

Production Resource Group (Europe) Limited

Annual Report and Financial Statements

Year Ended

31 December 2022

Company Number 03024622

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Production Resource Group (Europe) Limited

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Production Resource Group (Europe) Limited

Company Information

Directors	R M Williams G Boyd
Company secretary	R M Williams
Registered number	03024622
Registered office	The Cofton Centre Groveley Lane Longbridge Birmingham West Midlands B31 4PT
Independent auditors	BDO LLP Two Snowhill Birmingham B4 6GA

Production Resource Group (Europe) Limited

Strategic report For the year ended 31 December 2022

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2022.

Review of business

Production Resource Group ('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 £54,898,595 (2021 - £30,989,793) and a pre-tax loss of £534,073 (2021 - loss of £8,493,626). The operating profit for the current year is £1,537,950 (2021 - loss of £1,163,262).

All markets that PRG serve were affected significantly as a direct result of the pandemic. However, at the beginning of the year theatres had reopened in the West End and in the second quarter live music tours had recommenced performances again, as well as tours that had been temporarily postponed during the pandemic. The Festival market was strong during the summer as activity returned to pre-pandemic levels. The company also supported the design and supplied lighting, and video services for the Commonwealth Games held in Birmingham. Finally the television market returned strongly with new shows being commissioned and recorded.

Sale and leaseback funding arranged in 2020 was fully repaid in the first quarter of 2023. The Government backed CBILS loan repayments commenced during the year and will be settled in full by early 2024.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of business risks. The most significant risks to the business at the point of approval of the financial statements are:

- Economic uncertainty leading to a reduction in demand for the events across the entertainment industry which the Company and wider Group service. Increasing inflation and reducing disposable income currently presents a consumer confidence risk. There is also pressure on the performers themselves due to reduced ticket sales which has resulted in certain bands merging tours together with other artists. The board monitor economic conditions and forecasts with appropriate actions developed to mitigate the impact to the Company and Group. There is a long lead time on events which provides visibility of planned activity and deposits are taken to minimise the risk of losses should events be cancelled. The lead time allows for action should the board identify a softening in demand. In addition, the Company and Group have diversified the nature and location of the events and services provided to different customer bases diluting the risk should an individual country / sector face challenges as a result of economic uncertainty.

As part of the going concern review by the directors, they have assessed various scenarios in terms of trading returns, and those scenarios, combined with the funding levels secured by the business give the directors sufficient comfort over the going concern of the Group and Company.

As identified in Note 2, there is external Parent Group debt due for repayment in August 2024 with a total amount due for repayment of \$755m. As of the date of the approval of the financial statements, this debt has not been refinanced. The directors are fully confident that the loan will be fully refinanced before its expiry in August 2024 and the directors have therefore prepared the finance statements on the going concern basis.

Production Resource Group (Europe) Limited

Group strategic report (continued) For the year ended 31 December 2022

Financial key performance indicators

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

	2022	2021
Turnover to net book value of tangible fixed assets	3.80	2.41
Turnover per employee	£332,719	£284,310

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



R M Williams
Director

Date: 29/09/2023

Production Resource Group (Europe) Limited

Directors' report For the year ended 31 December 2022

The directors present their report together with the financial statements for the year ended 31 December 2022.

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 loss for the year, after taxation, amounted to £958,500 (2021 loss of £8,306,611).

The directors do not recommend the payment of a dividend.

Review of business

The review of the business, the principal risks and uncertainties, and information on financial risk management and exposure to risk are not shown in the Directors' Report as they are shown in the Strategic Report in accordance with s414C(11) of the Companies Act 2006.

Directors

The directors who served during the year were:

R M Williams
G Boyd

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and 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 company and the Group 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 for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Production Resource Group (Europe) Limited

Directors' report (continued) For the year ended 31 December 2022

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 principally 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.

Post balance sheet events

There have been no significant events since the period end.

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

Auditors

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

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



R M Williams
Director

Date: 29/09/2023.

Production Resource Group (Europe) Limited

Independent auditors' report to the members of Production Resource Group (Europe) Limited

Opinion on the financial statements

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 2022 and of the Group's loss 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.

