27.1%). Despite a €9.5m decrease in operating costs excluding exceptional items, impairment and performance share plan costs, operating costs could not be entirely adjusted in line with the decrease in turnover and the Group recorded an operating loss of (€4.3m) in the year (FY17: profit of €1.4m) and an adjusted negative EBITDA margin of (2.0%) in the year (FY17: 11.5%) resulting in a net loss, excluding exceptional items, impairment and performance share plan costs, for the year of €1.7m (FY17: net profit €3.6m).

## EARNINGS PER SHARE & DIVIDENDS

The net loss for the year was €3.2m (FY17: loss €0.4m) creating a loss per share of €0.06 (FY17: loss of €0.01 per share) and an adjusted basic loss per share of €0.03 (FY17: €0.14 earning per share).

The Board believed it was in the best interests of the Group not to pay a dividend in relation to FY18, however it is the Board's intention to reinstate its progressive dividend policy at the earliest appropriate opportunity.

## FINANCIAL POSITION

Cash and cash equivalents totalled €5.1m as at 31 December 2018, compared to €6.2m as at 31 December 2017. The decrease year on year, partially compensated by the management of working capital, corresponds mainly to the lower EBITDA and the repayment of banking debt, finance leases and June 2018 dividends which related to FY17. This, as a result, gives an external net debt of €6.6m as at 31 December 2018, compared to €6.7m at 31 December 2017.

Total net assets on the balance sheet were €12.5m as at 31 December 2018, compared to €17.4m as at 31 December 2017 reflecting the lower activity in the year.

#### **CURRENT TRADING & OUTLOOK**

We have had an encouraging start to 2019 with both New Build and Refit activity levels up, continuing through from Q4 2018. Having adopted a more conservative approach to forecasting, we remain cautious until there is firm evidence of an increase in volume of Refit orders to continue into the second and third quarters. We have a 143 meters New Build project scheduled to start in Germany in June 2019, followed by another of the recently confirmed New Build orders in Holland commencing in October 2019. This further underpins our strategy of gaining market share in the New Build sector.

Our Supply business is trading in line with expectations and progressing in its strategy of expanding its footprint through retail partnerships and trade accounts, whilst growing share in the superyacht supply business with increased direct marketing. We continue to evaluate potential acquisition targets consistent with our strategy of developing the Group's position within the superyacht service and Supply sector, however in the short-term we remain focused on growing market share in our core sectors.

As a result of the forthcoming maternity leave of the Group's Chief Financial Officer, Gloria Fernandez, I am pleased to confirm that Kevin McNair has taken on the role of Interim Chief Financial Officer. Kevin joined the business on 11 March 2019 to ensure that there is a smooth handover of responsibilities ahead of Gloria's planned leave. Gloria currently anticipates returning to a full-time role in Q3 2019. 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.

Following an unusually difficult year, I am confident that the Group can now deliver long-term growth for our shareholders.

**STEPHEN MURPHY**  
Non-Executive Chairman

4 April 2019





# CHIEF EXECUTIVE'S REPORT

2018 proved to be a very difficult year for GYG which is reflected in our year-end results. There are several major factors that explain the lower than expected revenue and profits, the most significant being an unexpectedly soft Refit market and it taking longer than initially expected to sign contracts and grow market share in the New Build sector.

Despite such results, we have made significant progress in many areas of the Group. We restructured the management team to create a more concentrated focus on production and gross margins, the sales pipeline and the visibility of the forward Order Book, as well as strengthening key industry partnerships. Our continued investment in improved technology is enhancing our sales prospecting and allowing us to engage with clients much earlier than we have done in the past.

I am pleased to report that during Q4 2018 and the early part of 2019 we have seen a return to more normal market conditions and a strengthening of demand. This, coupled with the internal improvements we have made, has resulted in significant improvements to our Order Book allowing us to enter 2019 with an Order Book of €38.8m (as at 31 March 2019), €28.5m ahead of the same point in the prior year (€10.3m as at 31 March 2018).

## OVERVIEW

The Group achieved revenues of €45m in the year ended 31 December 2018 (FY17: €62.6m), a reduction of 28%, with an operating loss of €4.3m (FY17: profit €1.4m), an adjusted EBITDA loss of €0.9m (FY17: €7.2m) and a net loss of €3.2m (FY17: €0.4m). Our gross margins suffered as a result of the reduced production volume with our average gross margin for 2018 at 17.9%, down from 27.1% in FY17. We ended the year with cash of €5.1m (FY17: €6.2m) and a net debt position of €6.6m on par with the previous year (FY17: €6.7m).

The deterioration of our Refit revenues reflect the wider softness of the Refit market during 2018, with market intelligence<sup>1</sup> suggesting a c.30% reduction in the Refit paint activity based on paintable surface areas between 2016 and 2018, with 2018 down 7.5% in comparison with 2017. This temporary market downturn can be attributed to several factors:

- Disruption to the cruising patterns and consequent maintenance planning cycle caused by the major hurricanes during the Autumn of 2017 which had a significant impact on the winter 2017/18 Refit season. This major market turbulence affected our H1 2018 performance with the postponement of several major Refit projects. I am pleased to report that after the 2018 summer cruising season we started to see a return to more typical market activity which has resulted in a market stabilisation for the winter 2018/19 Refit period. .
- A significant downturn in the major Refit yards in the South of France during H1 2018 caused by uncertainty regarding tax regulations for yacht owners and crew. Fortunately, the French tax authorities revised their fiscal strategy in



September 2018 exempting yachts and their crew from the potentially onerous social security tax obligations that had previously threatened all superyachts whilst in French Refit yards. Accordingly, we saw a resurgence of activity in Q3 2018 leading to a return to normal levels of activity in Q4 2018.

- MB92 in Barcelona, one of the leading superyacht Refit centres in the world and one of GYG's main Refit locations, underperformed significantly during 2018. In addition to the geo-political unrest in Catalunya, the main reason for this underperformance was due to the disruption in the shipyard while it was undergoing a major upgrade to its facilities. The construction work continued throughout 2018, restricting operational capacity and disrupting services. Despite this, such a major investment by the yard will increase its lifting capacity by approximately 40%, strengthening MB92's market share and facilitating long-term growth. Going forward we expect GYG to benefit from these improvements and deliver organic growth in this region.
- Construction delays to the ship-lift infrastructure that is being installed were experienced at the major new Refit facility in Savannah, Georgia. GYG is the Refit paint partner for the Savannah Yacht Center and this was an area from which we envisioned significant growth in 2018. Due to the delays in commissioning the new infrastructure, we were restricted in the projects we could undertake in Savannah yet once this facility becomes fully operational in H2 2019, we anticipate further organic growth in our USA paint business.

In summary, the unexpected softness of the 2018 Refit market caused by these, and other mainly non-recurring factors, undoubtedly contributed to our disappointing results. Since Q4 2018 demand in the Refit sector has strengthened and we have seen a return to normal levels of activity.

We entered 2019 with a record Order Book of €38.8m (as at 31 March 2019), €28.5m ahead of the same point in the prior year (€10.3m as at 31 March 2018). This robust Order Book position is underpinned with solid New Build revenues spread throughout the year which will help to mitigate the normal cyclicality of the Refit market. Furthermore, we are now gaining significant traction with our strategic initiative to grow our share in the Northern European New Build sector with several major contract negotiations closed in Q1 2019 which further strengthen and extend the visibility of our Order Book for 2020 and beyond.





# CHIEF EXECUTIVE'S REPORT

(CONTINUED)

## STRATEGY

Growing market share in New Build was one of the major strategic marketing programmes implemented during 2018. Having completed a detailed analysis of the principal territorial markets to assess the value, growth potential and competitive forces of each, we have now narrowed our primary focus to Holland and Germany. The shipbuilders in these two countries represent the premium segment of the large superyacht New Build market and we believe they are the best fit for GYG's capacity, high quality and technically advanced fairing and painting services. In Holland and Germany, we are targeting specific yards which have regard for quality brands, strong consistent order books, and are interested in entering strategic sub-contractor arrangements. Our aim is to become a preferred long-term service partner of a limited number of premium shipbuilders wherein we can add value by improving speed, quality and efficiency. Having long-term agreements, and a visible forward Order Book, will enable the Group to improve utilisation and gross margins, grow revenues and market share, whilst reducing the effects of the seasonality of the Refit market. We will continue to seek and intercept opportunities in our secondary New Build markets in Italy, Spain, Turkey and the USA as well as continuing to exploit our direct relationships with superyacht owners.

Our plans for driving organic growth in the Refit market are focused on three channels: fleet management companies, partnerships with major Refit yards and our intelligence-driven direct marketing to yacht captains and managers. In order to streamline our sales and marketing activities, we are in the process of simplifying our brand strategy to focus resources on the market leading Pinmar brand by scaling back investment in the Rolling Stock and ACA Marine brands. This will reduce any dilution of our global marketing activities and ensure a consistent sales proposition to our customers and industry partners.

In 2018, we signed a new and expanded commercial agreement with MB92 Group, following their acquisition of the Compositeworks Refit Company together with the leasehold on a large dry-dock facility, both located in La Ciotat, France, where GYG have opened a third major operational hub in this key Mediterranean Refit location. This, along with new commercial agreements with the expanded Rybovich and Savannah Refit facilities in the USA, will facilitate growth in Refit. With our re-structured sales and commercial teams, we have implemented new account management and quoting procedures to better support the fleet management companies. With the continued development of our CRM system we have significantly enhanced the sales process and direct marketing. All of these activities are contributing to a fully revised sales pipeline.

## DIVISIONAL REVIEW

GYG's activities are segmented between its Coating Division and its Supply Division. For the year ended 31 December 2018 the Coating Division achieved revenues of €35.5 m (FY17: €53.7m) and an adjusted EBITDA loss of €1.5m (FY17: €6.2m). The Supply Division delivered revenues of €9.5m (FY17: €8.9m) and an adjusted EBITDA of €545k (FY17: €972k).

**Coating Division** The Coating Division comprises the fairing and painting services offered to the superyacht New Build and Refit sectors as well as the specialist engineering services involved with the scaffolding, containment and removal and repair of yacht hardware and fittings during a Refit project.

Pinmar is the global market leading brand in the superyacht paint sector: Rolling Stock is a European brand that is focused on the sailing yacht niche, and ACA Marine is a regional brand based in France. Technocraft is the scaffolding, containment and fittings brand that operates throughout Europe.

**New Build** During 2018, the Group completed the work on a 93m New Build project in Holland, a 116m explorer vessel in Germany, the top-coating of a 74m yacht in Turkey and was approaching completion on a complicated conversion project of a 110m explorer vessel in Florida. The Dutch superyacht was the latest in a series of yachts that Pinmar has completed for a leading shipbuilder with whom the brand has a preferred supplier relationship. The German project was a second vessel completed for a repeat customer. The USA project commenced in 2016 and has been the subject of a number of delays due to changes in scope.

During the year, the Group announced two substantial New Build contracts in Germany and Holland, alongside the previously announced REV 182 project. The three confirmed orders are:

- a c.140m superyacht for an existing client owner which is to be built in Germany and with painting to be commenced in 2020
- a c.94m superyacht to be built in Holland by an existing shipyard partner during 2019
- REV 182, the world's largest research and expedition vessel, which will be constructed in Norway and finished in a German yard in 2020/21. This project was sourced through an existing industry relationship

Unfortunately, due to unexpected delays in receiving confirmation on additional New Build contracts in our sales pipeline, no new projects were started during 2018 which would normally have offset the seasonality downturn of the Refit market during the summer cruising period. Whereas we would normally expect our New Build activities to contribute an important portion of the Coating's Division revenues and gross margin, this segment under-performed during 2018. However, as highlighted earlier, our new strategic approach towards selected New Build yards in both Holland and Germany has been well received, and I am confident that we will be announcing further long-term supplier agreements and multiple major contracts during the course of 2019 which will provide both strong growth and long-term visibility of our New Build Order Book through 2020-2022. Furthermore, we have several opportunities for other New Build projects across Europe which will further strengthen our market share and drive revenue growth.

**Refit** In Refit, the Group has seen part of the work previously scheduled in the second half of 2017, which was impacted by the extraordinary sequence of hurricanes, flow through into H1 2018, with the remainder falling into the second half, and in some cases, into 2019. However, the expected benefit of the 2017 contracts deferrals has been offset by delays in major projects that were originally scheduled for H1 2018. The net effect of this general market softness, particularly in H1 2018, resulted in the significant revenue shortfall. With a reduction in volume especially over the summer period the Group took steps to reduce its operating costs, thereby mitigating any large impact on EBITDA.





