

# **Production Resource Group (Europe) Limited**

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 03024622

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# **Production Resource Group (Europe) Limited**

## **Annual report and financial statements for the year ended 31 December 2019**

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### **Directors**

R M Williams  
G Boyd

### **Secretary and registered office**

R M Williams, The Cofton Centre, Groveley Lane, Longbridge, Birmingham, West Midlands, B31 4PT

### **Company number**

03024622

### **Auditor**

BDO LLP, Two Snowhill, Birmingham, B4 6GA

# **Production Resource Group (Europe) Limited**

## **Strategic report for the year ended 31 December 2019**

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2019.

### **Review of business**

PRG supplies technical expertise and equipment in the Professional Entertainment & Media industry for corporate, special events, music touring and festivals, theatre and the arts, exhibitions, brand activations, as well as film and television productions. The services offered by PRG range from consulting, planning and design to the provision of event technology and other services for all kinds of events in the UK and globally.

The results for the year show revenue of £54,993,095 (2018 - £42,860,942) and a pre-tax profit of £857,092 (2018 – pre-tax loss of £4,588,468). The operating profit for the current year is £3,269,057 (2018 – an operating loss of £1,184,975).

As detailed above, the performance for the year has, as expected, seen an increase in revenue and in the operating result. The company has benefited from the merger of its ultimate parent entity and VER Technologies LLC in 2018. This has resulted in the company having access to a much higher level of video equipment, and also access to a number of customers and contracts. The addition of the VER companies to the PRG UK group has seen market and synergy opportunities to better utilise and share equipment while maintaining a reduced costs base.

### **Principal risks and uncertainties**

The management of the business and the execution of the group's strategy are subject to a number of risks.

As a result of the Covid 19 pandemic the live events industry has been hit significantly with a loss of events. In respect of the main markets of the PRG business, live performances have been cancelled since the pandemic struck at the end of Q1 2020. As a result demand has reduced significantly post March 2020, with the Group currently operating in only the television market, with a much reduced revenue level.

In order to protect the future of the business the directors and senior management have taken measures during 2020 to ensure the business can continue operating. The Group have managed to secure funding through the government backed CLBILS scheme, and through a sale and leaseback arrangement with Lombard, which will support the business throughout the pandemic. The funding will ensure the Group can operate at a much reduced level of business, with a much smaller business structure than pre Covid 19.

In addition to the funding achieved, with such significant losses of business in the short term, the business has significantly been restructured and reduced in size, with a much smaller operating basis. Whilst this was a very difficult decision the directors believe that this was the best to ensure the long term future of the business.

The length of the reduction in the events industry will be dependent upon the pace of the recovery, whether this is from a vaccine or through other measures taken to ensure the safety of customers at events. This is something that is going to impact on the whole industry, however, the directors feel that the measures taken so far will give the Group the best opportunity to be in a position to maximise the improvement in performance when current restrictions are lifted or eased. As part of the assessment of going concern the directors have considered a number of scenarios including a phased return across the main markets of the business throughout 2021. In each scenario there are of course uncertainties in particular over whether any additional waves on the virus could impact on the business and the timing and extent of the level of demand. Whilst noting the material uncertainties arising from the timing of the upturn in demand of the different markets, based on the directors' expectation of the most likely scenarios, the Group can settle liabilities for the foreseeable future, being a period of 12 months from the date of approval of these financial statements

With the funding steps taken by the business and the restructure that has been implemented, the directors believe the business is in its strongest possible position to continue trading during the current pandemic and to be in a position to be able to grow again once the industry begins to return. It is on this basis that the directors believe the business to be a going concern.

# Production Resource Group (Europe) Limited

## Strategic report for the year ended 31 December 2019 (continued)

Other business risks include fluctuation in exchange rates. Separate currency accounts are maintained to mitigate the group's exposure to currency risk.

In addition there is further risk from the implications of Brexit. The directors feel that given the nature of the group wide business, there is less of a risk to the UK group. The majority of customer and supplier base is within the US and the United Kingdom and so the impact of Brexit is not considered to be significant to the future trading of the business.

### Key Performance Indicators

The group's directors use KPIs for an understanding of the development, performance and position of the business. KPIs used include:

	2019	2018
Turnover to net book value of tangible fixed assets	3.22	2.10
Turnover per employee	<u>£253,424</u>	<u>£231,681</u>

The increase in the ratio of turnover to net book value of tangible fixed assets is principally due to large acquisitions of fixed assets in the prior years which are generating additional income in the current period.

### Section 172

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders including shareholders, customers and suppliers, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. The Board engages with stakeholders in the following ways.

- General engagement and relations with key stakeholders such as employees, shareholders and suppliers is achieved by ensuring effective communication takes place in particular where decisions are made that impact upon these different stakeholder groups.
- The Board regularly reviews the Company's principal stakeholders and how it engages with them. An ongoing agenda item is included in board papers to ensure engagement with stakeholders is considered. The assessment of who key stakeholders are and the impact of decisions taken on the stakeholders is noted and is carried out by information provided by management and also by direct engagement with identified stakeholders themselves.
- The Board has enhanced its methods of engagement with the workforce. In that regard, the Board has implemented a continuous review and improvement operation during the year. The aim of this operation was to engage the workforce in continuous improvement of all aspects of the business. This was done via improved communication channels and work groups to take on board opinions from the workforce to how the business could improve its operations.
- We aim to work responsibly with our stakeholders, including suppliers. The Board has recently reviewed its anti-corruption and anti-bribery, equal opportunities and whistleblowing policies. The key changes as a result of this review was to ensure there were more effect ways of communication across the business

# Production Resource Group (Europe) Limited

## Strategic report for the year ended 31 December 2019 (continued)

The key Board decisions made in the year are set out below:

Significant events/decisions	Key s172 matter(s) affected	Actions and impact
Integration of the VER business in the year.	Employees, Customers, Shareholders	The Board took the decision to integrate the VER business into its main UK operations. This was done to ensure the continuing of a high level of service to our customers.