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 2022 which comprise Consolidated statement of comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows, Consolidated analysis of net debt, and 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements which indicates that the Group and Company are reliant on the ultimate Parent Company for financial and operational support. The ultimate Parent Company has an external debt totalling \$755m as at 31 December 2022, with a due date in August 2024, which has not yet been refinanced, which may have a direct impact on their ability to provide funding to the Group and Company. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

Production Resource Group (Europe) Limited

Independent auditors' report to the members of Production Resource Group (Europe) Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic report and Directors' 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.

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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 the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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 auditors' report to the members of Production Resource Group (Europe) Limited (continued)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations

We considered the significant laws and regulations to be the applicable accounting framework and UK tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, employment laws and data protection legislation.

Our procedures in respect of the above included:

- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and

Production Resource Group (Europe) Limited

Independent auditors' report to the members of Production Resource Group (Europe) Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, fraudulent revenue recognition, revenue cut-off and the largest sales contract within the Group.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias;
- Review journals to revenue nominal codes to identify unusual transactions and agreeing to supporting documentation;
- Testing a sample of revenue items recognised around the year end, obtaining supporting documentation to confirm which period it should relate; and
- Test in total of the largest sales contract within the Group, agreeing all revenue and balance sheet postings.

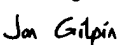
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on 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.

DocuSigned by:

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29 September 2023

Jonathan Gilpin (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham
United Kingdom

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 2022

	Note	2022 £	2021 £
Turnover	4	54,898,595	30,989,793
Cost of sales		(44,545,441)	(26,980,295)
Gross profit		10,353,154	4,009,498
Administrative expenses		(9,036,154)	(5,917,969)
Other operating income	5	220,950	745,209
Operating profit/(loss)	6	1,537,950	(1,163,262)
Interest receivable and similar income	9	1,127,183	259,014
Interest payable and similar expenses	10	(3,199,206)	(7,589,378)
Loss before tax		(534,073)	(8,493,626)
Tax on loss	11	(424,427)	187,015
Loss for the financial year		(958,500)	(8,306,611)
Profit for the year attributable to:			
Owners of the parent company		(958,500)	(8,306,611)
		(958,500)	(8,306,611)

There was no other comprehensive income for 2022 (2021 - £NIL).

The notes on pages 18 to 39 form part of these financial statements.

Production Resource Group (Europe) Limited
Registered number: 03024622

Consolidated statement of financial position
As at 31 December 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Intangible assets			1,079,097		1,775,461
Tangible assets			14,463,781		12,857,480
			<u>15,542,878</u>		<u>14,632,941</u>
Current assets					
Stocks	15	360,531		436,083	
Debtors: amounts falling due after more than one year	16	5,659,387		4,805,982	
Debtors: amounts falling due within one year	16	20,442,200		35,143,882	
Cash at bank and in hand		6,766,475		9,003,118	
		<u>33,228,593</u>		<u>49,389,065</u>	
Creditors: amounts falling due within one year	17	(35,809,688)		(46,792,195)	
Net current (liabilities)/assets			<u>(2,581,095)</u>		<u>2,596,870</u>
Total assets less current liabilities			<u>12,961,783</u>		<u>17,229,811</u>
Creditors: amounts falling due after more than one year	18		(36,978,951)		(40,288,479)
Provisions for liabilities					
Deferred tax	21		(161,288)		(161,288)
Net liabilities			<u>(24,178,456)</u>		<u>(23,219,956)</u>
Capital and reserves					
Called up share capital	22		1,118,889		1,118,889
Share premium account	23		1,570,000		1,570,000
Capital redemption reserve	23		69,112		69,112
Other reserves	23		866,667		866,667
Profit and loss account	23		(27,803,124)		(26,844,624)
			<u>(24,178,456)</u>		<u>(23,219,956)</u>

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

R M Williams
Director



Date: 29/09/2023

The notes on pages 18 to 39 form part of these financial statements.