# CHIEF EXECUTIVE'S REPORT

(CONTINUED)

## DIVISIONAL REVIEW (CONTINUED)

Whilst the Group undertook more individual projects than in previous years they were, on average, significantly smaller in terms of scope, with owners choosing not to undertake major Refit projects during 2018 in order to prevent further disruption to their cruising periods. We have not, however, detected any noticeable change in the profile of the yachts, or our customer retention rate, and believe we have held our market share in a period of weak demand for the whole industry. I am pleased to report that we started to see a significant upturn in demand in Q4 2018 and have entered 2019 with a strong Q1 Order Book. Furthermore, our market intelligence has identified that significantly more superyachts are scheduled for mandatory 5-year Refit surveys in 2019 than 2018. Whilst painting is not included directly in the scope of the 5-year survey, owners typically like to take the opportunity to repaint whilst the vessel is out of service, and our analysis shows a 78% correlation between 5-year surveys and painting.

We have recently refreshed the branding of Technocraft, our specialist yacht scaffold, containment and fittings business. Our objectives are to reinforce its market leading profile in Spain, facilitate its regional expansion in La Ciotat, France and Northern Europe and to increase the profile of the yacht hardware solutions division. The specialist services that Technocraft provides to superyachts and Refit yards are integral to the Refit process and are often sold in conjunction with a Pinmar paint service. GYG's ability to offer a turnkey Refit package provides a unique sales point which, along with our global scale and financial security, constitute a significant competitive advantage in the market.

**Supply Division** Our Supply Division operates through three distinct sales channels: retail, trade and superyacht direct supply. The first half of the year proved to be a challenging period with trading patterns being slightly lower than normal across the entire sector. As a supply company selling to both trade and superyachts directly, a lack of vessels in the territory influences the Supply division. Turnover for Supply was flat at the end of H1 2018, impacted mainly by five key trade accounts (with MB92 being the most significant) whose business has not been lost to competitors, but has suffered the same softening of demand as the market in general. The business was able to recover revenues during H2 2018 to end the year with a 7% increase over 2017.

Despite the market challenges and the closure of one of our retail outlets in Mallorca due to the demolition and redevelopment of the property, our Supply business reported progress both in retail and direct sales channel:

- The retail partner programme now has six new outlets, expanding the geographic network and increasing sales.
- Significant progress has been made in expanding the customer base for direct sales with an 8% increase over FY17 in the number of superyacht accounts. This is viewed as a major growth opportunity for the Supply Division, leveraging the synergies with the Coating Division who are in communication with the same yachts.

## OPERATIONAL REVIEW

I am pleased to report that we have strengthened our senior management team with the appointment of Raúl Galán as Chief Operating Officer. Raúl is focused on delivering improvements

to gross margin, production efficiency and cost savings across the Group. In addition to our existing initiatives to drive performance and efficiency improvements in production, we have launched projects to streamline our procurement process, re-engineer our IT systems to support our planned growth and recruitment and training initiatives to develop our workforce.

## MARKET DEVELOPMENTS

The overall superyacht fleet continues to exhibit steady growth with an average compound growth rate of 3.3% over the last ten years with the result of around 155 new yachts being delivered each year. The growth in GYG's 40m+ target segment is increasing steadily at 5.4% CAGR since 2014, reflecting the trend for larger vessels. At the end of 2018 the 40m+ fleet comprised 1,986 yachts and is forecast to grow at 4.2%<sup>1</sup> for the period 2019-2023.

The global New Build Order Book remains strong with 423 yachts on order, of which 228 are in our target segment (40m+). The addressable paint market value of the 40m+ New Build segment over the next 5 years (2019-2023) is estimated to be in the region of c.€1.2Bn<sup>1</sup>. Italy is the largest producer of superyachts, however the Dutch and German yards dominate the larger (70m+) segment where GYG is at its most competitive.

The overall trends remain positive in both New Build and Refit despite the short-term fluctuation in the 2018 Refit activity. Industry forecasts<sup>1</sup> predict strong growth in the Refit market particularly in 2020 and 2021 driven by the 5-year Refit cycles and the growing fleet.

There is considerable investment being made in expanding and upgrading Refit shipyard facilities both in Europe and the USA to accommodate the increasing fleet and size of superyachts. GYG is well positioned, with long-term supplier agreements in place with the major yards.

## OUTLOOK

After a difficult year, I believe the business is well placed to deliver an improved financial performance in 2019. The Group is making significant progress on its strategy to grow market share in the Northern European New Build sector and, with this strategic focus, the Directors believe that 2019 will be a breakthrough year resulting in the establishment of several new long-term supplier relationships with leading yards, providing visible and consistent revenue growth. I am excited by the opportunities presented by the Group's expansion in La Ciotat, spearheaded by the Pinmar brand and supported by Technocraft and Pinmar Supply. This, together with the renewed partnership with the MB92 Group, should facilitate growth in European Refit. As the new facilities come on stream in Savannah, and with our new expanded hub at Rybovich in West Palm Beach, I expect to see further penetration in the USA Refit market.

I am pleased with the start we have made so far in 2019, with a record number of Refit projects in production, and a significantly stronger forward Order Book including several New Build contracts that extend through to 2021. I am confident that our re-structured management team are fully focused on the key challenges and are highly motivated to achieve the Group's performance objectives and to deliver value to our shareholders.

**REMY MILLOTT**  
Chief Executive Officer

4 April 2019

<sup>1</sup> Source: Superyacht Intelligence March 2019

# FINANCIAL REVIEW

## FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2018

### FINANCIAL PERFORMANCE

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

Year ended 31 December 2017	Coating €'000	Supply €'000	Total reportable segments €'000
Revenue	53,713	8,925	62,638
Adjusted EBITDA	6,219	972	7,191

Revenue in the year ended 31 December 2018 decreased 28% to €45m (FY17: €62.6m), with 34% turnover decrease in the Coating Division, reflecting the continued turbulence in the Refit market and the lower New Build revenue than expected, partially compensated by the continued good performance of the Supply Division with a 7% growth in 2018.

Owners of superyachts typically undertake an annual haul out and general maintenance in the off season to keep the vessels in optimum condition and to ensure availability during the peak sailing months. This has historically introduced a level of seasonality to the Company's revenue driven by an H2 weighting to the key Refit revenues. During FY18, considering the lower than expected New Build activity in summer, this seasonality was even further accentuated.

Despite the €9.5m decrease in operating costs (not including exceptional items, impairment, performance share plan costs, depreciation and amortisation), operating costs could not be entirely adjusted in line with the decrease in turnover, predominantly explained by the seasonality experienced during summer and the lower level of activity, resulting in:

- a) an operating loss of (€4.3m) in the year (FY17: profit of €1.4m)
- b) an adjusted negative EBITDA margin of (2.0%) in the year (FY17: €11.5%) and
- c) a net loss, excluding exceptional items, impairment and performance share plan costs, for the year ended of €1.7m (FY17: net profit of €3.6m).

The exceptional items of €0.9m in the year mainly related to restructuring costs needed as a consequence of the decreased level of activity and as part of a cost saving plan which included redundancies and other costs associated for reorganization and restructuring of some departments. Transaction expenses for the year ended 31 December 2017 included professional fees and other related fees arising in connection with the IPO and the acquisition of ACA Marine, the coating business located in the South of France.

Financial expenses of €0.7m in the year (FY17: €0.9m) mainly related to interest on the syndicated loan signed in March 2016, finance lease and foreign exchange rate.

### EARNINGS PER SHARE AND DIVIDENDS

Net loss for the year was €3.2m (2017: loss of €0.4m). Loss per share was €0.06 (FY17: loss of €0.01 per share) and adjusted basic loss per share was €0.03 (FY17: earning per share €0.14).

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 and performance share plan costs (considering the tax effect of these adjustments).

	Year ended 31 December 2018	Year ended 31 December 2017
(Losses) for the period attributable to shareholders (€'000)	(3,016)	(349)
Weighted average number of shares	46,640,000	30,091,248
Basic (losses)/earnings per share (€)	(0.06)	(0.01)
Adjusted basic (losses)/earnings per share (€)	(0.03)	0.14
Dilutive weighted average number of shares	47,364,350	30,460,009
Diluted (losses) per share (€)	(0.06)	(0.01)
Adjusted diluted (losses)/earnings per share (€)	(0.03)	0.13

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.



# FINANCIAL REVIEW

(CONTINUED)

## FINANCIAL POSITION

Cash and cash equivalents totalled €5.1m at 31 December 2018 compared to €6.2m as at 31 December 2017. The decrease year on year, partially compensated by the management of working capital, corresponds mainly to the lower EBITDA and the repayment of banking debt, finance leases and June dividends related to FY17. Giving as a result, net debt of €6.6m as at 31 December 2018, compared to €6.7m as at 31 December 2017.

Total net assets on the balance sheet were €12.5m as at 31 December 2018, compared to €17.4m as at 31 December 2017 reflecting the lower activity in the year.

## CASH FLOW

Net cash from operating activities was €2.8m for the year (FY17: generated €0.4m). Net cash used in investing activities was €0.8m as at 31 December 2018 (FY17: €2.2m used mainly corresponding to the ACA Marine acquisition in March 2017 and scaffolding equipment) and net cash used by financing activities was €3.1m mainly corresponding to the dividends paid in June and repayment of the existing borrowings and finance leases (FY17: €1.7m generated).

Overall net cash outflow for the year was €1.2m (FY17: net cash inflow was €0.0m).

# KEY PERFORMANCE INDICATORS (“KPIs”)

KPI	31/12/2018	31/12/2017
Revenue	€45.0m	€62.6m
Gross Margin	17.9%	27.1%
Adjusted EBITDA profit/(loss)	(€0.9m)	€7.2m
Adjusted EBITDA Margin	(2.0%)	11.5%
External net debt	€6.6m	€6.7m
Order Book	€33.9m	€20.4m
Average number of employees	403	437

# RISK MANAGEMENT AND PRINCIPAL RISKS

CATEGORY	RISK	DESCRIPTION	MITIGATION
<b>COMMERCIAL</b>	<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 seasonality in the Group's business. A correct balance between New Build, Supply and Refit would help to reduce this adverse impact of the Refit seasonality.</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>
<b>REPUTATIONAL</b>	<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>

# RISK MANAGEMENT AND PRINCIPAL RISKS (CONTINUED)

CATEGORY	RISK	DESCRIPTION	MITIGATION
<b>HUMAN RESOURCES</b>	<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>
<b>OPERATIONS</b>	<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>
<b>FINANCE</b>	<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>
<b>FINANCE</b>	<b>Brexit</b>	<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 US, 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>

The Strategic Report, comprising pages 10 to 19, has been approved by the Board and is signed by order of the Board by:

**REMY MILLOTT**  
Chief Executive Officer

4 April 2019

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.

**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

**GLORIA  
FERNANDEZ**  
Chief  
Financial  
Officer



Gloria has over 15 years' experience in financial services and consulting, having started her career with Deloitte Spain and Deloitte UK. She joined the Group as Chief Financial Officer in 2012 after finalising the Joint Venture transaction between Pinmar and Rolling Stock, leading the restructuring and post-merger integration. Gloria brings particular strengths in areas such as banking, financial strategy, mergers and acquisitions.

Gloria was appointed to the Board on 3 March 2016.

**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 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**  
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 a small owner-managed business into a multi-billion pound 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, at Lowcosttravel Group Ltd, before joining GYG in November 2016. He is responsible for global business development as Marketing Director and is also overseeing strategic IT development.

**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 2018. The Corporate Governance Statement on pages 24 to 30 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 16 and the Strategic Report on pages 17 to 19 provide a review of the business, the Group's trading for the year ended 31 December 2018, 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.

As previously stated in the Trading Update issued on 31 October 2018, the Board believes it is in the best interest of the Company not to pay a dividend for the year ended 31 December 2018. However, it is the Board's intention to return to the dividend list at the earliest appropriate opportunity.

## DIRECTORS

The Directors of the Company who served during the year ended 31 December 2018 and up to the date of this report were:

Director	Capacity
Stephen Murphy	Non-Executive Chairman
Remy Millott	Chief Executive Officer
Gloria Fernandez	Chief Financial Officer
Rupert Savage	Group Commercial Director
Richard King	Non-Executive Director

The brief biographical details of the Directors are given on pages 20 and 21.

## 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. 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). 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.

All the current Directors were elected by shareholders at the 2018 annual general meeting and, therefore, one Director (being one third of the Directors) will retire at the forthcoming annual general meeting. In accordance with the terms of the Company's articles of association, the Director selected to retire and, being eligible, will offer himself for re-election at the 2019 annual general meeting, will be Stephen Murphy.

## DIRECTORS' INTERESTS

The Directors' interests in the Company's shares and options over ordinary shares are shown in the Directors' Remuneration Report on page 38.

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 35 to 38.

## 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.

## 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 25. Funds raised by the event are distributed to beneficiaries through The Pinmar Golf Charity Fund on an ongoing basis.