Post year end the board made a number of key decisions in its response to Covid-19. The key stakeholder group impacted was the group's employees following restructuring of the Group to respond to the significantly reduced levels of demand for the Groups' services. The Board recognised the conflict of managing the financial security of the Group and the impact of redundancy and furloughing staff. Where staff were affected, the Board ensured clear communication took place. All decisions were made by the executive team in consultation with the Board after carefully considering employee impact. All affected employees were consulted with transparently and fairly.

This strategic report was approved by order of the board on 23 December 2020.



R M Williams  
Director

# **Production Resource Group (Europe) Limited**

## **Directors' report for the year ended 31 December 2019**

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The directors present their report together with the audited financial statements for the year ended 31 December 2019.

### **Principal activity**

Production Resource Group (Europe) Limited is the UK parent company of a group engaged during the year in the sale and hire of lighting and video equipment and the provision of ancillary services. The UK group is part of Production Resource Group, Inc., a global group engaged in the same trade.

The company is itself an investment holding company.

### **Results and dividends**

The profit for the year, after taxation, amounted to £619,580 (2018 - £4,125,218).

The directors do not recommend the payment of a dividend.

### **Directors**

The directors of the company during the year were:

R M Williams  
G Boyd

### **Going concern**

As described in the principal risk and uncertainties section of the strategic report as a result of the Covid 19 pandemic the live events industry has been hit significantly with a loss of events. As a result demand for the Group's services reduced significantly post March 2020. The material uncertainties arising from the outbreak of Covid-19 on the business are summarised in note 1 to the financial statements.

### **Financial instruments**

The group does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. Fixed assets and working capital are financed from finance leases, retained profits and loans from group companies at fixed rates.

The group is subject to liquidity although not interest rate risk on its funding arrangements which are generally at fixed rates. Liquidity risks are managed by ensuring appropriate trade terms are negotiated with suppliers and customers which are monitored on a regular basis so that any exposure in normal trade terms can be managed. Funding derived from fellow US group undertakings and the parent group bankers is managed via both current and loan account facilities at a combination of fixed interest rates. Certain of these facilities are denominated in foreign currency and therefore there is a currency risk due to the fluctuation of currency rates.

### **Employee involvement**

The group creates platforms and encourages regular consultation with employees and management throughout the business. Employees are notified of the business performance and future developments through monthly operating updates, weekly team leader review meetings and the group's annual conference. All employees have performance reviews, learning & development plans and self-assessment appraisal meetings at least once a year.

# **Production Resource Group (Europe) Limited**

## **Directors' report for the year ended 31 December 2019 (*continued*)**

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### **Disabled employees**

Full and fair consideration is given to the employment of applicants who are disabled persons, taking account of their disabilities and abilities. Employees who become temporarily or permanently disabled are retained in employment where possible with fair regard to their training needs, role and career development. All employees are fairly and equally provided opportunities for any promotion opportunities.

### **Directors' responsibilities statement**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### **Post balance sheet events**

Post year end the business has been hit by the Covid 19 pandemic. The live events industry as a whole, has been hit particularly hard by the pandemic. Measures have been brought in by the UK government, along with governments across the world, including restrictions of social gatherings, and the cancellation of mass attended events. This has had a significant impact on the business. Trading has reduced significantly as a result of the pandemic, with trading levels currently operating at 10% of the pre pandemic levels. The business is being managed through this difficult period, including through financial support from the CLBILS scheme being offered by the government. The business has also benefitted from a sale and leaseback agreement with Lombard which has been agreed post year end. This has assisted the business to the value of £1.6m.

Post year end the business has completed a significant restructure of all operations as a direct impact of the pandemic. With a 90% reduction in ongoing business the company has had to significantly reduce its ongoing cost basis. This has resulted in a reduction in headcount by some 75% from the levels of 2019. The impact of this will help save costs to the value of £5,250k on an annual basis.

Covid-19 is considered to represent a non-adjusting post balance sheet event. The financial impact of COVID-19 on the value of non-financial assets of the business are still being assessed.

# **Production Resource Group (Europe) Limited**

## **Directors' report for the year ended 31 December 2019 (*continued*)**

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### **Disclosure of information to auditor**

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

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

### **Auditor**

The auditor, BDO LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This directors' report was approved by order of the board on 23 December 2020.



**R M Williams**  
**Director**



# Production Resource Group (Europe) Limited

## Independent auditor's report

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### INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF PRODUCTION RESOURCE GROUP (EUROPE) LIMITED

#### Opinion

We have audited the financial statements of Production Resource Group (Europe) Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice)

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to note 1 to the Company's financial statements which describes how the ability of the Group and the Parent Company to continue as a going concern is affected by the potential impacts of the COVID-19 pandemic on both the Parent Company and the Group in respect of the anticipated timing and extent of the market recovery during 2021 and the potential need for further funding. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

# **Production Resource Group (Europe) Limited**

## **Independent auditor's report *(continued)***

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### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept 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; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities Statement, 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.