Production Resource Group (Europe) Limited
Registered number:03024622

Company statement of financial position
As at 31 December 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Investments	14		15,576,458		15,576,458
Current assets					
Debtors: amounts falling due after more than one year	16	30,441,164		29,050,605	
Debtors: amounts falling due within one year	16	4,634,592		4,360,814	
		<u>35,075,756</u>		<u>33,411,419</u>	
Creditors: amounts falling due within one year	17	(18,642,716)		(15,342,499)	
Net current assets			<u>16,433,040</u>		<u>18,068,920</u>
Total assets less current liabilities			<u>32,009,498</u>		<u>33,645,378</u>
Creditors: amounts falling due after more than one year	18		(36,355,281)		(36,355,281)
Net liabilities			<u>(4,345,783)</u>		<u>(2,709,903)</u>
Capital and reserves					
Called up share capital	22		1,118,889		1,118,889
Share premium account	23		1,570,000		1,570,000
Capital redemption reserve	23		69,112		69,112
Profit and loss account carried forward			(7,103,784)		(5,467,904)
			<u>(4,345,783)</u>		<u>(2,709,903)</u>

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 of £1,635,880 (2021 - £1,016,925).

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



R M Williams
Director

The notes on pages 18 to 39 form part of these financial statements.

**Production Resource Group (Europe)
Limited**

**Consolidated statement of changes in equity
For the year ended 31 December 2022**

	Called up share capital	Share premium account	Capital redemption reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2022	1,118,889	1,570,000	69,112	866,667	(26,844,624)	(23,219,956)
Comprehensive loss for the year						
Loss for the year	-	-	-	-	(958,500)	(958,500)
Total comprehensive loss for the year	-	-	-	-	(958,500)	(958,500)
At 31 December 2022	1,118,889	1,570,000	69,112	866,667	(27,803,124)	(24,178,456)

The notes on pages 18 to 39 form part of these financial statements.

**Production Resource Group (Europe)
Limited**

**Consolidated statement of changes in equity
For the year ended 31 December 2021**

	Called up share capital	Share premium account	Capital redemption reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2021	1,118,889	1,570,000	69,112	866,667	(18,538,013)	(14,913,345)
Comprehensive loss for the year						
Loss for the year	-	-	-	-	(8,306,611)	(8,306,611)
Total comprehensive loss for the year	-	-	-	-	(8,306,611)	(8,306,611)
At 31 December 2021	1,118,889	1,570,000	69,112	866,667	(26,844,624)	(23,219,956)

The notes on pages 18 to 39 form part of these financial statements.

Production Resource Group (Europe) Limited

Company statement of changes in equity For the year ended 31 December 2022

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2022	1,118,889	1,570,000	69,112	(5,467,904)	(2,709,903)
Comprehensive loss for the year					
Loss for the year	-	-	-	(1,635,880)	(1,635,880)
Total comprehensive loss for the year	-	-	-	(1,635,880)	(1,635,880)
At 31 December 2022	1,118,889	1,570,000	69,112	(7,103,784)	(4,345,783)

Company statement of changes in equity For the year ended 31 December 2021

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2021	1,118,889	1,570,000	69,112	(4,450,979)	(1,692,978)
Comprehensive loss for the year					
Loss for the year	-	-	-	(1,016,925)	(1,016,925)
Total comprehensive loss for the year	-	-	-	(1,016,925)	(1,016,925)
At 31 December 2021	1,118,889	1,570,000	69,112	(5,467,904)	(2,709,903)

The notes on pages 18 to 39 form part of these financial statements.

Production Resource Group (Europe) Limited

Consolidated statement of cash flows For the year ended 31 December 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss for the financial year	(958,500)	(8,306,611)
Adjustments for:		
Amortisation of intangible assets	696,364	696,365
Depreciation of tangible assets	4,023,023	3,510,224
Loss on disposal of tangible assets	140,750	-
Interest paid	3,199,206	7,589,378
Interest received	(1,127,183)	(259,014)
Taxation charge	424,427	(187,015)
Decrease in stocks	75,552	114,798
Decrease/(increase) in debtors	14,277,255	(5,605,308)
(Decrease)/increase in creditors	(14,586,876)	5,559,740
Net cash generated from operating activities	6,164,018	3,112,557
Cash flows from investing activities		
Purchase of tangible fixed assets	(5,770,074)	(1,362,604)
Interest received	273,778	259,014
Net cash from investing activities	(5,496,296)	(1,103,590)
Cash flows from financing activities		
New secured loans	-	2,500,000
Repayment of loans	(2,916,667)	-
Movement on hire purchase	291,381	(588,429)
Interest paid	(279,079)	(385,771)
Net cash used in financing activities	(2,904,365)	1,525,800
Net (decrease)/increase in cash and cash equivalents	(2,236,643)	3,534,767
Cash and cash equivalents at beginning of year	9,003,118	5,468,351
Cash and cash equivalents at the end of year	6,766,475	9,003,118
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	6,766,475	9,003,118
	6,766,475	9,003,118