## 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 2018, 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 29 March 2019, 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
Woodford Investment Management Ltd*	12,133,699	26.01%
Lonsdale Capital Partners L.P.	7,822,912	16.77%
FIL Investments International	3,500,000	7.50%
Remy Millott	3,270,863	7.01%
Rupert Savage	2,716,981	5.83%
Close Brothers Asset Management	2,398,724	5.14%
Peter Brown	1,766,975	3.79%

\* (representing (in its capacity as agent and discretionary investment manager) its client, being certain discretionary managed funds and managed accounts).

## 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 29 March 2019 (being the latest practicable date before the publication of this document), options to subscribe for shares were outstanding which entitle their holders to acquire 257,950 ordinary shares of £0.002 per share.

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.

## 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. Further details of those aspects that mitigate the net current liability at year end, the borrowing facilities, the compliance with loan covenants and the waivers obtained are also set out in notes 2.3 and 17 of the financial statements.

The Directors have reviewed the Group's cash flow and income forecasts, including a sensitivity analysis and a review of forecast compliance with loan covenants. The Directors will continue to update their forecasts and take appropriate steps to manage covenant compliance going forward. The Directors are satisfied that these terms will be met for a period of no less than 12 months from the approval date of these financial statements.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## INDEPENDENT AUDITOR

Deloitte LLP have indicated that they are willing to continue in office as the Group's Auditor. A resolution to re-appoint Deloitte LLP as Auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

## 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 are 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 are aware of that information.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF, United Kingdom on 23 May 2019 at 11.30 am. The notice convening the meeting is set out on pages 75 to 80 with a summary of the business to be transacted. A copy of the notice is also available on the Company's website at [www.gyplc.com](http://www.gyplc.com).

Approved by the Board of Directors on 4 April 2019 and signed on its behalf by

**SUE STEVEN**  
Company Secretary

4 April 2019



# 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 2018.

High standards of corporate governance are a key priority for the Board of GYG plc and, in line with the London Stock Exchange's recent changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code, 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.

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 has 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, including, where appropriate, cross references to other sections of the annual report and to our website.

**STEPHEN MURPHY**  
Chairman

4 April 2019

## 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 now seeks to grow 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 14 to 16 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.

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 encouraged to attend the annual general meeting at which the Group's activities and results are considered, and questions answered by the Directors. 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.

The Non-Executive Directors have commissioned an independent Perception Audit of key shareholders' views and concerns. The Company also receives occasional feedback

direct from investors. The Directors take all feedback very seriously, and shareholders' views and concerns are 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 now include a schedule which clarifies the inclusions and exclusions of the scope of work so that the client has a clear understanding of the agreed services.

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 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 has planned additional training in a number of areas for its employees, and additional capital expenditure on certain items of equipment has been made.

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.

The Group organises an annual charity golf tournament, known as "The Pinmar Golf", which has now been running for 30 years. Since its inception, the Group has received donations from its supporters totalling in excess of €1,036,000 and, in 2018 alone, a near record sum of €92,065 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, Fundació Handisports, OK Prosthetics, Tyume Valley Schools, Sail 4 Cancer and Serve-on. Whilst such charities will continue to be supported, it has been decided to introduce an environmental focus to the fundraising. Starting at the 30th anniversary event, 25% of the fundraising will be apportioned to projects focused on marine conservation.

Further details of The Pinmar Golf and the charitable causes which have received support through the funds raised from this annual event may be found at <https://pinmargolf.es/charities.html>.

#### **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.

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.

#### **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 Coating Division has recently obtained the new 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.

# CORPORATE GOVERNANCE STATEMENT

## (CONTINUED)

### **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 and 19 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.

At the end of 2018, 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 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**

During the year under review, the Board comprised of three Executive Directors, namely Remy Millott, Rupert Savage and Gloria Fernandez. Throughout the period, the Board also comprised of two independent Non-Executive Directors, being Stephen Murphy (Chairman) 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.

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

The Board considers that it has shown its commitment to leading and controlling the Group by meeting 14 times during the year ended 31 December 2018, 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	14/14	5/5	3/3	2/2
Remy Millott	14/14			
Gloria Fernandez	14/14			
Rupert Savage	14/14			
Richard King	14/14	5/5	3/3	2/2

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.

# CORPORATE GOVERNANCE STATEMENT

## (CONTINUED)

### 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 Board is summarised below:

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

The skills and experience of the Board are set out in their biographical details on pages 20 and 21. 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 reporting period, the Board comprised of one female and four male Directors. The Company Secretary is also 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.

The evaluation of the performance of individual Directors encompasses:

- preparation and meeting attendance;
- preparedness to understand key Group issues;
- quality of contribution at Board and Committee meetings;
- contribution to the development of strategy and risk management;
- use of previous experience to contribute to key issues and strategy;
- effectiveness in challenging assumptions, in maintaining own views and opinions and in following up main areas of concern;

- building successful relationships with other Board members, management and advisers; and
- communication with and influence on other Board members, management and key shareholders.

In addition to the above, the Chairman is evaluated on his:

- effective leadership of the Board;
- management of relationships and communications with shareholders;
- identification of development needs of individual Directors with a view to enhancing the overall effectiveness of the Board as a team;
- promotion of the highest standards of corporate governance;
- management of Board meetings and ensuring effective implementation of Board decisions.

In conducting the formal annual evaluation, the Board undertakes a rigorous assessment of its own performance as a unit, balance of skills, experience, independence, diversity (including gender diversity) and other factors relevant to its effectiveness (and also of that of its Committees). The annual evaluation of the Board is focused in particular on:

- the Board's contribution to developing and testing strategy and to risk management;
- the composition of the Board (ie mix of skills, experience and expertise);
- the effectiveness of internal and external relationships and communication;
- the effectiveness in anticipating and responding to challenges and crises;
- the effectiveness of Board Committees; and
- the flexibility of the Board in dealing with a wide range of issues.

The formal evaluation of the Board Committees is closely aligned to the role and responsibilities of each Committee as set out in the terms of reference of each Committee.

After considering different alternatives, the Board made the decision to undertake the 2018 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. Completed questionnaires were analysed by the Company Secretary and the outcomes were reviewed and considered by the Board as a whole.

A similar confidential questionnaire process was undertaken in 2018 in respect of the evaluation of Chairman's performance, with feedback being provided to the Chairman by the other Non-Executive Director.

Following the evaluation process, and after due consideration of the outcomes, it was concluded that overall the Board, its Committees and its individual members continued to perform effectively, that the Chairman performed his role appropriately, and that the process for evaluation of the Chairman's performance had been conducted in a professional and thorough manner. However, the Board did identify that there were some minor areas for improvement in its operation, which have since been addressed as follows:

- Given the evolution and now greater depth of the Board packs, where possible, management will endeavour to provide the Board packs to the Board slightly further in advance of each meeting to enable the Board sufficient time to review the materials.
- Management will provide the Board with improved market data in order that the Board may gain a better view of GYG's relative market performance and underlying trends across the industry.
- Ongoing training of Directors will be improved and a more structured approach taken in 2019 for the broader development of senior management.

#### **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 31.

#### **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, materials 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 32 to 34.

#### ***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 35 to 38.

#### ***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 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/)).

Details of the activities and responsibilities of the Nomination Committee are set out on page 31.

## **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 enduring the year ended 31 December 2018 is detailed on pages 31 to 38.

The results of the proxy votes received in relation to the 2018 AGM 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 27.

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

The Nomination Committee met twice during the reporting period. Business conducted at 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 2018 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.

## SUCCESSION PLANNING

The Nomination Committee has identified succession planning as a key consideration for GYG and a formal succession planning process is underway.

The Nomination Committee has identified key individuals in the executive team who are included in the process and a matrix has been prepared (and is updated on a regular basis) which looks at 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 Company 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 2018. Further details of this process and the outcomes are set out on pages 28 and 29 of the Corporate Governance Statement.

## RETIREMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee considered the terms of the Company's articles of association regarding retirement and re-election of Directors and concluded that one Director would be required to retire and, being eligible, Stephen Murphy would offer himself for re-election at the 2019 annual general meeting. The process for determining which Director would retire and offer himself for re-election is set out in the Company's articles of association.

## STEPHEN MURPHY

Chairman of the Nomination Committee

4 April 2019

# AUDIT COMMITTEE REPORT

## AUDIT COMMITTEE

The Audit Committee meets at least three times a year, and met five times during the reporting period. Details of meeting attendance are shown in the Corporate Governance Statement on page 27. Deloitte LLP, as the Auditor, was also present at all five 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, reappointment 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 are the Company's Auditor and were the Auditor of the Group for the financial years ended 31 December 2017 and 31 December 2018. Deloitte LLP are members of the Institute of Chartered Accountants in England and Wales. In accordance with professional standards, the Deloitte LLP partner responsible for the audit will be rotated every five years. The current audit partner was appointed in respect of the year ended 31 December 2018.

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 November 2018 in relation to the financial statements for the year ended 31 December 2018. 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 have been satisfied with the performance of the external Auditor during the year, and with the policies and procedures they have in place to maintain their objectivity and independence. There are no contractual obligations restricting the Company's choice of external auditor.

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 and tax compliance services. 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 57.

#### **WORK UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE YEAR ENDED 31 DECEMBER 2018**

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 2018;
- consideration of new IFRS accounting standards;
- discussions with the 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 2018;
- approval of non-audit work to be carried out by the 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;
- approval of the continuing appointment of Deloitte LLP as the Group's Auditor; and
- post-period, review of the annual report and financial statements for the year ended 31 December 2018.

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 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 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.

#### **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. Further details of those aspects that mitigate the net current liability at year end, the borrowing facilities, the compliance with loan covenants and the waivers obtained are also set out in notes 2.3 and 17 of the financial statements.

The Directors have reviewed Group's cash flow and income forecasts, including a sensitivity analysis and a review of forecast compliance with loan covenants. The Directors will continue to update their forecasts and take appropriate steps to manage covenant compliance going forward. The Directors are satisfied that these terms will be met for a period of no less than 12 months from the approval date of these financial statements.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

On 11 March 2017, the Group obtained control of ACA, SAS (currently ACA Marine, SAS), GYG's main competitor in France, by acquiring 70 per cent of its issued share capital. ACA, SAS is a superyacht painting and finishing company operating out of the South of France and was acquired with the objective to drive growth in this region.

# AUDIT COMMITTEE REPORT

(CONTINUED)

## ***Goodwill impairment in respect of the ACA SAS acquisition (continued)***

The goodwill and other intangible assets acquired arising from the acquisition amounted to €710 thousand and €1,173 thousand, respectively and correspond to a premium paid for entering a new market as well as acquisition synergies. During the current period and, as consequence of a Group's brand rationalisation, an impairment of the brand has been registered amounting to €480 thousand.

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 Auditor's findings and discussed the outcomes with management and, after due consideration, believes that the accounting and disclosures relating to the goodwill valuation for ACA SAS 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 page 26.

## **INTERNAL AUDIT**

The Board considers the need for an internal audit function annually and in consultation with the 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 was 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.

Approved on behalf of the Board

## **RICHARD KING**

**Chairman of the Audit Committee**

4 April 2019

# DIRECTORS' REMUNERATION REPORT

As Chairman of the Remuneration Committee, I am pleased to present our report for the year ended 31 December 2018.

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 three times during the period since that date. Details of meeting attendance are shown in the Corporate Governance Statement on page 27.

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 2018;

- reviewing basic salaries payable for the year ending 31 December 2019;
- setting bonus performance targets for the year ending 31 December 2019; 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' salaries for the year ending 31 December 2019 remain at the same level as for the year ended 31 December 2018. Directors' salaries have not been increased since the IPO.

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.



# DIRECTORS' REMUNERATION REPORT

(CONTINUED)

## **POLICY ON EXECUTIVE REMUNERATION (CONTINUED)**

### *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 80% of the relevant Executive Director's salary, and this would only be varied by the Remuneration Committee for truly exceptional performance on the part of an Executive Director.

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 weighted 80% on financial targets and 20% on specific personal objectives. For the Chief Financial Officer, the weighting is 50:50 on financial targets and specific personal objectives. As 2018 was the first full year of GYG as a public company, these weightings will be kept under review to ensure that they are creating both intended outcomes and correct behaviours in the leadership team.

On conducting its review of performance against the bonus targets which had been set for the year ended 31 December 2018, the Remuneration Committee concluded that these targets had not been sufficiently met and, therefore, no bonuses were awarded to the Executive Directors for that period.

For the year ending 31 December 2019, 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 2019 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.

No options were granted under the PSP during the reporting period.