# Production Resource Group (Europe) Limited

## Independent auditor's report *(continued)*

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

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Gareth Singleton (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Birmingham, UK

Date: 24 DECEMBER 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Production Resource Group (Europe) Limited

## Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £	2018 £
<b>Turnover</b>	3	<b>54,993,095</b>	42,860,942
Cost of sales		<b>(38,660,479)</b>	(33,766,116)
<b>Gross profit</b>		<b>16,332,616</b>	9,094,826
Administrative expenses		<b>(13,063,559)</b>	(10,528,731)
Other operating income		-	248,930
<b>Operating profit / (loss)</b>	4	<b>3,269,057</b>	(1,184,975)
Interest receivable and similar income	8	<b>235,351</b>	224,584
Interest payable and similar charges	9	<b>(2,647,316)</b>	(3,628,077)
<b>Profit / (loss) on ordinary activities before taxation</b>		<b>857,092</b>	(4,588,468)
Taxation on loss on ordinary activities	10	<b>(237,512)</b>	463,250
<b>Profit / (loss) on ordinary activities after taxation and total comprehensive income</b>		<b>619,580</b>	(4,125,218)

All amounts relate to continuing activities.

The group has no other comprehensive income for the year (2018 - £Nil).

The notes on pages 17 to 36 form part of these financial statements.

# Production Resource Group (Europe) Limited

## Consolidated statement of financial position at 31 December 2019

<i>Company number 03024622</i>	<i>Note</i>	<b>2019</b> £	<b>2019</b> £	<b>2018</b> £	<b>2018</b> £
<b>Fixed assets</b>					
Intangible assets	11	<b>3,284,858</b>		4,261,223	
Tangible assets	12	<b>17,075,860</b>		20,429,391	
			<b>20,360,718</b>		24,690,614
<b>Current assets</b>					
Stocks	14	<b>658,592</b>		639,867	
Debtors: amounts falling due after more than one year	15	-		3,342,295	
Debtors: amounts falling due within one year	15	<b>46,804,634</b>		31,932,134	
Cash at bank and in hand	16	<b>680,491</b>		292,720	
		<b>48,143,717</b>		36,207,016	
Creditors: amounts falling due within one year	17	<b>(31,779,996)</b>		(32,615,912)	
<b>Net current assets / (liabilities)</b>			<b>16,363,721</b>		3,591,104
<b>Total assets less current liabilities</b>			<b>36,724,439</b>		28,281,718
Creditors: amounts falling due after more than one year	18		<b>(41,830,312)</b>		(34,007,171)
<b>Provisions for liabilities</b>					
Deferred taxation	19		<b>(161,288)</b>		(161,288)
<b>Net liabilities</b>			<b>(5,267,161)</b>		(5,886,741)
<b>Capital and reserves</b>					
Called up share capital	21		<b>1,118,889</b>		1,118,889
Share premium account			<b>1,570,000</b>		1,570,000
Capital redemption reserve			<b>69,112</b>		69,112
Other reserves			<b>866,667</b>		866,667
Profit and loss account			<b>(8,891,829)</b>		(9,511,409)
<b>Total equity</b>			<b>(5,267,161)</b>		(5,886,741)

The financial statements were approved by the board of directors and authorised for issue on 23 December 2020.



R M Williams  
Director

The notes on pages 17 to 36 form part of these financial statements.

## Production Resource Group (Europe) Limited

### Consolidated statement of changes in equity for the year ended 31 December 2019

	Share capital £	Share premium account £	Capital redemption reserve £	Other reserve £	Profit and loss account £	Total equity £
<b>Balance at 1 January 2019</b>	1,118,889	1,570,000	69,112	866,667	(9,511,409)	(5,886,741)
<b>Comprehensive Income for the year</b>						
Profit for the year	-	-	-	-	619,580	619,580
<b>Total comprehensive income for the year</b>	-	-	-	-	619,580	619,580
<b>Balance at 31 December 2019</b>	1,118,889	1,570,000	69,112	866,667	(8,891,829)	(5,267,161)
<b>Balance at 1 January 2018</b>	1,118,889	1,570,000	69,112	866,667	(5,386,191)	(1,761,523)
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(4,125,218)	(4,125,218)
<b>Total comprehensive income for the year</b>	-	-	-	-	(4,125,218)	(4,125,218)
<b>Balance at 31 December 2018</b>	1,118,889	1,570,000	69,112	866,667	(9,511,409)	(5,886,741)

The notes on pages 17 to 36 form part of these financial statements.

# Production Resource Group (Europe) Limited

## Consolidated statement of cash flows for the year ended 31 December 2019

	Note	2019 £	2018 £
<b>Operating activities</b>			
<b>Profit / (loss) for the financial year</b>		<b>619,580</b>	<b>(4,125,218)</b>
Adjustments for:			
Depreciation of tangible fixed assets		5,737,216	7,198,153
Amortisation of intangible fixed assets		976,365	976,365
Interest payable		2,647,316	3,628,077
Interest receivable		(235,351)	(224,584)
Taxation charge / (credit)		237,512	(463,250)
(Increase) / decrease in stocks		(18,725)	139,393
(Increase) / decrease in trade and other debtors		(11,750,040)	2,243,019
Increase / (decrease) in trade and other creditors		2,114,429	(4,568,603)
<b>Net cash from operating activities</b>		<b>328,302</b>	<b>4,803,352</b>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(2,383,685)	(3,747,288)
Interest received		235,351	-
<b>Net cash used in investing activities</b>		<b>(2,148,334)</b>	<b>(3,747,288)</b>
<b>Financing activities</b>			
Intercompany treasury funding		2,641,202	(1,050,358)
Movement on obligations under finance leases		(222,036)	51,036
Interest paid		(211,363)	(90,460)
<b>Net cash used in financial activities</b>		<b>2,207,803</b>	<b>(1,089,782)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>387,771</b>	<b>(33,718)</b>
Cash and cash equivalents at beginning of year		292,720	326,438
<b>Cash and cash equivalents at end of year</b>		<b>680,491</b>	<b>292,720</b>
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand	16	680,491	292,720

# Production Resource Group (Europe) Limited

## Consolidated statement of cash flows for the year ended 31 December 2019 (Continued)

Note to Cashflow statement – Consolidated analysis of net debt

	At 1 January 2019 £	Cash flows £	At 31 December 2019 £
Cash at bank and in hand	292,720	387,771	680,491
Obligations under finance lease and hire purchase contracts	(222,036)	222,036	-
Loans from parent undertaking	(22,511,612)	(861,322)	(23,372,934)
Loans from other group undertakings	(11,495,559)	(1,779,880)	(13,275,439)
	<u>(33,936,487)</u>	<u>(2,031,395)</u>	<u>(35,967,882)</u>

The notes on pages 17 to 36 form part of these financial statements.