The notes on pages 18 to 39 form part of these financial statements.

Production Resource Group (Europe) Limited

Consolidated Analysis of Net Debt For the year ended 31 December 2022

	At 1 January 2022 £	Cash flows £	At 31 December 2022 £
Cash at bank and in hand	9,003,118	(2,236,643)	6,766,475
Bank loans	(6,500,000)	2,916,667	(3,583,333)
Loans from group undertakings	(36,355,281)	-	(36,355,281)
Finance leases	(720,611)	(291,381)	(1,011,992)
	<u>(34,572,774)</u>	<u>388,643</u>	<u>(34,184,131)</u>

The notes on pages 18 to 39 form part of these financial statements.

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

1. General information

Production Resource Group (Europe) Limited ("the parent company") is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006 with the registered number 03024622. The address of the parent company's registered office is given on the contents page and the nature of the parent company's and group's operations and principal activities are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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 Group management to exercise judgement in applying the Group's accounting policies (see note 3).

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 following principal accounting policies have been applied:

2.2 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.

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

2. Accounting policies (continued)

2.3 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the Group") as if they form 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 statement of financial position, 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 statement of comprehensive income 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 01 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.

2.4 Going concern

In 2022 the events industry has returned to some level of normality with festivals and concerts returning. As part of the going concern assessment the directors have prepared detailed forecasts for a period through to 31 December 2024 which provide a base case of the expected level of activity and forecast profit and cash flows during this period. The forecasts include the committed events and activity that is expected to reoccur along with less predictable expected trading activity. The forecasts do not show a return to pre-covid levels of turnover but an increase on the reported levels in 2022 in line with ongoing recovery from the pandemic. The forecasts were prepared as part of the budgeting for 2023 and actual results to date exceed those forecasts. The forecasts demonstrate that the Group and Company can continue in business for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements, including servicing the new facilities entered into during the pandemic.

The directors are conscious that at the time of approval of the financial statements the global economic environment is uncertain with inflation pressure leading to a reduction in disposable income and a potential reduction in demand for events. Therefore, the directors have carried out sensitivity analysis on the forecasts to assess the impact of a 20% reduction in forecast turnover which reduces the activity levels to that which is either already confirmed or relates to recurring events in global locations that are less exposed to the inflationary pressure. In this scenario the forecasts demonstrate that the Group and Company will be a going concern, however some discretionary uncommitted capital expenditure would need to be deferred.

The funding from ultimate Parent Company and group undertakings are due in more than twelve months are not repayable in the going concern assessment period, however are due shortly thereafter (see note 18). The directors of the Group and Company have considered the wider Group's going concern assessment and also the nature of the funding arrangements and are satisfied that there is not a requirement for the funds to be repaid on the due date and the intention would be to extend the due date for repayment should this be required.

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

2. Accounting policies (continued)

At an ultimate Parent Company level, as at 31 December 2022 there is an external debt of \$755 million repayable in August 2024. The Directors of the ultimate Parent Company have begun the process of exploring alternative financing arrangements at the date of approval of the financial statements and are confident that the debt will be promptly refinanced given the continuing excellent trading performance of the ultimate Parent Company and wider Group. However, at the date of approval of these financial statements, the debt has not yet been refinanced which could potentially lead to the requirement to restructure the wider Group which would impact the going concern of the Group and Company.

Given the close working relationship between the Group, Company, the ultimate Parent Company and wider Group, the future prospects of the Group and Company are deemed to be intrinsically linked to the future prospects of the wider Group due to the trade of the Group and Company being dependent on the wider Group.