### *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 2018

The remuneration of the Directors who served on the Company's Board during the year to 31 December 2018 was as set out in the table below:

	Year ended 31 December 2018			Year ended 31 December 2017		
	Basic salary and fees €'000	Bonus €'000	Total €'000	Basic salary and fees €'000	Bonus €'000	Total €'000
<b>Executive Directors</b>						
Remy Millott <sup>1</sup>	257.98	—	257.98	301.9	—	301.9
Gloria Fernandez <sup>1</sup>	150.0	—	150.0	137.2	—	137.2
Rupert Savage <sup>1</sup>	231.6	—	231.6	275.6	—	275.6
<b>Non-Executive Directors</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Stephen Murphy <sup>2</sup>	100	—	100	50	100	150
Richard King <sup>2, 3</sup>	50	—	50	25	50	75
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Andrew Chetwood <sup>4, 5</sup>	—	—	—	—	—	—
Alan Dargan <sup>4, 5</sup>	—	—	—	—	—	—
Ben Evans <sup>4, 5</sup>	—	—	—	—	—	—
Jan Woitschitzke <sup>4</sup>	—	—	—	12.5	—	12.5

<sup>1</sup> Appointed 3 March 2016.

<sup>2</sup> Appointed 5 July 2017.

<sup>3</sup> Richard King is entitled to an additional fee of £10,000 per annum in respect of his role as the Chairman of the Audit Committee, which is included in the total above.

<sup>4</sup> Resigned prior to Admission on 5 July 2017.

<sup>5</sup> These Directors did not receive any fees during their tenure on the Board.

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.

### 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.

### DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Copies of currently serving Directors' service contracts and letters of appointment (listed below) are available for inspection at the Company's registered office.

Executive Director	Date of service contract
Remy Millott	23 June 2017
Gloria Fernandez	23 June 2017
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)

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.

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 Gloria Fernandez, she 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 22.

# 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 2018, 31 December 2017 and the date of this report were as follows:

Director	31 December 2018 Number of ordinary shares of £0.002 each	31 December 2017 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	3,167,863	3,270,863
Gloria Fernandez	278,297	278,297	278,297
Rupert Savage	2,716,981	2,535,231	2,716,981
Stephen Murphy	240,000	240,000	240,000
Richard King	130,000	95,000	130,000

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 2017	Granted during the period	Options exercised during the period	Options lapsed during the period	As at 31 December 2018	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
Gloria Fernandez	49,500	—	—	—	49,500	£0.002	11/07/2020 <sup>1</sup>	11/07/2027
Rupert Savage	74,250	—	—	—	74,250	£0.002	11/07/2020 <sup>1</sup>	11/07/2027
	206,250	—	—	—	206,250			

<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

4 April 2019



# 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 regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation, and they have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the European Union. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website ([www.gygplc.com](http://www.gygplc.com)). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### 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 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 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 Company's position and performance, business model and strategy.

This Statement of Directors' Responsibilities Statement was approved by the Board of Directors on 4 April 2019 and is signed on its behalf by:

**REMY MILLOTT**  
Chief Executive Officer

**GLORIA FERNANDEZ**  
Chief Financial Officer

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

#### In our opinion:

- the financial statements of GYG plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's loss 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the Group related notes 1 to 28;
- the Parent Company balance sheet;
- the Parent Company statement of changes in equity; and
- the Parent Company related notes 1 to 7.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Summary of our audit approach

#### Key audit matters

The key audit matters that we identified in the current year were:

- Going concern in relation to loan covenant compliance;
- Valuation of goodwill and other acquired intangibles at ACA SAS; and
- Revenue recorded for significant contracts not completed at year end.

Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with.

<b>Materiality</b>	The materiality that we used for the Group financial statements was €363k which was determined on the basis of 0.8% of revenue.
<b>Scoping</b>	Our audit scope covered 12 components. Of these 12, three per page 44 were subject to a full audit, whilst the remaining nine were subject to specified audit procedures. The coverage achieved was 96% of revenue, 95% for expenses and 98% for net assets.
<b>Significant changes in our approach</b>	Significant changes include a new key audit matter for going concern in relation to loan covenant compliance and the use of revenue for the materiality calculation in the current year. The prior year key audit matter in relation of the accounting acquisition of ACA is no longer applicable.

### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**We have nothing to report in respect of these matters.**

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included 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 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.

#### Going concern in relation to loan covenant compliance

##### Key audit matter description



The Group has prepared their forecast looking at the 12 month period after the issue of the annual report, which highlighted the expected breach for the leverage ratio as at 30 June 2019. On 26 March 2019 a waiver letter for the aforementioned covenant has been received for 30 June 2019.

Reasonable headroom exists for the other covenants as at relevant reporting dates, however, if the key assumptions on revenue expected used in business forecasts are not achieved by a reasonable margin, then further waivers would be required in future periods.

Please see going concern note 2.3 on page 50 and discussion in the Strategic report on page 19 and in Directors' Governance report on pages 23 and 33.

##### How the scope of our audit responded to the key audit matter



We evaluated the design and implementation of controls over the going concern basis in respect of the covenant compliance.

We evaluated management's methodology for compliance with the going concern basis, reviewed the appropriateness of the covenant calculations and headroom expected in different scenarios for 30 June 2019, 31 December 2019 and 30 June 2020. We assessed the historical accuracy of management's estimates by comparison to forecasting accuracy in previous years, and we have reviewed the accuracy of the forecasted revenue through testing a sample of items of the order book and pipeline expected for the following years.



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

## Key observations



We concluded that the adoption of the going concern basis of accounting is appropriate.

## Valuation of goodwill and other acquired intangibles at ACA SAS

### Key audit matter description



On 11 March 2017, the Group acquired 70% of the equity of ACA SAS for €1,429 thousand. The acquisition resulted in recognition of customer relationships of €626 thousand, brand of €547 thousand and goodwill of €710 thousand. The net book value of the brand as of 31 December 2018 was €480 thousand and was impaired in line with the Group's brand rationalisation.

There is significant judgement involved in assessing the discount rate and long term growth rate to be used in the impairment reviews for intangible assets.

Please see critical judgements and accounting policies on pages 50 to 55, notes 2, 3, 12, and 22; and discussion in Directors' Governance report on pages 33 and 34.

### How the scope of our audit responded to the key audit matter



We evaluated the design and implementation of controls over the goodwill and other intangibles valuation process.

We assessed the valuation of the goodwill and customer relationships calculated by management by: reviewing in detail management's impairment test, challenging the key assumptions by performing detailed review of signed projects expected for the next years and evaluating the potential impacts on the impairment tests conclusions through sensitivities analysis. Specialists were used in our assessment of the appropriateness of the discount rates used in the impairment test.

We also reviewed the adequacy of the disclosures in the financial statements.

## Key observations



We concluded that the goodwill and other intangibles of ACA SAS have been appropriately accounted for and disclosed in the financial statements.

## Revenue recorded for significant contracts not completed at year-end

### Key audit matter description



The total revenue of the Group is €44,964k (2017: €62,638k), which consists mainly of significant contracts relating to coating of large vessels. There is a risk that revenue recorded in respect to ongoing contracts at year-end is recorded in the wrong period due to management judgement involved in the calculation, specifically in relation to estimates of costs to complete and any amendments to the original contract.

Please see critical judgements and accounting policy on pages 50 to 55, notes 2, 3 and 4, and discussion in the Directors' Governance Report on page 33.

### How the scope of our audit responded to the key audit matter



We evaluated the design and implementation of controls over the revenue cycle.

We evaluated management's methodology for compliance with accounting standards, re-performed the calculation of the costs to complete, checked percentage completion to third party records and those of operational management, reviewed the appropriateness of the movements in the year and assessed the historical accuracy of management's estimates in prior years by comparison of forecasts to actuals for previous years. We also reassessed the progress of these projects before the financial statements were finalised to see whether any developments in the current period provided further evidence of the stage of completion at year-end.

**Key observations**

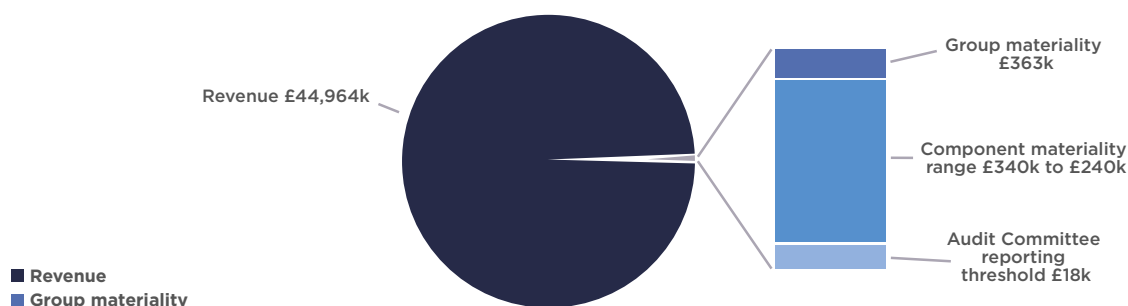
We concluded that the revenue recorded for significant contracts not completed at year-end has been appropriately accounted for.

**Our application of materiality**

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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>Materiality</b>	€363k (2017: €400k)	€340k (2017: €340k)
<b>Basis for determining materiality</b>	The materiality was determined using 0.8% of revenue (2017: range of bases equating to 0.6% of revenue, 9.5% of pre-tax profit before exceptional items and 5.5% of adjusted EBITDA).	The materiality was determined based on 2% of total assets (2017: 2% of total assets).
<b>Rationale for the benchmark applied</b>	<p>We considered revenue as the key benchmark for an entity with a negative pre-tax profit and negative adjusted EBITDA.</p> <p>This basis is consistent with management's focus on adjusted metrics to evaluate financial performance in the current year.</p>	We considered total assets the key performance indicator used by the market for a holding Company.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €18k (2017: €20k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

**An overview of the scope of our audit**

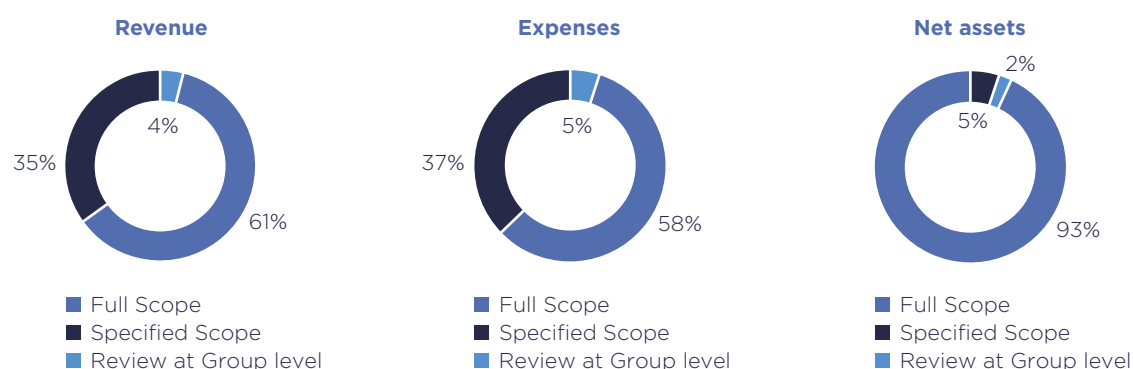
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risk of material misstatement at the Group level. The Group's head office is located in Palma, Spain and all the books and records for the Group are maintained there. Therefore, we have involved a component audit team based in Spain.

We focused our Group audit scope on 12 components, with a materiality no greater than 90% of the Group materiality. We performed full scope audits for three of the Group's subsidiaries. Specified audit procedures were performed on material account balances in the remaining nine components. These components account for 96% of the Group's revenue, 95% of the Group's expenses and 98% of the Group's net assets.

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

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining balances not subject to full audit, or audit of specified account balances.

The Group audit team maintained a high level of oversight of the work performed by the component audit team, including numerous onsite visits, regular briefings and discussions, inclusion in their risk assessments processes and review documentation of the findings of their work.



## Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

## Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the 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.

**We have nothing to report in respect of these matters.**



### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and or the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

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

##### *Adequacy of explanations received and accounting records.*

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
- the Parent Company financial statements are not in agreement with the accounting records and returns.