# Production Resource Group (Europe) Limited

## Company statement of financial position at 31 December 2019

<b>Company number 03024622</b>	<b>Note</b>	<b>2019 £</b>	<b>2019 £</b>	<b>2018 £</b>	<b>2018 £</b>
<b>Fixed assets</b>					
Fixed asset investments	13		<b>15,576,458</b>		<b>15,576,458</b>
<b>Current assets</b>					
Debtors: amounts falling due within one year	15	<b>29,992,735</b>		<b>22,511,612</b>	
Debtors: amounts falling due after one year	15	-		<b>3,494,779</b>	
		<b>29,992,735</b>		<b>26,006,391</b>	
Creditors: amounts falling due within one year	17	<b>(9,866,161)</b>		<b>(7,416,371)</b>	
<b>Net current assets</b>			<b>20,126,574</b>		<b>18,590,020</b>
<b>Total assets less current liabilities</b>			<b>35,703,032</b>		<b>34,166,478</b>
Creditors: amounts falling due after more than one year	18		<b>(36,451,416)</b>		<b>(34,007,171)</b>
<b>Net assets</b>			<b>(748,384)</b>		<b>159,307</b>
<b>Capital and reserves</b>					
Called up share capital	21		<b>1,118,889</b>		<b>1,118,889</b>
Share premium account			<b>1,570,000</b>		<b>1,570,000</b>
Capital redemption reserves			<b>69,112</b>		<b>69,112</b>
Profit and loss account			<b>(3,506,385)</b>		<b>(2,598,694)</b>
<b>Total equity</b>			<b>(748,384)</b>		<b>159,307</b>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The company had a loss for the year after tax of £907,691 (2018 – £2,186,202).

The financial statements were approved by the board of directors and authorised for issue on 23 December 2020.



**R M Williams**  
**Director**

The notes on pages 17 to 36 form part of these financial statements.

## Production Resource Group (Europe) Limited

### Company statement of changes in equity for the year ended 31 December 2019

	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
<b>Balance at 1 January 2019</b>	1,118,889	1,570,000	69,112	(2,598,694)	159,307
<b>Comprehensive Income for the year</b>					
Loss for the year	-	-	-	(907,691)	(907,691)
<b>Total comprehensive income for the year</b>	-	-	-	(907,691)	(907,691)
<b>Balance at 31 December 2019</b>	1,118,889	1,570,000	69,112	(3,506,385)	(748,384)
<b>Balance at 1 January 2018</b>	1,118,889	1,570,000	69,112	(412,492)	2,345,509
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(2,186,202)	(2,186,202)
<b>Total comprehensive income for the year</b>	-	-	-	(2,186,202)	(2,186,202)
<b>Balance at 31 December 2018</b>	1,118,889	1,570,000	69,112	(2,598,694)	159,307

The notes on pages 17 to 36 form part of these financial statements.

# Production Resource Group (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019

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### 1 Accounting policies

Production Resource Group (Europe) Limited ("the Company") is a limited liability company incorporated in England, registered number 03024622. The address of the company's registered office is given on the contents page and the nature of the company's and group's operations and principal activities are set out in the strategic report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies (see note 2).

#### *Parent company disclosure exemptions*

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements in respect of the parent company;

- only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- no cash flow statement has been presented for the parent company;
- disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- no disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

#### *Basis of consolidation*

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2014. Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

# Production Resource Group (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

### 1 Accounting policies (*continued*)

#### *Going concern*

As a result of the Covid 19 pandemic the live events industry has been hit significantly with a loss of events. In respect of the main markets of the PRG business, live performances have been cancelled since the pandemic struck at the end of Q1 2020. As a result demand has been reduced significantly post March 2020, with the group currently operating in only the television market, with a much reduced revenue level.

In order to protect the future of the business the directors and senior management have taken measures during 2020 to ensure the business can continue operating. The group have managed to secure funding through the government backed CLBILS scheme, and through a sale and leaseback arrangement with Lombard, which will support the business throughout the pandemic. The funding will ensure the group can operate at a much reduced level of business, with a much smaller business structure than pre Covid 19.

In addition to the funding received, with such significant losses of business in the short term, the business has significantly been restructured and reduced in size, with a much smaller operating basis. Whilst this was a very difficult decision the directors believe that this was the best to ensure the long term future of the business.

The length of the reduction in the events industry will be dependent upon the pace of the recovery, whether this is from a vaccine or through other measures taken to ensure the safety of customers at events. This is something that is going to impact on the whole industry, however, the directors feel that the measures taken so far will give the group the best opportunity to be in a position to maximise the improvement in performance when current restrictions are lifted or eased. As part of the assessment of going concern the directors have considered a number of scenarios including a phased return across the main markets of the business throughout 2021. In each scenario there are of course uncertainties in particular over whether any additional waves on the virus could further impact on the business. Worst case scenarios include a significant continued reduction in demand past the end of the 2021 calendar year which does indicate that further funding support may be required and therefore presents factors that indicate the existence of material uncertainties which may cast significant doubt about the Company's and or Group's ability to continue as a going concern. The directors consider the worst case scenarios to be unlikely, however, they are very conscious of the levels of uncertainty on the duration of disruption caused by Covid-19 and the impact on the longer term economy and if the risk of these worst case scenarios occurring increase then further action has been identified and will be taken to manage the cash flow of the business. In addition if further finance is required the directors are satisfied that further funding applications can be supported.