The Group and Company are reliant on the ultimate Parent Company for financial and operational support as explained above and as the loan is due to be refinanced and this has not been finalised, this indicates that a material uncertainty exists which may cast significant doubt on the Group and Company's ability to continue as a going concern and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business.

The Directors of the ultimate Parent Company are very confident that the debt will be fully refinanced well in advance of the due date and therefore the Directors of the Group and Company have prepared these financial statements on a going concern basis. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group, 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.

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.

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

2. Accounting policies (continued)

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Company'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 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 following transition to FRS102 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 FRS102, 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 3).

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 the statement of comprehensive income.

2.7 Tangible fixed assets

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

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

2. Accounting policies (continued)

2.7 Tangible fixed assets (continued)

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 the Consolidated Statement of Comprehensive Income during the period in which they are incurred.

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

Depreciation is provided on the following basis:

Long-term leasehold property	- over lease term
Plant and machinery	- over 7 years straight line
Fixtures and fittings	- 20% per annum straight line
Equipment for hire	- 5 - 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 Consolidated Statement of Comprehensive Income. In respect of other fixed assets the gain and loss is shown net within administrative expenses.

2.8 Investments

Long term investments are described as shares in group undertakings and are classified as fixed assets. Shares in group undertakings are stated at cost. Provisions are made for any permanent impairment in the value of fixed asset investments.

2.9 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.

2.10 Debtors

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

2.11 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.

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

2. Accounting policies (continued)

2.12 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 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 statement of comprehensive income.

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, 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

2.13 Creditors

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

2.14 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 within the ultimate parent company group and subsequently at amortised cost. The credit from discounting of an under market value loan on initial recognition is taken to reserves.

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

2. Accounting policies (continued)

2.15 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

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 statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.16 Leased assets: Lessee

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 the statement of comprehensive income 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 the statement of comprehensive income 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 treated as operating leases. Their annual rentals are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

2.17 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.

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

2. Accounting policies (continued)

2.18 Pensions

Defined contribution pension plan

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 payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2.19 Government grants

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

Grants of a revenue nature including Coronavirus Job Retention Scheme, are recognised in the Statement of comprehensive income within other operating income, in the same period as the related expenditure.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income 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 tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

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

Deferred 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 to the financial statements For the year ended 31 December 2022

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

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

- 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 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 parent group level of similar debt instruments and the underlying borrowing capacity of the 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 2.4.

Key sources of estimation uncertainty

Intangible assets and amortisation (see note 12)

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 (see note 13)

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 (see note 14)

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.

Debtors (see note 16)

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 statement of comprehensive income.

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

4. Turnover

Analysis of turnover by geographical market:

	2022 £	2021 £
United Kingdom	24,156,579	14,333,692
Europe	1,642,507	559,791
North America	6,670,750	436,539
Rest of the World	22,428,759	15,659,771
	<u>54,898,595</u>	<u>30,989,793</u>

The aggregate rental income in respect of operating leases was £35,880,402 (2021 - £22,322,840).

5. Other operating income

	2022 £	2021 £
Furlough income receivable	-	745,209
Sundry income	220,950	-
	<u>220,950</u>	<u>745,209</u>

6. Operating profit/(loss)

The operating (loss)/profit is stated after charging/(crediting):

	2022 £	2021 £
Depreciation of tangible fixed assets	4,023,023	3,510,224
Amortisation of goodwill	571,364	571,365
Amortisation of other intangible assets	125,000	125,000
Operating lease rentals - plant and machinery	23,756	20,727
Operating lease rentals - other operating leases	1,859,398	1,971,586
Exchange differences	(665,724)	(23,423)
Fees payable to the group's auditor for the auditing of the parent company's annual accounts	12,725	10,500
Fees payable to the group's auditor for the auditing of the group's annual accounts	72,730	60,000
Fees payable to the group's auditor for other professional services	5,750	5,495
	<u></u>	<u></u>

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

7. Employees

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

	Group 2022 £	Group 2021 £
Wages and salaries	7,689,046	5,043,333
Social security costs	619,531	306,952
Cost of defined contribution scheme	416,437	383,060
	<u>8,725,014</u>	<u>5,733,345</u>

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

	2022 No.	2021 No.
Production staff	120	67
Administrative staff	45	42
	<u>165</u>	<u>109</u>

Company

The average number of employees (including directors) was 2 (2021 – 2). Employee costs for the year were £Nil (2021 - £Nil) and have been borne by its subsidiary undertakings.

8. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	296,125	218,823
Group contributions to defined contribution pension schemes	73,771	97,823
	<u>369,896</u>	<u>316,646</u>

During the year retirement benefits were accruing to 2 directors (2021 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £171,125 (2021 - £97,112).

The value of the group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £33,711 (2021 - £28,036).

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

9. Interest receivable and similar income

	2022 £	2021 £
Interest receivable from group undertakings	273,778	259,014
Unwinding of loan discount	853,405	-
	<u>1,127,183</u>	<u>259,014</u>

10. Interest payable and similar charges

	2022 £	2021 £
Interest and finance charges from group undertakings	2,920,127	2,666,499
Finance leases and hire purchase agreements	42,413	273,330
Bank interest payable	236,666	112,441
Other finance costs	-	4,537,108
	<u>3,199,206</u>	<u>7,589,378</u>

Due to the reclassification of an inter group debtor in the prior year (as identified in note 17) to a balance due after more than 1 year, there has been a required fair value discounting adjustment processed on the debt. This caused a below EBITDA finance charge to the value of £4,537,108 in the prior year which has started to unwind, resulting in an annual gain to the profit and loss account on this transaction until 2031 so that the receivable balance returns to the initial debt balance owed at the time of the transaction.

In addition to the above, net interest of £Nil (2021 - £Nil) has been charged to the Statement of Comprehensive Income account in the year in respect of the unwinding of the discount on loans at a non market rate of interest held under a 367 day call arrangement as a result of being offset exactly by the corresponding discount reinstatement being made due to the facility not being called during the year. The gross amounts offset amount to £471,085 (2021 - £471,085).

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

11. Taxation

	2022 £	2021 £
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	373,577	306,482
Adjustment in respect of previous periods	50,850	(206,773)
Effect of change in tax rates	-	(286,724)
Total deferred tax	424,427	(187,015)
Taxation on (loss)/profit	424,427	(187,015)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
(Loss)/profit before tax	(534,073)	(8,493,626)
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(101,474)	(1,613,789)
Effects of:		
Fixed asset differences	20,204	-
Expenses not deductible for tax purposes	8,180	106,107
Adjustment in respect of previous periods	50,850	(206,773)
Effect of change in tax rates	49,122	(1,215,327)
Deferred tax not recognised carried forward	397,545	2,742,767
Total tax charge for the year	424,427	(187,015)

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

11. Taxation (continued)

Factors that may affect future tax charges

The corporation tax is calculated at 19% (2021 – 19%) of the estimated assessable profit for the year. The government announced on 3 March 2021 that the UK corporation tax rate will increase to 25% from 1 April 2023. This was substantively enacted on 24 May 2021.

12. Intangible assets

Group

	Goodwill £	Trademarks £	Patents £	Total £
Cost				
At 1 January 2022	6,782,493	1,400,000	1,000,000	9,182,493
At 31 December 2022	6,782,493	1,400,000	1,000,000	9,182,493
Amortisation				
At 1 January 2022	5,184,115	1,400,000	822,917	7,407,032
Charge for the year	571,364	-	125,000	696,364
At 31 December 2022	5,755,479	1,400,000	947,917	8,103,396
Net book value				
At 31 December 2022	1,027,014	-	52,083	1,079,097
At 31 December 2021	1,598,378	-	177,083	1,775,461

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 to the financial statements For the year ended 31 December 2022