**We have nothing to report in respect of these matters.**

##### *Directors' remuneration*

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

**We have nothing to report in respect of this matter.**

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**JIM BROWN FCA**  
(Senior statutory auditor)

For and on behalf of Deloitte LLP  
Statutory Auditor  
London

4 April 2019

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
<b>Continuing operations</b>			
Revenue	4	44,964	62,638
Operating costs		(49,233)	(61,235)
Adjusted EBITDA		(915)	7,191
Depreciation and amortisation	12, 13	(1,886)	(1,822)
Impairment	12	(480)	—
Performance share plan	24	(108)	(67)
Exceptional items	6	(880)	(3,899)
<b>Operating (loss)/profit</b>	5	(4,269)	1,403
Gain on financial instruments	23	417	—
Finance costs – net	9	(737)	(879)
<b>(Loss)/profit before tax</b>		(4,589)	524
Tax	10	1,392	(908)
<b>(Loss) for the period</b>		(3,197)	(384)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		31	(96)
<b>Total comprehensive loss for the period</b>		(3,166)	(480)
Loss for the period attributable to:			
Owners of the Company		(3,016)	(349)
Non-controlling interest		(181)	(35)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(2,985)	(445)
Non-controlling interest		(181)	(35)
<b>Loss per share (€)</b>	11		
From continuing operations			
Basic		(0.06)	(0.01)
Diluted		(0.06)	(0.01)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 €'000	2017 €'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	12	9,333	9,292
Other intangible assets	12	11,313	12,720
Property, plant and equipment	13	8,178	8,352
Other financial assets	25	1,605	1,621
Deferred tax assets	10	261	601
<b>Total non-current assets</b>		<b>30,690</b>	32,586
<b>Current assets</b>			
Inventories	14	2,546	3,067
Trade and other receivables	15	6,908	10,848
Cash and cash equivalents	16	5,069	6,236
<b>Total current assets</b>		<b>14,523</b>	20,151
<b>Total assets</b>		<b>45,213</b>	52,737
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade, deferred income and other payables	19	(16,763)	(16,393)
Obligations under finance leases	17	(816)	(890)
Borrowings	17	(3,185)	(2,388)
Provisions	20	(349)	(304)
Derivative financial instruments	25	(37)	(16)
<b>Total current liabilities</b>		<b>(21,150)</b>	(19,991)
<b>Net current (liabilities)/assets</b>		<b>(6,627)</b>	160
<b>Non-current liabilities</b>			
Obligations under finance leases	17	(1,139)	(1,745)
Borrowings	17	(6,488)	(7,893)
Deferred tax liabilities	10	(2,218)	(3,952)
Long-term provisions	20	(819)	(819)
Other financial liabilities	22	(547)	(964)
Other liabilities		(343)	—
<b>Total non-current liabilities</b>		<b>(11,554)</b>	(15,373)
<b>Total liabilities</b>		<b>(32,704)</b>	(35,364)
<b>Net assets</b>		<b>12,509</b>	17,373
<b>EQUITY</b>			
Share capital	21	106	106
Share premium		7,035	7,035
Retained earnings		5,894	10,716
Translation reserve		(37)	(68)
Capital redemption reserve		114	114
Share based payment reserve	24	267	159
<b>Equity attributable to owners of the Company</b>		<b>13,379</b>	18,062
<b>Non-controlling interest</b>		<b>93</b>	274
<b>Put option reserve</b>	22	<b>(963)</b>	(963)
<b>Total equity</b>		<b>12,509</b>	17,373

These Consolidated financial statements were approved and authorised for issue by the Board of Directors on 4 April 2019 and were signed on its behalf by:

**REMY MILLOTT**  
Chief Executive Officer

**GLORIA FERNANDEZ**  
Chief Financial Officer

Registered Number: 10001363

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	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 1 January 2017</b>	<b>122</b>	<b>12,046</b>	<b>(926)</b>	<b>28</b>	<b>—</b>	<b>—</b>	<b>11,270</b>	<b>—</b>	<b>—</b>	<b>11,270</b>
Issue of share capital	98	7,901	(79)	—	—	—	7,920	—	—	7,920
Costs related to issue of share capital	—	(842)	—	—	—	—	(842)	—	—	(842)
Reduction of share premium	—	(12,070)	12,070	—	—	—	—	—	—	—
Acquisition of subsidiary	—	—	—	—	—	—	—	309	(963)	(654)
Share buy back	(114)	—	—	—	114	—	—	—	—	—
Credit to equity for share based payments	—	—	—	—	—	159	159	—	—	159
Total comprehensive loss for the period	—	—	(349)	(96)	—	—	(445)	(35)	—	(480)
<b>Balance at 31 December 2017</b>	<b>106</b>	<b>7,035</b>	<b>10,716</b>	<b>(68)</b>	<b>114</b>	<b>159</b>	<b>18,062</b>	<b>274</b>	<b>(963)</b>	<b>17,373</b>
Effect of change in accounting policy (note 2.2)	—	—	(98)	—	—	—	(98)	—	—	(98)
<b>Adjusted opening balance</b>	<b>106</b>	<b>7,035</b>	<b>10,618</b>	<b>(68)</b>	<b>114</b>	<b>159</b>	<b>17,964</b>	<b>274</b>	<b>(963)</b>	<b>17,275</b>
Dividend distribution (note 21)	—	—	(1,708)	—	—	—	(1,708)	—	—	(1,708)
Credit to equity for share based payments	—	—	—	—	—	108	108	—	—	108
Total comprehensive loss for the period	—	—	(3,016)	31	—	—	(2,985)	(181)	—	(3,166)
<b>Balance at 31 December 2018</b>	<b>106</b>	<b>7,035</b>	<b>5,894</b>	<b>(37)</b>	<b>114</b>	<b>267</b>	<b>13,379</b>	<b>93</b>	<b>(963)</b>	<b>12,509</b>



# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	Note	2018 €'000	2017 €'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (I)</b>	23	<b>2,798</b>	428
- Purchase of intangible assets		(47)	(48)
- Purchase of property, plant and equipment		(769)	(1,144)
- Proceeds from disposal of property, plant and equipment		7	5
- Acquisition of subsidiary	22	—	(1,053)
<b>CASH FLOWS USED IN FROM INVESTING ACTIVITIES (II)</b>		<b>(809)</b>	(2,240)
- Proceeds from obligations under finance leases		191	—
- Proceeds from bank borrowings		1,118	500
- Payment of costs incurred to issue shares		—	(842)
- Proceeds on issue of shares		—	7,920
- Repayment of obligations under finance leases		(871)	—
- Repayment of borrowings		(1,836)	(5,889)
- Dividends paid to shareholders		(1,708)	—
<b>CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES (III)</b>		<b>(3,106)</b>	1,689
<b>Effect of foreign exchange rate changes (IV)</b>		<b>(50)</b>	152
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)</b>		<b>(1,167)</b>	29
Cash and cash equivalents at the beginning of the period		<b>6,236</b>	6,207
Cash and cash equivalents at the end of the period		<b>5,069</b>	6,236

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 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 (see note 21). 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.

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) 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.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective for the period ended 31 December 2018. However, they are available for early application:

- IFRS 16 “Leases” (published in January 2016). 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 either as lease assets (right-of-use assets) or together with property, plant and equipment. 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).

As at the reporting date, the Group has non-cancellable operating lease commitments of €2.0 million and expects to recognise right-of-use assets and lease liabilities for this amount on 1 January 2019. The expected impact to operating profit is an increase of approximately €0.6 million but no overall effect on the profit before tax. The Group will apply the standard from its mandatory adoption date of 1 January 2019, on a prospective basis.

### 2.3. Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, taking also into account the following relevant information, which mitigate the net current liability at year end:

- Group forecasts and projections, considering the Order Book as at 31 March 2019 of €38.8m for 2019.
- Bank facilities totalling €15.3 million of which €5.7 million were drawn and €9.6 million were undrawn as of 31 December 2018 (see note 17).
- Net current liabilities include deferred income of €5.1 million, corresponding to advance from customers related to on-going and future projects.

The current syndicated loan agreement was initially signed in March 2016, prior to the Company re-registering from a private to a public limited company in June 2017. Management has, therefore, also initiated discussions regarding a refinancing process to adapt the current financial structure to a listed Group. At 31 December 2017, the Group achieved the financial covenants required by the syndicated loan. For the year ended 31 December 2018, and considering the underperformance in FY18, a waiver was signed with the financial institutions for the leverage covenant and the debt service coverage ratio for December 2018 and the leverage covenant for June 2019.

Further, the Directors have reviewed the Group’s cash flow and income forecasts, including a sensitivity analysis and undertaken a review of forecast compliance with loan covenants. The Directors will continue to update their forecasts and take appropriate steps to manage covenant compliance going forward. The Directors are satisfied that these terms will be met for a period of no less than 12 months from the approval date of these financial statements.

In assessing the Group's ability to continue as a going concern, the Board has also considered the impact of all potential risks, including the analysis of the Brexit and, accordingly they have adopted the going concern basis in preparing these financial statements.

#### 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.

##### *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 competition 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;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.7. Revenue recognition (continued)

- 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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are 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 is included in the balance sheet as obligations under finance leases.

Finance lease payments are apportioned between interest and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest on obligations under finance leases is recognised in profit or loss. Rentals payable under operating leases are 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. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased 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. Examples of items which may give rise to disclosure as exceptional items include restructuring costs and transaction fees. See note 6 for further details.

## 2.10. Adjusted EBITDA

Adjusted Earnings before Interest, Taxation, Depreciation and Amortisation ("Adjusted EBITDA") is 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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (attributed to no monetary items are recognised in profit or loss in the period in which they arise except for non-controlling interests as appropriate). Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

## 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.17. Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

### Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and de-recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets belonging to the Company are classified in these categories:

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others described) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

### Held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income.

### 2.17.1. 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.

### 2.17.2. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

The Group recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets is estimated using Group's historical credit loss experience and general economic conditions.

### 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 unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

### 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).

## 2.18. 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.

## 2.19. 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.

## 2.20. 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. Where the actual future cash flows are less than expected, an impairment loss may arise.

## 4. SEGMENT INFORMATION

The Groups 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4.1. Segment revenues and results

Segment information about the above businesses is presented below for the period ended 31 December 2018 and 2017:

### 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>

### Year ended 31 December 2017

	Coating €'000	Supply €'000	Total reportable segments €'000
Revenue	53,713	8,925	62,638
Gross profit	15,022	1,970	16,992
Adjusted EBITDA	6,219	972	7,191
Depreciation and amortisation			(1,822)
Performance share plan			(67)
Exceptional items			(3,899)
<b>Operating Profit</b>			<b>1,403</b>
Finance costs			(879)
<b>Profit before tax</b>			<b>524</b>

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

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 2018 €'000	Year ended 31 December 2017 €'000
Spain	27,187	34,025
United Kingdom	1,422	350
Rest of Europe	8,225	21,376
Rest of the World	8,130	6,887
	<b>44,964</b>	<b>62,638</b>

At 31 December 2018 the Group has non-current assets allocated to Europe and "Rest of the World" for an amount of €28,647 thousand and €2,043 thousand, respectively (€30,609 thousand and €1,977 thousand, respectively, at 31 December 2017).



#### 4.2. Information about major customers

There are no revenues from transactions with individual customers which contribute 10% or more to the Group's revenue for the period ended 31 December 2018 (for the period ended 31 December 2017 there were three relevant customers which revenues contributed 10% or more to the Group's revenue, all related to the coating segment and representing a total amount of €21,110 thousand).

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

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

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Net foreign exchange losses	(11)	(61)
Depreciation of property, plant and equipment	(897)	(769)
Amortisation of intangible assets	(989)	(1,053)
Operating leases (see note 18)	(903)	(999)
Losses on disposals	(15)	—
Impairment on intangible assets	(480)	—
Impairment on trade receivables	(25)	(23)
Staff costs (see note 8)	(18,848)	(20,940)

#### 6. EXCEPTIONAL ITEMS

The following table provides a breakdown of exceptional items:

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Transaction fees	(127)	(3,899)
Restructuring costs	(753)	—
	(880)	(3,899)

Restructuring costs for the year ended 31 December 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 ended 31 December 2018 are mainly related to professional fees and for the year ended 31 December 2017 were in connection with the IPO and acquisition of ACA, SAS (note 22).

The tax effect of the above exceptional costs amounts to €183k for the year ended 31 December 2018 (€202k for the year ended 31 December 2017).