With the funding steps taken by the business and the restructure that has been implemented, the directors believe the business is in its strongest possible position to continue trading during the current pandemic and to be in a position to be able to grow again once the industry begins to return. It is on this basis that the directors consider it is appropriate to prepare the financial statements on the going concern. The financial statements do not include the adjustments that would be necessary if the group and company is unable to continue as a going concern.

#### *Revenue*

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

Revenue from the sale of goods both new and ex rental are recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer; and
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

# Production Resource Group (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

### 1 Accounting policies (*continued*)

#### *Revenue (continued)*

Revenue from a contract to provide services and equipment hire is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

#### *Intangible assets*

##### *(a) Goodwill*

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or business at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight line method to its estimated useful life. Goodwill recognised on acquisition before transition to FRS 102 is being amortised to 'administrative expenses' over 15 years. Goodwill recognised on acquisition following transition to FRS 102 is being amortised to 'administrative expenses' over 10 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2014. Therefore, the Group has not restated previously recognised goodwill into separately identifiable intangible assets.

##### *(b) Other intangible assets*

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations made post the transition to FRS102 if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangible assets are arrived at by using appropriate valuation techniques (see note 2).

Brands are amortised over their useful economic lives of 5 years. The valuation method uses estimated discounted cash flows to determine the cost of brands acquired.

Customer lists are amortised over their useful economic lives of 8 years. The valuation method takes account of the historic customer relationship and uses discounted cash flows to determine the cost of customer relationships acquired.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

# Production Resource Group (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

### 1 Accounting policies (*continued*)

#### *Tangible fixed assets*

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

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over these estimated useful lives.

The estimated useful lives range as follows:

Long term leasehold property	-	Over lease term
Plant and machinery	-	Over 7 years straight line
Motor vehicles	-	Between 4 and 7 years straight line
Fixtures and fittings	-	Over 5 years
Equipment for hire	-	Between 5 and 10 years straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. In respect of hire equipment, proceeds are included within revenue and the carrying amount in cost of sales in the statement of comprehensive income. In respect of other fixed assets the gain and loss is shown net within administrative expenses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

#### *Fixed asset investments*

##### *Subsidiary undertakings*

Long term investments are shares and long term interest free revolving loans in group undertakings and are classified as fixed assets.

Shares in group undertakings are stated at cost and loans to group undertakings are stated at amortised cost using the effective interest method in the company balance sheet.

Provision is made for any permanent impairment in the value of fixed asset investments.

##### *Current asset investments*

Current asset investments are initially recognised at cost and are remeasured to fair value at year end.

# Production Resource Group (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 *(continued)*

### 1 Accounting policies *(continued)*

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost is determined on a first in, first out basis.

#### *Debtors*

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

#### *Cash and cash equivalents*

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

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

#### *Financial instruments*

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from other third parties and loans to and from related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Where debt instruments from related parties are at a non-market rate of interest they are discounted using a market rate of interest with the corresponding discount being recognised in reserves in the year of the loan and the discount unwound through interest payable using the effective interest method.

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

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

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

Investments in unlisted company shares which are held for resale as current asset investments are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in profit or loss for the period.

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

# Production Resource Group (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Creditors*

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

#### *Borrowing*

The group is principally financed by loans due after more than one year from its parent company group. For loans where a non-market rate of interest is charged, the loan is measured initially at the present value of the future cash flows discounted at a market rate of interest based on the interest rate of a similar debt instrument with a third party and subsequently at amortised cost. The credit from discounting of an under market value loan on initial recognition is taken to reserves.

#### *Foreign currency translation*

##### *(a) Functional and presentation currency*

The company's functional and presentational currency is GBP.

##### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within interest receivable or payable. All other foreign exchange gains and losses are presented in the income statement within administrative expenses.

#### *Leased assets and obligations*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are "operating leases" and the annual rentals are charged to profit or loss on a straight line basis over the lease term.



# Production Resource Group (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

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### 1 Accounting policies (continued)

#### *Leased assets: lessor*

All rentals to third parties are treated as operating lease rentals as the rental agreements give no rights approximating to ownership (finance leases). Rentals are credited to turnover on a straight line basis over the term of the rental.

#### *Pension costs*

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

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

#### *Current and deferred taxation*

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

# Production Resource Group (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

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### 2 Critical accounting estimates and areas of judgement

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether leases entered into by the group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine the nature of balances with group companies in order to identify the appropriate classification of the related cash flows as operating, investing or financing.
- Determine whether there are indicators of impairment of the group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether an appropriate market rate of interest is charged on loans repayable other than on demand to and from related parties and establish an effective market rate of interest on which to base discounted cash flow valuation workings. In evaluating an appropriate market rate of interest factors considered include the rates of interest negotiated with third party borrowers at US parent group level of similar debt instruments and the underlying borrowing capacity of the company and US parent group.
- Determine that the group can continue as a going concern as a result of continued financial support from its US parent group as detailed in Note 1.

#### *Key sources of estimation uncertainty*

##### *Intangible assets and amortisation (note 11)*

The group is required to determine the fair value of intangible assets acquired as part of a business combination and estimate the useful economic life of those assets in order to determine appropriate amortisation rates. Both the initial valuation and the assessment of the assets' useful economic life require significant assumptions to be made. Changes in these underlying assumptions could have a significant impact on the carrying value of these assets.

##### *Tangible fixed assets (note 12)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

##### *Investments (note 13)*

The parent company carries its investments in subsidiaries at cost less any provision for impairment and so there are significant estimates, assumptions and judgements in determining the carrying value of these investments. The group considers the nature, facts and circumstance of each investment to determine the recoverable amount of each investment. Changes in these underlying assumptions and events occurring after the year-end could have a significant impact on the carrying value of these assets.