13. Tangible fixed assets

Group

	Leasehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Equipment for hire £	Total £
Cost or valuation					
At 1 January 2022	2,717,631	1,661,611	3,926,820	78,425,372	86,731,434
Additions	9,906	-	324,224	5,435,944	5,770,074
Disposals	-	-	-	(525,465)	(525,465)
At 31 December 2022	<u>2,727,537</u>	<u>1,661,611</u>	<u>4,251,044</u>	<u>83,335,851</u>	<u>91,976,043</u>
Depreciation					
At 1 January 2022	1,750,398	1,661,611	3,424,144	67,037,801	73,873,954
Charge for the year on owned assets	61,413	-	51,669	3,909,941	4,023,023
Disposals	-	-	-	(384,715)	(384,715)
At 31 December 2022	<u>1,811,811</u>	<u>1,661,611</u>	<u>3,475,813</u>	<u>70,563,027</u>	<u>77,512,262</u>
Net book value					
At 31 December 2022	<u>915,726</u>	<u>-</u>	<u>775,231</u>	<u>12,772,824</u>	<u>14,463,781</u>
At 31 December 2021	<u>967,233</u>	<u>-</u>	<u>502,676</u>	<u>11,387,571</u>	<u>12,857,480</u>

During the previous year the Group entered into a sale and leaseback of certain equipment for hire. The net book value of the assets providing the security is £602,856 (2021 - £904,290).

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

14. Fixed asset investments

Company

	Investments in subsidiary companies £	Loans to subsidiaries £	Total £
Cost or valuation			
At 1 January 2022 and 31 December 2022	<u>10,394,519</u>	<u>5,181,939</u>	<u>15,576,458</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Principal activity	Class of shares	Holding
Production Resource Group UK Holdings Limited	England	Intermediate holding company	Ordinary	100%
Production Resource Group UK Limited	England	Provision of hire of lighting equipment and the provision of ancillary services	Ordinary	100%
Essential Lighting Limited*	England	Dormant	Ordinary	100%
Summit Steel Limited*	England	Dormant	Ordinary	100%
VLPS Lighting Services Limited*	England	Dormant	Ordinary	100%
4th Phase (London) Limited*	England	Dormant	Ordinary	100%
XL Video Limited	England	Non trading	Ordinary	100%

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

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

15. Stocks

	Group 2022 £	Group 2021 £
Consumable stocks	<u>360,531</u>	<u>436,083</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

The impairment loss recognised in respect of slow moving and obsolete stock was £57,429 (2021 - £70,110).

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

16. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Due after more than one year				
Amounts owed by group undertakings	<u>5,659,387</u>	<u>4,805,982</u>	<u>30,441,164</u>	<u>29,050,605</u>

During the previous year the group transferred an inter group balance due from a fellow subsidiary into a long term non participating class of share capital in that business. The balance will be repayable in October 2031. As a result of this the balance, previously sitting as due within 1 year, has been moved to due after more than 1 year. As per note 10 the balance has been subject to fair value discounting, resulting in a finance charge in the profit and loss account. The finance charge will be unwound annually until the repayment date, via a profit and loss gain each year until 2031, so that the receivable balance returns to the initial debt balance owed at the time of the transaction.

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Due within one year				
Trade debtors	2,276,872	1,733,835	-	-
Amounts owed by group undertakings	16,233,554	31,483,874	4,634,592	4,360,814
Other debtors	990,145	615,434	-	-
Prepayments	477,569	422,252	-	-
Deferred taxation (note 19)	464,060	888,487	-	-
	<u>20,442,200</u>	<u>35,143,882</u>	<u>4,634,592</u>	<u>4,360,814</u>

The impairment loss recognised in respect of bad and doubtful debts was a charge of £103,920 (2021 - £33,161).

17. Creditors: Amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Bank loans	3,444,444	3,138,889	-	-
Trade creditors	3,253,798	1,756,537	-	-
Amounts owed to group undertakings	22,921,233	35,116,222	18,642,716	15,342,499
Other taxation and social security	223,713	1,219,570	-	-
Obligations under finance lease and hire purchase contracts	527,211	148,524	-	-
Other creditors	21,706	21,706	-	-
Accruals and deferred income	5,417,583	5,390,747	-	-
	<u>35,809,688</u>	<u>46,792,195</u>	<u>18,642,716</u>	<u>15,342,499</u>