#### 7. AUDITOR'S REMUNERATION

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	123	131
Fees payable to the Company's auditor for the audit of company's subsidiaries	40	34
Fees payable to the Company's auditor for other services:		
Other related assurance services	47	62
Other non-audit services	36	614
	246	841

The fees for other "non-audit services" in 2017 were related to reporting accountant services provided in respect of the IPO, due diligence services provided for the acquisition of SAS, ACA and tax services.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 8. STAFF COSTS

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

	Year ended 31 December 2018	Year ended 31 December 2017
Senior Management	12	12
Sales & Administration	97	130
Production	294	295
	<b>403</b>	<b>437</b>

Their aggregate remuneration comprised:

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Wages	15,248	16,620
Social security costs	3,600	4,320
	<b>18,848</b>	<b>20,940</b>

## 9. FINANCE COSTS – NET

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Interest on bank overdrafts and loans	288	363
Unwinding of capitalised loan issue costs (note 17)	287	255
Interest on loans from related parties	—	87
Interest on obligations under finance leases	61	26
Other financial costs	101	148
	<b>737</b>	<b>879</b>

## 10. TAX

### 10.1. Tax recognised in profit or loss

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
<b>Corporation Tax</b>		
Current year	(74)	(1,120)
Prior years	75	(31)
	<b>1</b>	<b>(1,151)</b>
<b>Deferred tax</b>		
Timing differences	428	265
Tax losses	963	(22)
	<b>1,391</b>	<b>243</b>
	<b>1,392</b>	<b>(908)</b>

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 (loss)/profit as follows:

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
<b>(Loss)/profit before tax from continuing operations</b>	<b>(4,589)</b>	524
Tax at the Spanish corporation tax rate (25%)	1,147	(131)
Overseas tax differences	52	12
Tax effect of incomes/(expenses) that are not considered in determining tax profit	39	(693)
Other differences	122	(118)
Utilisation of previously unrecognised losses	32	22
	<b>1,392</b>	(908)

### 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 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)
Net	(3,351)	1,391	3	(1,957)
Deferred tax assets	601	27	(367)	261
Deferred tax liabilities	(3,952)	1,364	370	(2,218)

The deferred tax assets of €1,324k as of 31 December 2018 have been offset against the deferred tax liabilities recognised in the same tax jurisdictions that are expected to unwind against the same taxable income.

#### 31 December 2017

	Opening Balance	Acquired on business combination	Recognised in profit or loss	Disposals	Closing Balance
Property, plant & equipment	116	—	(7)	(16)	93
Tax losses	160	370	(22)	—	508
Intangible and tangible assets	(3,894)	(328)	272	(2)	(3,952)
Net	3,618	42	243	(18)	(3,351)
Deferred tax assets	276	370	(29)	(16)	601
Deferred tax liabilities	(3,894)	(328)	272	(2)	(3,952)

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

	31 December 2018 €'000	31 December 2017 €'000
Tax losses	314	291
	<b>314</b>	291

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 11. EARNINGS/(LOSS) PER SHARE

### From continuing operations

Adjusted basic (losses)/earnings 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 2018 €'000	Year ended 31 December 2017 €'000
Losses attributable to shareholders	(3,016)	(349)
Amortisation and impairment of intangible assets	1,469	1,053
Performance share plan	108	67
Exceptional items	880	3,899
Gain on financial instruments	(417)	—
Tax effect of above adjustments	(587)	(487)
Adjusted basic (losses)/earnings	(1,563)	4,183

Basic 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 2018	Year ended 31 December 2017
Losses for the period attributable to shareholders (€'000)	(3,016)	(349)
Weighted average number of shares	46,640,000	30,091,248
Basic losses per share (€)	(0.06)	(0.01)
Adjusted basic losses/earnings per share (€)	(0.03)	0.14
Dilutive weighted average number of shares	47,364,350	30,460,009
Diluted losses per share (€)	(0.06)	(0.01)
Adjusted diluted (losses)/earnings per share (€)	(0.03)	0.13

## 12. GOODWILL AND INTANGIBLE ASSETS

### Goodwill

	Goodwill €'000
<b>Cost</b>	
At 1 January 2017	8,704
Acquired on business combination (note 22)	710
Exchange differences	(122)
At 31 December 2017	9,292
Exchange differences	41
At 31 December 2018	9,333
<b>Carrying amount</b>	
At 31 December 2018	9,333
At 31 December 2017	9,292
At 1 January 2017	8,704

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 2018 €'000	31 December 2017 €'000
Coating	8,485	8,444
Supply	848	848
	9,333	9,292

**Other intangible assets**

	Customer relationships, brands and backlog €'000	Software €'000	Total €'000
<b>Cost</b>			
At 1 January 2017	14,043	106	14,149
Acquired on business combination (note 22)	1,173	—	1,173
Additions	—	48	48
At 31 December 2017	15,216	154	15,370
Additions	6	41	47
Transfers	11	25	36
At 31 December 2018	15,233	220	15,453
<b>Accumulated amortisation</b>			1,597
At 1 January 2017	1,510	87	1,053
Charge for the year	1,045	8	
At 31 December 2017	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
<b>Carrying amount</b>			
At 31 December 2018	11,241	72	11,313
At 31 December 2017	12,661	59	12,720
At 1 January 2017	12,533	19	12,552

During the current period and as consequence of a Group's brand rationalisation an impairment of a brand acquired in France has been registered 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 management. 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 weighted average cost of capital (pre-tax), 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).

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.

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. However, if there were zero revenue growth from the year ended 31 December 2018 over the forecasting period, then there would be no headroom over the carrying amount of those CGUs. The Directors' do not believe that this is a reasonably possible outcome based on the size of the order book.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 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 2017	2,613	1,494	2,746	7,166	14,019
Acquired on business combination (note 22)	—	—	382	—	382
Additions	—	209	282	2,545	3,036
Disposals	—	—	—	(37)	(37)
Exchange differences	—	(39)	—	(7)	(46)
At 31 December 2017	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
<b>Accumulated depreciation</b>					
At 1 January 2017	882	955	2,099	4,100	8,036
Acquired on business combination (note 22)	—	—	265	—	265
Charge for the year	75	117	205	372	769
Disposals	—	—	—	(32)	(32)
Exchange differences	—	(33)	—	(3)	(36)
At 31 December 2017	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
<b>Carrying amount</b>					
At 31 December 2018	1,584	744	882	4,968	8,178
At 31 December 2017	1,656	625	841	5,230	8,352
At 1 January 2017	1,731	539	647	3,066	5,983

Main additions for the period ended 31 December 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 period ended 31 December 2018, all such risks were fully covered.

The Group has assets held under finance leases with the following carrying values:

	31 December 2018 €'000	31 December 2017 €'000
Carrying amount	3,191	3,183

## 14. INVENTORIES

	31 December 2018 €'000	31 December 2017 €'000
Raw materials	109	390
Goods for resale	2,437	2,677
	2,546	3,067

The cost of inventories recognised as an expense during the period amounted to €10,269 thousand (€12,384 thousand in 2017).

## 15. TRADE AND OTHER RECEIVABLES

	31 December 2018 €'000	31 December 2017 €'000
Trade receivables	5,370	9,446
Other receivables	576	1,016
Tax receivables	962	386
	<b>6,908</b>	<b>10,848</b>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

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 has signed factoring facilities with recourse and non-recourse which limits amounts to €3,000 thousand and €5,850 thousand, respectively, of which €591 thousand and €1,199 thousand, respectively, were drawn (see note 17.1).

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 2018 €'000	31 December 2017 €'000
Amount receivable not past due	3,820	7,428
Amount receivable past due but not impaired	1,550	2,018
Amount receivable impaired (gross)	146	100
Less impairment	(146)	(100)
	<b>5,370</b>	<b>9,446</b>

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 2018 €'000	31 December 2017 €'000
31-60 days	1,111	1,867
61-90 days	168	8
>91 days	271	143
	<b>1,550</b>	<b>2,018</b>

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

	31 December 2018 €'000	31 December 2017 €'000
Balance at the beginning of the period	(100)	(471)
Effect of change in accounting policy (note 2.2)	(98)	—
Acquired on business combination	—	(38)
Amounts written off during the year as uncollectible	76	432
Impairment losses reversed/(recognised)	(25)	(23)
Amounts recovered during the year	1	—
	<b>(146)</b>	<b>(100)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 16. CASH AND OTHER FINANCIAL ASSETS

	31 December 2018 €'000	31 December 2017 €'000
Cash and other financial assets	5,069	6,236
	5,069	6,236

Cash and other financial assets 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

	31 December 2018 €'000	31 December 2017 €'000
Syndicated loan	8,626	10,478
Capitalised costs – net	(571)	(697)
Revolving credit facility	1,027	500
Finance lease liabilities	1,955	2,635
Other financial liabilities	591	—
Total borrowings	11,628	12,916
Amount due for settlement within 12 months	4,001	3,278
Amount due for settlement after 12 months	7,627	9,638

### 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.

Both facilities bear interest at EURIBOR +2.5%.

The loan requires compliance with certain financial covenants. At 31 December 2017 the Group 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.

Additional permitted bank facilities have been signed in June 2018 to reinforce the working capital of the Group, the main increased facilities being:

- Increase of revolving credit facilities from €500 thousand to €2,000 thousand.
- Increase of factoring and discounting facilities from €1,000 thousand to €3,000 thousand.

Additionally, the Group also has at its disposal:

- Factoring facilities with non-recourse up to €5.9 million.
- Bank guarantees up to €9 million, of which €2.3 million were drawn as of 31 December 2018.

As a result of the above agreements, at year end the Group has bank facilities totalling €15.3 million of which €5.7 million were drawn and €9.6 million were undrawn as of 31 December 2018.



**17.2. Obligations under finance leases**

As of 31 December 2018, the Group has the following minimum lease payments due to lessors (including, where applicable, the purchase options) in accordance with current contracts in place, without taking into account the impact of common expenses, future CPI increases, nor future contractual rents updates:

	<b>Present value of minimum lease payments</b>	Present value of minimum lease payments
	<b>As at 31 December 2018 €'000</b>	As at 31 December 2017 €'000
<b>Amounts payable under finance leases:</b>		
Within one year	<b>816</b>	890
In the second to fifth years inclusive	<b>1,139</b>	1,745
	<b>1,955</b>	2,635

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

**18. OPERATING LEASES**

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:

	<b>Minimum lease payments</b>	Minimum lease payments
	<b>As at 31 December 2018 €'000</b>	As at 31 December 2017 €'000
<b>Amounts payable under operating leases:</b>		
Within one year	<b>590</b>	916
In the second to fifth years inclusive	<b>1,408</b>	2,745
After five years	<b>52</b>	85
	<b>2,050</b>	3,746

The Group has recognised €903 thousand as expenses in the period ended 31 December 2018 for operating lease payments (€999 thousand in 2017).

One of the lease contracts of the Group is secured with a financial guarantee for an amount of €24 thousand.

**19. TRADE AND OTHER PAYABLES**

	<b>31 December 2018 €'000</b>	31 December 2017 €'000
Trade payables	<b>8,525</b>	12,259
Deferred income	<b>5,114</b>	609
Wages and salaries	<b>313</b>	66
Tax payables	<b>2,811</b>	3,459
	<b>16,763</b>	16,393

Under the caption "Deferred income" are contractual advances from customers related to on-going and future projects.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 20. PROVISIONS

	€'000
At 1 January 2017	1,915
Utilisation of provision	(792)
At 31 December 2017	1,123
Charge for the year	45
At 31 December 2018	1,168
Current	349
Non-current	819

	31 December 2018 €'000	31 December 2017 €'000
Guarantee provision	349	304
Legal and tax provision	19	19
Contractual claims	800	800
	1,168	1,123

As of 31 December 2018, the Group has a current provision amounting to €349 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 has a non-current provision amounting to €800 thousand relating to contractual claims made by a shipyard against the Group under the terms of a Superyacht painting agreement, entered into between the Group and the shipyard in relation to i) damage to the paint work of the superyacht since completion of the services, ii) undulations, and iii) certain visible defects in the topcoat paint of the hull of the Superyacht. The claims regarding damage to the paint work and the undulations have been rejected by the Group with supporting evidence. Investigations are being carried out in conjunction with the relevant paint manufacturer in relation to the visible defects in the topcoat paint. It is estimated that the Group's cost of repair works for this would be in the region of €800 thousand. The paint manufacturer has agreed to meet the costs of repair works up to €825 thousand. A receivable has been recognised for €800 thousand, being the estimated cost of the works. Negotiations are ongoing between the Group, the paint manufacturer and the shipyard in order to reach a settlement on this matter.

At 31 December 2018 the Group and its legal advisers consider that the provisions recorded are sufficient for covering future obligations.

## 21. EQUITY

At 1 January 2017 the Company's share capital amounted to €122 thousand, represented by 12,167,499 shares with a par value of one cent of euro each all issued and fully paid. At 1 January 2017, 1,000 shares were not allotted.

On 12 May 2017 the Shareholders approved a special resolution to cancel the share premium account which was subsequently confirmed by the High Court of Justice on 15 May 2017. As a result, €12,070 thousand was transferred from the share premium account to retained earnings.

On 21 June 2017 in order to list the Company on AIM the Shareholders approved the following resolutions:

- The permission to the capitalisation of reserves and the allotment of bonus shares amounted to €20 thousand. The bonus issue was funded by using distributable reserves.
- The issue of 2,231 bonus shares for each ordinary share in proportion to their existing ownership using distributable reserves amounted to €62 thousand.
- The conversion of the 5 different classes of shares to a combination of ordinary shares and deferred shares, as part of this conversion no consideration was paid.
- The buy-back of deferred shares using capital contribution reserves amounted to €114 thousand.