# Production Resource Group (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 2 Critical accounting estimates and areas of judgement (continued)

#### Key sources of estimation uncertainty (continued)

##### Inventory provisions (note 14)

Company inventory levels are constantly reviewed and, should there be an indication of obsolescence, the inventory is written down to its assessed net realisable value.

##### Debtors (note 15)

At each reporting date trade, group and other debtors are assessed for recoverability, if there is any evidence of impairment, the carrying amount of the debtor is reduced to its recoverable amount. The impairment loss is recognised immediately in the income statement.

### 3 Turnover

	2019 £	2018 £
Analysis by geographical market:		
United Kingdom	34,483,873	29,425,821
Rest of Europe	4,843,439	5,861,831
Rest of the world	15,665,783	7,573,290
	<u>54,993,095</u>	<u>42,860,942</u>

The aggregate rental income in respect of operating leases was £37,851,609 (2018 - £28,348,192).

### 4 Operating profit / (loss)

	2019 £	2018 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	5,737,216	7,198,153
Amortisation of goodwill	571,365	571,365
Amortisation of other intangible assets	405,000	405,000
Hire of plant and machinery - operating leases	37,304	199,208
Hire of other assets - operating leases	1,768,973	1,726,748
Foreign exchange differences	283,505	148,874
Stock Recognised as an expense	1,088,047	3,454,322
	<u></u>	<u></u>

# Production Resource Group (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 5 Auditors' remuneration

	2019 £	2018 £
Fees payable to the company's auditor for the auditing of the company's annual accounts	29,925	28,500
Fees payable to the company's auditor for other services:		
- the audit of the company's subsidiaries	56,700	56,500
- taxation compliance services	15,000	15,016
- all other services	-	25,550

### 6 Employees

Group	2019 £	2018 £
Staff costs (including directors) consist of:		
Wages and salaries	8,203,662	6,976,793
Social security costs	377,873	429,904
Other pension costs	517,577	401,526
	<b>9,099,112</b>	<b>7,808,223</b>

The average number of employees (including directors) during the year was as follows:

	Number	Number
Project production staff	140	118
Administrative staff	77	67
	<b>217</b>	<b>185</b>

#### Company

The average number of employees (including directors) was 2 (2018 – 2). Employee costs for the year were £Nil (2018 - £Nil) and have been borne by its subsidiary undertakings.

# Production Resource Group (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 7 Directors' remuneration

	2019 £	2018 £
Directors' emoluments	245,400	239,958
Company contributions to money purchase pension schemes	65,194	60,225

During the year retirement benefits were accruing to 2 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £140,000 (2018 - £140,217).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £33,417 (2018 - £23,579).

### 8 Interest receivable and similar income

	2019 £	2018 £
Interest receivable from group undertakings	235,351	224,584

### 9 Interest payable and similar charges

	2019 £	2018 £
Finance leases and hire purchase agreements	45,872	90,460
Interest and finance charges from group undertakings	2,435,956	2,239,832
Unwinding of discount on parent company loans at non-market rate of interest	-	422,214
Other finance charges	165,488	875,571
	<b>2,647,316</b>	<b>3,628,077</b>

# Production Resource Group (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 10 Taxation on profit / (loss) on ordinary activities

	2019 £	2018 £
<i>Corporation tax</i>		
Current tax on profit / (loss) for the year	17,677	-
Total corporation tax	17,677	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	362,178	(463,250)
Adjustment in respect of previous periods	(142,343)	-
Total deferred tax	219,835	(463,250)
Taxation on profit / (loss) on ordinary activities	237,512	(463,250)

The tax assessed for the year is higher than (2018 – higher than) the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2019 £	2018 £
Profit / (loss) on ordinary activities before tax	857,092	(4,588,468)
Profit / (loss) on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%)	162,847	(871,809)
Effect of:		
Expenses not deductible for tax purposes	75,103	107,881
Adjustment in respect of previous periods	(142,343)	-
Other tax adjustments, reliefs and transfers	-	52,302
Effect of the change in tax rates	(42,609)	39,219
Deferred tax not recognised carried forward / (utilised)	184,514	209,157
Total tax charge / (credit) for the year	237,512	(463,250)

During the budget on 16 March 2016 the Chancellor announced that the rate from 1 April 2020 will instead be 17%. This will reduce the company's future current tax accordingly. Deferred tax has been calculated at 17% being the rate substantively enacted at the year end.

# Production Resource Group (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (*continued*)

## 11 Intangible fixed assets

Group	Goodwill £	Brands £	Customer lists £	Total £
<i>Cost</i>				
At 1 January 2019 and 31 December 2019	<b>6,782,493</b>	<b>1,400,000</b>	<b>1,000,000</b>	<b>9,182,493</b>
<i>Amortisation</i>				
At 1 January 2019	3,470,020	1,003,333	447,917	4,921,270
Provisions for the year	571,365	280,000	125,000	976,365
At 31 December 2019	<b>4,041,385</b>	<b>1,283,333</b>	<b>572,917</b>	<b>5,897,635</b>
<i>Net book value</i>				
At 31 December 2019	<b>2,741,108</b>	<b>116,667</b>	<b>427,083</b>	<b>3,284,858</b>
At 31 December 2018	<b>3,312,473</b>	<b>396,667</b>	<b>552,083</b>	<b>4,261,223</b>

Goodwill arising on consolidation is being amortised over the directors' estimate of its useful life of 10 years. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed and assumptions that market participants would consider in respect of similar businesses.