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

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

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Bank loans	138,889	3,361,111	-	-
Net obligations under finance leases and hire purchase contracts	484,781	572,087	-	-
Loans from parent undertaking	22,877,895	22,877,895	22,877,895	22,877,895
Loans from other group undertakings	13,477,386	13,477,386	13,477,386	13,477,386
	<u>36,978,951</u>	<u>40,288,479</u>	<u>36,355,281</u>	<u>36,355,281</u>

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

Included in loans from parent undertaking are group working capital loans denominated in Sterling with a book value of £22,877,895 (2021 - £22,877,895) repayable in one instalment on 2 January 2024 which bears interest of 6% per annum (2021 - 6% per annum). This 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 amounts owed to group undertakings is a working capital loan denominated in Euros of €3,635,000 (2021 - €3,635,000) with book value of £3,145,220 (2021 - £3,145,220) repayable in one instalment on 5 June 2024 which bears interest of 6% (2021 - 6%) per annum. This 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 (2021 - \$15,418,000) with a Sterling value of £11,279,125 (2021 - £11,279,125) repayable in one instalment on 5 June 2024 which bears interest of 0% per annum. At 31 December 2022 the investment loan had a book value of £10,332,166 (2021 - £10,332,166) as a result of being recognised at its discounted cash flow amount based on a market rate of interest of 10%. Interest of £Nil (2021 - £Nil) has been charged to the profit and loss account in the year in respect of the unwinding of this discount.

19. Loans

Analysis of the maturity of loans is given below:

	Group 2022 £	Group 2021 £
Amounts falling due within one year		
Bank loans	3,444,444	3,138,889
Amounts falling due 1-2 years		
Bank loans	138,889	3,361,111
	<u>3,583,333</u>	<u>6,500,000</u>

Production Resource Group (Europe) Limited

Notes to the financial statements For the year ended 31 December 2022

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2022 £	Group 2021 £
Within one year	527,211	148,524
Between 1-5 years	484,781	572,087
	<u>1,011,992</u>	<u>720,611</u>

21. Deferred taxation

Group

	2022 £
At beginning of year	727,199
Charged to profit or loss	(424,427)
At end of year	<u>302,772</u>

The deferred tax balance is made up as follows:

	Group 2022 £	Group 2021 £
Accelerated capital allowances	455,406	880,833
Tax losses carried forward	284	300
Other timing differences	8,370	7,354
Fair value adjustments on acquisition	(161,288)	(161,288)
	<u>302,772</u>	<u>727,199</u>
Comprising:		
Asset - due within one year	464,060	888,487
Liability	(161,288)	(161,288)
	<u>302,772</u>	<u>727,199</u>

Company

The parent company has no provisions for deferred taxation.

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Notes to the financial statements For the year ended 31 December 2022

22. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
11,188,889 A ordinary shares shares of £0.10 each	<u>1,118,889</u>	<u>1,118,889</u>

23. 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.

24. 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 represents contributions payable by the group and amounted to £416,437 (2021 - £383,060). Contributions totalling £Nil (2021 - £Nil) were payable at the year end.

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Notes to the financial statements For the year ended 31 December 2022

25. Commitments under operating leases

At 31 December 2022 the Group had future minimum lease payments due under non-cancellable operating leases as follows:

Group	2022 £	2021 £
Not later than 1 year	1,321,449	1,223,121
Later than 1 year and not later than 5 years	3,644,176	4,391,367
	<u>4,965,625</u>	<u>5,614,488</u>

26. 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:

	2022 £	2021 £
Aggregate sales and recharges	6,540,573	2,709,944
Aggregate purchases and recharges	2,691,666	9,904,686
Amount due from group undertakings	21,892,941	36,289,856
Loans due from group undertakings	-	-
Amount due to group undertakings	22,921,233	35,116,222
Loans due to group undertakings	36,355,281	36,552,238

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 16, 17 and 18 respectively. Interest receivable and interest payable of these loans is shown in notes 9 and 10 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 2022, rent, including service charges, of £1,241,801 (2021 - £1,169,675) 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 £249,886 (2021 - £249,887).

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 8.

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Notes to the financial statements For the year ended 31 December 2022

27. Controlling party

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

The company's ultimate parent undertaking and controlling party is PRG Holdings LLC, which is incorporated in the USA. Consolidated financial statements of PRG Holdings LLC are not publically available.