On the 5 July 2017 the Company was admitted to the AIM Market of the London Stock Exchange. The Company received €7,891,695 from the primary offering shares and 6,944,692 ordinary shares (with a par value £0.002) and a share premium £6,944,692 (equivalent euro value of €7,901 thousand) were created in GYG plc.

At 31 December 2017 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 period for which the Company had been AIM quoted for the year ending 31 December 2017 (approximately 6 months).

At 31 December 2018 the Group registered a share based payment reserve amounting to €267 thousand based on the agreements disclosed in note 24.

## 22. ACQUISITION OF SUBSIDIARY

### 31 December 2017

On 11 March 2017, the Group obtained control of ACA, SAS (currently ACA Marine, SAS), GYG's main competitor in France, by acquiring 70 per cent of its issued share capital. ACA, SAS is a superyacht painting and finishing company operating out of the South of France and was acquired with the objective to drive growth in this region.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in table below:

	€'000
Identifiable intangible assets	1,173
Other non-current assets	178
Deferred tax assets	370
Inventories	10
Trade and other receivables	176
Assets classified as held for sale	742
Cash	376
Trade and other payables	(1,527)
Liabilities directly associated with assets classified as held for sale	(142)
Deferred tax liabilities	(328)
Non-controlling interests	(309)
	<b>719</b>
Goodwill	710
<b>Total consideration (satisfied by cash)</b>	<b>1,429</b>
Cash equivalents balances acquired	376
<b>Net cash flow</b>	<b>1,053</b>

Additionally, the Group is party to certain agreements in relation to the shares in ACA, SAS with Atko, SARL, a company controlled by Christopher Atkinson, who is also the general manager and former majority shareholder of ACA, SAS:

a) ACA Marine UK is party to an initial agreement dated 11 March 2017 and modified on 12 December 2017 where an additional cash consideration was agreed in relation with the transfer of the industrial business and property owned by ACA, SAS to a company controlled by Christopher Atkinson. The estimated additional consideration for this matter amounted to €164 thousand.

b) Included in the above agreements a put and call option agreement between ACA Marine UK and Atko, SARL (further details of which are set out below).

ACA, SAS contributed in €2.3 million to the Group's revenue for the period between the date of acquisition and 31 December 2017.

#### Non-controlling interests

The non-controlling interest (30%) in ACA, SAS recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to €309 thousand.

#### Goodwill arising on acquisition

The goodwill arising from the acquisition amounting to €710 thousand corresponds to a premium paid for entering a new market as well as acquisition synergies.

None of the goodwill recognised is expected to be deductible for income tax purposes.

#### Other financial liabilities

On the purchase date the parties also signed a Put and Call Option Agreement in which the Group granted to Atko, SARL the right to require the Group to acquire and receive the amount of shares that Atko, SARL holds in ACA, SAS. This option is exercisable during a period of one month commencing on the third anniversary of the date of the put and call option agreement (being 11 March 2020). As at 31 December 2018, this option was deemed to have a negligible fair value, however a financial liability of €546 thousand (€963 thousand at 31 December 2017) has been recognised based on the expected purchase price for the equity if the seller exercises their option.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 23. NOTES TO THE CASH FLOW STATEMENT

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
<b>(Loss)/profit for the period before tax</b>	<b>(4,589)</b>	<b>524</b>
- Depreciation and amortisation	1,886	1,822
- Impairment	480	—
- Performance share plan	108	67
- Gain on financial instruments	(417)	—
- Warrant	—	92
- Finance income	(42)	(39)
- Finance costs	786	906
- Exchange differences	11	5
<b>Adjustments to (loss)/profit</b>	<b>2,812</b>	<b>2,853</b>
- Decrease/(increase) in inventories	521	(989)
- Decrease/(increase) in trade and other receivables	4,614	(3,585)
- Increase in trade and other payables	324	3,818
- (Increase) in other assets and liabilities	—	(792)
<b>Changes in working capital</b>	<b>5,459</b>	<b>(1,548)</b>
- Interest paid	(616)	(1,073)
- Income tax paid	(268)	(328)
<b>Other cash flows used in operating activities</b>	<b>(884)</b>	<b>(1,401)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2,798</b>	<b>428</b>

## 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.

The performance condition to the Initial PSP 2017 is based on earnings per share targets for FY19 and the number of options granted amounts to 257,950. The detail of the performance targets for subsequent awards will be finalised at the time such awards are granted.

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 2017	—	—
Granted during the period	257,950	0.2
Exercised during the period	—	—
Expired during the period	—	—
Outstanding at 31 December 2017	257,950	0.2
Outstanding at 31 December 2018	257,950	0.2

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

	2017 PSP
Share price at grant date (pence)	100
Exercise price (pence)	0.2
Option life (years)	2.5
Risk-free interest rate (%)	2.5%
Expected volatility (%)	28.6%

In 2018 the Group has recognised an expense amounting to €108 thousand (€67 thousand in 2017) 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 1 January 2017	—	—
Granted during the period	466,400	105
Exercised during the period	—	—
Expired during the period	—	—
Outstanding at 31 December 2017	466,400	105
Outstanding at 31 December 2018	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 has 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 capital structure of the Group consists of net debt (borrowings disclosed in note 17) and equity of the Group.

**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 2018 €'000	31 December 2017 €'000
<b>Financial assets</b>		
Cash and other financial assets (note 16)	5,069	6,236
Loans and receivables – long term	1,605	1,621
	<b>6,674</b>	<b>7,857</b>
<b>Financial liabilities</b>		
Amortised cost – borrowings (note 17)	9,082	10,281
Finance lease liabilities (note 17)	1,955	2,635
Other financial liabilities (note 17)	591	—
Put option (note 22)	546	963
Derivative instruments not designated hedge accounting relationships	37	16
Other	1	1
	<b>12,212</b>	<b>13,896</b>

At 31 December 2018 and 2017, “Loans and receivables – long term” comprise of a cash retention made by a client amounting to €673 thousand, amounts recoverable from a supplier under a warranty claim amounting to €800 thousand and the remainder relates to guarantees paid to tenants to cover responsibilities derived from the leasing contracts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

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 refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. Credit exposure is controlled by counterparty limits. There are no significant counterparties.

### 2. Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves.

### 3. 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.

## 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	Spain	100%
Hemisphere Yachting Services, S.L.U.	Holding	Spain	100%
Hemisphere Coating Services, S.L.U.	Coating	Spain	100%
Hemisphere Central Services, S.L.U.	Central Services	Spain	100%
Pinmar Yacht Supply, S.L.	Supply	Spain	100%
Pinmar USA, Inc.	Coating	USA	100%
Global Yachting Group, Ltd	Coating	United Kingdom	100%
ACA Marine, Ltd	Holding	United Kingdom	100%
Hemisphere Yachting Services, GmbH	Coating	Germany	100%
Hemisphere Coating Services, B.V.	Coating	Netherlands	100%
ACA Marine, S.A.S.	Coating	France	70%

For the year ending 31 December 2018 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	1064007	100%

**27. RELATED PARTY TRANSACTIONS****Services provided**

	<b>31 December 2018</b> <b>€'000</b>	31 December 2017 €'000
Global Yacht Finishing, S.L.	<b>41</b>	37
	<b>41</b>	37

**Services received**

	<b>31 December 2018</b> <b>€'000</b>	31 December 2017 €'000
Quoque Ltd.	<b>92</b>	—
Global Yacht Finishing, S.L.	<b>353</b>	361
Lonsdale Capital Partners, LP	<b>—</b>	5
	<b>445</b>	366

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).

Also in 2018 Quoque Ltd (company owned by a close family member of the Chief Executive Officer) has provided consultancy services to GYG.

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

**Balances**

	<b>Credit</b> <b>31 December 2018</b> <b>€'000</b>	Credit 31 December 2017 €'000
Key management personnel balances	<b>—</b>	(580)
Atko, S.A.R.L.	<b>(194)</b>	(164)
Global Yacht Finishing, S.L.	<b>(170)</b>	(167)
	<b>(364)</b>	(911)

The above key management personnel balances basically included an account payable with the Chief Executive Officer which was repaid in January 2018.

**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.

	<b>Year ended</b> <b>31 December 2018</b> <b>€'000</b>	Year ended 31 December 2017 €'000
Salaries, fees and bonus (*)	<b>808</b>	925

(\*) The above amounts include "salaries, fees and bonus" paid in £ amounting to £150 thousand in 2018 (£225 thousand in 2017).

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

**28. POST BALANCE SHEETS EVENTS**

No events have occurred after 31 December 2018 that might significantly influence the information reflected in these consolidated financial statements.

# PARENT COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 €'000	2017 €'000
<b>Non-current assets</b>			
Investment in subsidiary	3	12,335	12,226
Long-term receivables from Group companies	5	4,059	4,059
		<b>16,394</b>	16,285
<b>Current assets</b>			
Short-term receivables from Group companies		714	611
Trade and other receivables		48	115
Cash and bank balances		89	7
		<b>851</b>	733
<b>Total assets</b>		<b>17,245</b>	17,018
<b>Current liabilities</b>			
Trade and other payables		(474)	(430)
Derivative financial instruments		(8)	—
<b>Total current liabilities</b>		<b>(482)</b>	(430)
<b>Net current assets</b>		<b>369</b>	303
<b>Total liabilities</b>		<b>(482)</b>	(430)
<b>Net assets</b>		<b>16,763</b>	16,588
<b>Equity</b>			
Share capital	6	106	106
Share premium		7,035	7,035
Retained earnings/(deficit)		9,241	9,174
Capital redemption reserve		114	114
Share based payment reserve		267	159
<b>Equity attributable to owners of the Company</b>		<b>16,763</b>	16,588
<b>Total equity</b>		<b>16,763</b>	16,588

The Parent Company income for the period was €1,775 thousand (loss of €2,769 thousand in 2017).

The Parent Company financial statements were approved and authorised for issue by the Board of Directors on 4 April 2019 and were signed on its behalf by:

**REMY MILLOTT**  
Chief Executive Officer

**GLORIA FERNANDEZ**  
Chief Financial Officer

Registered Number: 10001363

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	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 2017</b>	122	12,046	(48)	—	—	12,120
Issue of share capital	98	7,901	(79)	—	—	7,920
Costs related to issue of share capital	—	(842)	—	—	—	(842)
Reduction of share capital	—	(12,070)	12,070	—	—	—
Share buy back	(114)	—	—	114	—	—
Credit to equity for share based payments	—	—	—	—	159	159
Total comprehensive (loss) for the period	—	—	(2,769)	—	—	(2,769)
<b>Balance at 31 December 2017</b>	106	7,035	9,174	114	159	16,588
Dividend distribution (note 6)	—	—	(1,708)	—	—	(1,708)
Credit to equity for share based payments	—	—	—	—	108	108
Total comprehensive income for the period	—	—	1,775	—	—	1,775
<b>Balance at 31 December 2018</b>	106	7,035	9,241	114	267	16,763

## 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 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.

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions permitted under this standard in relation to share-based payments, financial instruments, capital management, presentation of a cash-flow statement and certain related party transactions.

The principal accounting policies adopted are the same as those set out in note 2 of the consolidation financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.



# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

## 3. INVESTMENT IN SUBSIDIARY

	31 December 2018 €'000	31 December 2017 €'000
Cost and carrying amount	12,335	12,226
	12,335	12,226

The Directors believe that the carrying value of the investment is supported by its underlying net assets.

The Company's subsidiary undertakings are shown in note 26 of the consolidated financial statements.

The Company's only direct investment is 100% shares of Civisello Inversiones, S.L. This participated company holds the ownership of Hemisphere Yachting Services, S.L.U. subgroup.

## 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 period was €1,775 thousand (loss of €2,769 thousand in 2017).

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. This bears interest at 4.25% and are due to be repaid in full by 31 December 2026.

## 6. EQUITY

At 1 January 2017 the Company's share capital amounted to €122 thousand, represented by 12,167,499 shares with a par value of one cent of euro each all issued and fully paid. At 1 January 2017, 1,000 shares were not allotted.

On 12 May 2017 the Shareholders approved a special resolution to cancel the share premium account which was subsequently confirmed by the High Court of Justice on 15 May 2017. As a result, €12,070 thousand was transferred from the share premium account to retained earnings.

On 21 June 2017 in order to list the Company on AIM the Shareholders approved the following resolutions:

- The permission to the capitalisation of reserves and the allotment of bonus shares amounted to €20 thousand. The bonus issue was funded by using distributable reserves.
- The issue of 2,231 bonus shares for each ordinary share in proportion to their existing ownership using distributable reserves amounted to €62 thousand.
- The conversion of the 5 different classes of shares to a combination of ordinary shares and deferred shares, as part of this conversion no consideration was paid.
- The buy-back of deferred shares using capital contribution reserves amounted to €114 thousand.