# Production Resource Group (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 *(continued)*

## 12 Tangible fixed assets

Group	Leasehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Equipment for hire £	Total £
<i>Cost</i>					
At 1 January 2019	2,522,676	1,661,611	3,351,290	73,637,359	81,172,936
Additions	34,576	-	98,164	2,250,945	2,383,685
At 31 December 2019	<b>2,557,252</b>	<b>1,661,611</b>	<b>3,449,454</b>	<b>75,888,304</b>	<b>83,556,621</b>
<i>Depreciation</i>					
At 1 January 2019	1,413,816	1,661,611	3,344,230	54,323,888	60,743,545
Provided for the year	75,000	-	26,363	5,635,853	5,737,216
At 31 December 2019	<b>1,488,816</b>	<b>1,661,611</b>	<b>3,370,593</b>	<b>59,959,741</b>	<b>66,480,761</b>
<i>Net book value</i>					
At 31 December 2019	<b>1,068,436</b>	<b>-</b>	<b>78,861</b>	<b>15,928,563</b>	<b>17,075,860</b>
At 31 December 2018	1,108,860	-	7,060	19,313,471	20,429,391

The group's finance lease and hire purchase obligations in relation to tangible fixed assets were fully settled during the financial year. As a result, the net book value of tangible fixed assets held under finance leases and hire purchase contracts at 31 December 2019 is £Nil (2018 - £409,924).



# Production Resource Group (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 13 Fixed asset investments

Company	Investments in subsidiary Companies £	Loans to subsidiaries £	Total £
<i>Cost</i>			
At 1 January 2019 and 31 December 2019	10,394,519	5,181,939	15,576,458

*Subsidiary undertakings, associated undertakings and other investments*

The undertakings in which the company's interest at the year end are:

Subsidiary undertaking	Location	Proportion of ordinary share capital held	Nature of business
Production Resource Group UK Holdings Limited	England	100%	Intermediate holding company
Production Resource Group UK Limited*	England	100%	Provision of hire of lighting equipment and the provision of ancillary services
Essential Lighting Limited*	England	100%	Dormant
Summit Steel Limited*	England	100%	Dormant
VLPS Lighting Services Limited*	England	100%	Dormant
4 <sup>th</sup> Phase (London) Limited*	England	100%	Dormant
XL Video Limited	England	100%	Non trading

\* These undertakings are indirectly held by Production Resource Group (Europe) Limited

The registered office of all above subsidiaries was The Cofton Centre, Groveley Lane, Longbridge, Birmingham, B31 4PT

## 14 Stocks

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Stock of consumables	658,592	639,867	-	-

There is no material difference between the replacement cost of stocks and the amounts stated above.

The impairment loss recognised in respect of slow moving and obsolete stock was £Nil (2018 – £44,541).

# Production Resource Group (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 15 Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
<b>Due after more than one year</b>				
Amounts owed by group undertakings	-	3,342,295	-	22,511,612
	<u>-</u>	<u>3,342,295</u>	<u>-</u>	<u>22,511,612</u>
<b>Due within one year</b>				
Trade debtors	4,310,542	2,700,039	-	-
Amounts owed by group undertakings	39,048,332	25,733,946	29,992,735	3,494,779
Other debtors	1,441,707	1,671,397	-	-
Prepayments	1,079,337	682,201	-	-
Deferred tax (note 19)	924,716	1,144,551	-	-
	<u>46,804,634</u>	<u>31,932,134</u>	<u>29,992,735</u>	<u>3,494,779</u>

The impairment loss recognised in respect of bad and doubtful debts was a charge of £Nil (2018 - £25,973).

Included in amounts owed by group undertakings due within one year (2018 - due after more than one year) is a working capital loan with book value of £3,342,295 (2018 - £3,342,295) repayable in one instalment on 5 June 2020 which bears interest of 6% per annum (2018 - 6%). This loan is deemed to be carried at a market rate of interest.

## 16 Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	680,491	292,720	-	-
	<u>680,491</u>	<u>292,720</u>	<u>-</u>	<u>-</u>

# Production Resource Group (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 17 Creditors: amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade creditors	4,647,344	1,513,509	-	-
Amounts owed to group undertakings	20,883,797	23,790,454	9,866,161	7,416,371
Corporation tax	17,677	-	-	-
Other taxation and social security	1,345,868	1,414,911	-	-
Obligations under finance lease and hire purchase contracts (secured)	-	222,036	-	-
Other creditors	21,706	-	-	-
Accruals and deferred income	4,863,604	5,675,002	-	-
	<b>31,779,996</b>	<b>32,615,912</b>	<b>9,866,161</b>	<b>7,416,371</b>

Obligations under finance leases and hire purchase contracts are secured on the related fixed asset.

## 18 Creditors: amounts falling due after more than one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Loans from parent undertaking	23,372,934	22,511,612	23,175,977	22,511,612
Loans from other group undertakings	18,457,378	11,495,559	13,275,439	11,495,559
	<b>41,830,312</b>	<b>34,007,171</b>	<b>36,451,416</b>	<b>34,007,171</b>

Included in loans from parent undertaking are group working capital loans denominated in Sterling with a book value of £23,175,977 (2018 - £19,169,317) repayable in one instalment on 31 December 2021 which bears interest of 6% per annum (2018 - 6% per annum). This is loan is deemed to have a market rate of interest charged and flows through to subsidiaries who are charge a similar rate of interest.

Included in loans from parent undertaking is a further working capital loan denominated in Euros of €3,635,000 (2018 - €3,635,000) with book value of £3,234,067 (2018 - £3,342,295) repayable in one instalment on 5 June 2020 which bears interest of 6% (2018 - 6%) per annum. This is loan is deemed to have a market rate of interest charged.