On the 5 July 2017 the Company was admitted to the AIM Market of the London Stock Exchange. The Company received €7,891,695 from the primary offering shares and 6,944,692 ordinary shares (with a par value £0.002) and a share premium £6,944,692 (equivalent euro value of €7,901 thousand) were created in GYG plc.

At 31 December 2017 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 period for which the Company had been AIM quoted for the year ending 31 December 2017 (approximately 6 months).

## 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 ANNUAL 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 the 2019 annual general meeting of the Company will be held at the offices CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF, United Kingdom on 23 May 2019 at 11.30 am for the purposes of considering and voting on the resolutions set out below. Resolutions 1 to 5 (inclusive) will be proposed as ordinary resolutions, and resolutions 6 and 7 as special resolutions.

Hard copy proxy forms are not being sent to all shareholders this year 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.e. on page 78.

### **Ordinary business**

#### **1. Report and accounts**

To receive the financial statements and the reports of the Directors and the Auditor for the year ended 31 December 2018.

#### **2. Re-election of Director**

To re-elect Stephen Murphy as a Director of the Company.

#### **3. Re-appointment of Auditor**

To re-appoint Deloitte LLP as Auditor of the Company to hold office until the conclusion of the Company's next annual general meeting.

#### **4. Authority to agree Auditor's remuneration**

To authorise the Directors of the Company to agree the remuneration of the Company's Auditor.

#### **5. Authority to allot shares**

THAT the Directors are generally and unconditionally authorised for the purposes of s551 Companies Act 2006 (“CA 2006”) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company:

(A) up to an aggregate nominal amount of £31,062.34; and

(B) comprising equity securities (as defined in s560(1) CA 2006) up to an aggregate nominal amount of £62,217 (such amount to be reduced by any allotments or grants made under paragraph (A) above) in connection with an offer to:

(i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) holders of other equity securities if this is required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authority to apply until the end of next year's annual general meeting (or, if earlier, until the close of business on 23 August 2020) but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Directors may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

### **SPECIAL RESOLUTIONS**

#### **6. General authority to disapply pre-emption rights**

THAT, subject to the passing of resolution 5, and in addition to any power granted under resolution 5, in accordance with s570 CA 2006 the Directors are given power to allot equity securities (as defined in s560 CA 2006) of the Company for cash pursuant to the authority conferred by that resolution as if s561(1) CA 2006 did not apply to any such allotment, provided that:

(a) this power is limited to:

(i) the allotment of equity securities for cash in connection with an offer of equity securities (but, in the case of an allotment of equity securities pursuant to the authority granted by paragraph (B) of resolution 5, only by way of a rights issue) to:

a. ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

# NOTICE OF ANNUAL GENERAL MEETING

## (CONTINUED)

- b. holders of other equity securities, if required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

subject, in both cases, to the power of the Directors to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any fractional entitlements, record dates, legal, regulatory or practical problems in, or laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter; and

- (ii) in the case of an allotment of equity securities for cash pursuant to the authority granted by paragraph (A) of resolution 5, the allotment of equity securities (otherwise than under (a)(i) above) up to an aggregate nominal amount of £4,664.00; and

- (b) (unless previously revoked, varied or renewed by the Company) this power will expire at the end of the next annual general meeting of the Company or, if earlier, at the close of business on 23 August 2020, save that, in each case, the Directors may, before this power expires, make an offer or agreement which would or might require equity securities to be allotted after its expiry and the Directors may allot equity securities pursuant to such an offer or agreement as if this power had not expired.

### 7. Additional authority to disapply pre-emption rights

THAT subject to the passing of resolution 5, and in addition to any power granted under resolution 6, in accordance with s570 CA 2006 the Directors are given power to allot equity securities (as defined in s560(1) CA 2006) of the Company for cash pursuant to the authority conferred by that resolution as if s561(1) CA 2006 did not apply to any such allotment, provided that this power:

- (a) is limited to the allotment of equity securities up to a nominal amount of £4,664.00;
- (b) shall be used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice;
- (c) (unless previously revoked, varied or renewed by the Company) will expire at the end of the next annual general meeting of the Company or, if earlier, close of business on 23 August 2020 save that, in each case, the Directors may, before this power expires, make an offer or agreement which would or might require equity securities to be allotted after its expiry and the Directors may allot equity securities pursuant to such an offer or agreement as if this power had not expired.

### Recommendation

The Directors consider that all the resolutions to be proposed at the annual general meeting are in the best interests of the Company and its members as a whole. The Directors unanimously recommend that you vote in favour of all the proposed resolutions, as they intend to do in respect of their own beneficial holdings.

By order of the Board

**SUE STEVEN**  
Company Secretary

17 April 2019

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

Registered in England  
and Wales No: 10001363

## EXPLANATORY NOTES – RESOLUTIONS

Resolutions 1 to 5 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.

Resolutions 6 and 7 are proposed as special resolutions, which means that, for each of those resolutions to be passed, at least 75% 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 2018 to shareholders at the annual 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.

### RESOLUTIONS 2: RE-ELECTION OF DIRECTOR

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. 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)). 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.

Accordingly, Stephen Murphy, whose biography is set out on page 20 of the annual report and financial statements for the year ended 31 December 2018, will retire and, being eligible will offer himself for re-election at the annual general meeting.

Following a formal performance evaluation, the Board considers that Stephen Murphy continues to be effective and demonstrates commitment to his role as Non-Executive Chairman. The Board is satisfied that Stephen Murphy is independent in character and that there are no relationships or circumstances which are likely to affect his character or judgement.

### RESOLUTION 3: RE-APPOINTMENT OF AUDITOR

The auditor of a public company must be appointed at each general meeting at which accounts are laid. Resolution 3 proposes the re-appointment of Deloitte LLP, who have been in office since 2017, as Auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company.

### RESOLUTION 4: AUTHORITY TO AGREE AUDITOR'S REMUNERATION

Resolution 4 gives authority to the Directors, in accordance with standard practice, to agree the remuneration of the Company's Auditor.

### RESOLUTION 5: AUTHORITY TO ALLOT SHARES

The authority conferred on the Directors at the 2018 annual general meeting of the Company to allot shares or grant rights to subscribe for or convert any security into shares in the Company expires at the conclusion of this year's annual general meeting. The purpose of resolution 5 is to replace that authority.

Paragraph (A) of resolution 5 would allow the Directors to allot new shares and grant rights to subscribe for or convert any securities into shares up to an aggregate nominal value of £31,062.24. This represents 15,531,120 ordinary shares, which is equivalent to approximately 33.3% of the Company's total issued ordinary share capital as at close of business on 29 March 2019, the latest practicable date prior to publication of this notice.

Paragraph (B) of resolution 5 proposes that the Directors be authorised to allot shares in connection with a rights issue in favour of holders of equity securities, including ordinary shareholders. The allotments would be made in accordance with the rights of those securities (or as the Directors may otherwise consider necessary) up to a further aggregate nominal amount of £31,062.24, representing 15,531,120 ordinary shares, which is equivalent to approximately 33.3% of the Company's total issued ordinary share capital as at close of business on 29 March 2019, the latest practicable date prior to publication of this notice. This amount, together with the nominal amount of any shares allotted or rights granted under the authority conferred by paragraph (A), would represent an amount that is equivalent to approximately 66.70% of the Company's total issued ordinary share capital as at close of business on 29 March 2019, the latest practicable date prior to publication of this notice.

The authority sought under resolution 5 is in line with guidance published by The Investment Association on the powers of Directors to allot shares.

As at the date of this notice, no shares are held by the Company in treasury.

The Directors have no present intention to exercise the authority sought under resolution 5.

The authority sought under resolution 5 will, if granted, lapse at the end of the next annual general meeting of the Company or, if earlier, close of business on 23 August 2020.

### RESOLUTIONS 6 AND 7: DISAPPLICATION OF PRE-EMPTION RIGHTS

The power conferred on the Directors at the 2018 annual general meeting of the Company to allot shares in the Company for cash without application of the pre-emption rights provided by s561 CA 2006 expires at the conclusion of this year's annual general meeting. The purpose of resolutions 6 and 7 is to replace that authority.

Resolutions 6 and 7 are in line with the Pre-emption Group's Statement of Principles for the Disapplication of Pre-emption Rights (the "Statement of Principles").

# NOTICE OF ANNUAL GENERAL MEETING

## (CONTINUED)

If Resolution 6 is passed, it would allow the Directors to allot new shares for cash without first offering them to shareholders in proportion to their existing holdings up to an aggregate nominal amount of £4,664.00. This maximum amount represents 2,332,000 shares, which is equivalent to approximately 5% of the Company's total issued equity share capital as at close of business on 29 March 2019, the latest practicable date prior to publication of this notice and which, together with the maximum amount of any shares allotted under the power conferred by Resolution 7, would represent an amount that is equivalent to approximately 10% of total issued equity share capital.

In respect of the power under resolution 6(B), the Directors confirm their intention to follow the provisions of the Statement of Principles regarding cumulative usage of authorities within a rolling three-year period where the Statement of Principles provide that usage in excess of 7.5% of the issued ordinary share capital of the Company should not take place without prior consultation with shareholders.

If Resolution 7 is passed, it would allow the Directors to allot new shares for cash without first offering them to shareholders in proportion to their existing holdings if the allotment is connected with an acquisition or specified capital investment (as contemplated by the Statement of Principles), up to an aggregate nominal amount of £4,664.00. This maximum amount represents 2,332,000 shares, which is equivalent to approximately 5% of the Company's total issued equity share capital, as at close of business on 29 March 2019, the latest practicable date prior to publication of this notice.

The authority sought under each of Resolution 6 and Resolution 7 will, if granted, lapse at the end of the Company's next annual general meeting or, if earlier, close of business on 23 August 2020.

### MEMBER NOTES:

The following notes explain your general rights as a shareholder and your right to attend and vote at the 2019 annual 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 annual 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 21 May 2019. 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 annual general meeting.

#### 2. Proxies

a. Shareholders, or their proxies, intending to attend the annual general meeting in person are requested, if possible, to arrive at the annual general meeting venue at least 15 minutes prior to the commencement of the annual general meeting at 11.30 am (UK time) on 23 May 2019 so that their shareholding may be checked against the Company's Register of Members and attendances recorded.

- b. 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 annual general meeting. A shareholder may appoint more than one proxy in relation to the annual 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.
- c. 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).
- d. 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 annual general meeting.
- e. This year we are not sending hard copy proxy forms to all shareholders as we would encourage shareholders to vote electronically, either at [www.signalshares.com](http://www.signalshares.com), or via CREST where shares are held in CREST. You can vote either:
  - i. by logging on to [www.signalshares.com](http://www.signalshares.com) and following the instructions;
  - ii. in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
  - iii. If you need help with voting online, or require a paper proxy form, please contact our Registrar, Link Asset Services ("Link"), on 0871 664 0391 if calling from the UK, or +44 (0) 371 664 0391 if calling from outside of the UK, or email Link at [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk). Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Link are open between 09:00 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales.
- f. 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.



- g. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note j. below) will not prevent a shareholder from attending the annual general meeting and voting in person if he/she wishes to do so.
- h. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting (and any adjournment of the annual 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.
- i. 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 11.30 am on 21 May 2019. 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.
- j. 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 section 146 of 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 annual 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 29 March 2019 (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 29 March 2019 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 annual 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 annual 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 ANNUAL GENERAL MEETING

## (CONTINUED)

### **7. Members' rights to ask questions**

Any shareholder attending the annual 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 annual general meeting, but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the annual 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 annual general meeting that the question be answered.

### **8. Inspection of documents**

The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from the date of this notice until the time of the annual general meeting and may also be inspected at the annual general meeting venue, as specified in this notice, from 11.15 am on the day of the annual general meeting until the conclusion of the meeting:

Copies of the Directors' letters of appointment or service contracts.

### **9. 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.

### **10. 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).

### **11. Voting results**

As soon as practicable after the annual 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).

**Directors:**

Stephen Murphy  
Remy Millott  
Gloria Fernandez  
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

and

10 Old Burlington Street  
London  
W1S 3AG

**Auditors and Reporting Accountants:****Deloitte LLP**

2 New Street Square  
London  
EC4A 3BZ

**Solicitors:****CMS Cameron McKenna Nabarro Olswang LLP**

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EN

**Financial PR:****FTI Consulting, Inc.**

200 Aldersgate  
Aldersgate Street  
London  
EC1A 4HD

**Company Registrars:****Link Asset Services**

The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

**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 Pl 1  
08028 Barcelona  
Spain

**Bankia, S.A.**

Paseo de la Castellana 189  
28046 Madrid  
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