Included in amounts owed to group undertakings is an investment loan denominated in US Dollars of \$15,418,000 (2018 - \$15,418,000) with a Sterling value of 12,362,334 (2018 - £12,105,842) repayable in one instalment on 5 June 2020 which bears interest of 0% per annum. At 31 December 2019 the investment loan had a book value of £10,980,002 (2018 - £11,495,559) as a result of being recognised at its discounted cash flow amount based on a market rate of interest of 10%. Interest of £422,214 (2018 - £422,214) has been charged to the profit and loss account in the year in respect of the unwinding of this discount.

# Production Resource Group (Europe) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 19 Deferred taxation

### Group

	Deferred tax asset		Deferred tax liability	
	2019	2018	2019	2018
	£	£	£	£
At 1 January 2019	1,144,551	811,188	(161,288)	(291,175)
Charged / (credited) to profit or loss	(219,835)	333,363	-	129,887
At 31 December 2019	924,716	1,144,551	(161,288)	(161,288)

The provision for deferred taxation is made up as follows:

Group	Deferred tax asset		Deferred tax liability	
	2019	2018	2019	2018
	£	£	£	£
Accelerated capital allowances	903,632	1,131,106	-	-
Tax losses carried forward	6,598	6,598	-	-
Other timing differences	14,486	6,847	-	-
Fair value adjustments on acquisition	-	-	(161,288)	(161,288)
At 31 December 2019	924,716	1,144,551	(161,288)	(161,288)

### Company

The company has no provisions for deferred taxation

## 20 Reserves

### Share capital

Called up share capital reserve represents the nominal value of the shares issued.

### Share premium

Includes all current and prior period premiums on shares issued.

### Capital redemption reserve

A reserve equivalent to the nominal value of shares redeemed which was transferred to capital redemption reserve from profit and loss account on the redemption of share capital.

### Other reserves

The other reserves represent a merger reserve on consolidation which is the difference between the investment in subsidiaries subject to merger accounting and its net assets.

### Profit and loss account

All other net gains and losses and transactions with owners not recognised elsewhere less dividends paid.

# Production Resource Group (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 21 Share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
11,188,889 A ordinary shares of £0.10 each	<u>1,118,889</u>	<u>1,118,889</u>

### 22 Contingent liabilities

Under an agreement entered into by the company's immediate parent undertaking, Production Resource Group Inc., that company obtained a secured revolving line of credit of \$380 million from its principal bankers. As part of this agreement at the year-end a cross guarantee supported by a fixed and floating charge over the assets of the group has been given by the company, and subsidiaries in the United Kingdom. At 31 December 2019 and 31 December 2018 the company had a potential liability under this arrangement of £Nil.

### 23 Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £517,577 (2018 - £401,526). Contributions totalling £68,815 (2018 - £44,936) were payable at the year end.

### 24 Commitments under operating leases

At 31 December 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

Group	2019 £	2018 £
Not later than 1 year	1,181,915	1,095,239
Later than 1 year but not later than 5 years	4,818,002	4,435,565
Later than 5 years	<u>2,224,431</u>	<u>3,185,648</u>
Total	<u>8,224,348</u>	<u>8,716,452</u>

# Production Resource Group (Europe) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

### 25 Related party disclosures

#### *Controlling parties*

The company's immediate parent company undertaking is Production Resource Group LLC, a company registered in the USA.

The company's ultimate parent undertaking and controlling party is PRG Holdings LLC, which is incorporated in the USA.

#### *Related party transactions and balances*

During the year, the group traded with a number of fellow subsidiaries of Production Resource Group Holdings LLC. The aggregate of the transactions with these fellow subsidiaries is set out below:

	2019 £	2018 £
<i>Group</i>		
Aggregate sales and recharges	13,582,480	6,659,588
Aggregate purchases and recharges	5,983,175	3,947,404
Amount due from group undertakings	39,048,332	25,733,946
Loans due from group undertakings	-	3,342,295
Amount due to group undertakings	20,883,797	23,790,454
Loans due to group undertakings	41,830,312	34,007,171

The amounts due from and due to group undertakings are intra-group trading accounts and are repayable within one year. No interest is charged on trading accounts.

The details and terms of the loans due from and due to group undertakings are given in notes 15, 17 and 18 respectively. Interest receivable and interest payable of these loans is shown in notes 8 and 9 respectively.

Entertainment Property Limited is a company under the control of J A Harris, a director of a subsidiary company and Chairman and CEO of Production Resource Group Inc., an intermediate parent company. During 2019, rent, including service charges, of £1,170,749 (2018 - £1,163,118) was charged to the group in respect of leased premises owned by Entertainment Property Limited. At the year end the amount owed to Entertainment Property Limited by the group was £255,216 (2018 - £617,517).

#### *Key management remuneration*

Key management personnel include all directors who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group is disclosed in note 7.

# **Production Resource Group (Europe) Limited**

## **Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)**

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### **26 Post balance sheet events**

Post year end the business has been hit by the Covid 19 pandemic. The live events industry as a whole, has been hit particularly hard by the pandemic. Measures have been brought in by the UK government, along with governments across the world, including restrictions of social gatherings, and the cancellation of mass attended events. This has had a significant impact on the business. Trading has reduced significantly as a result of the pandemic, with trading levels currently operating at 10% of the pre pandemic levels. The business is being managed through this difficult period, including through financial support from the CLBILS scheme being offered by the government. The business has also benefitted from a sale and leaseback agreement with Lombard which has been agreed post year end. This has assisted the business to the value of £1.6m.

Post year end the business has completed a significant restructure of all operations as a direct impact of the pandemic. With a 90% reduction in ongoing business the company has had to significantly reduce its ongoing cost basis. This has resulted in a reduction in headcount by some 75% from the levels of 2019. The impact of this will help save costs to the value of £5,250k on an annual basis.

Covid-19 is considered to represent a non-adjusting post balance sheet event. The financial impact of COVID-19 on the value of non-financial assets of the business are still being assessed.