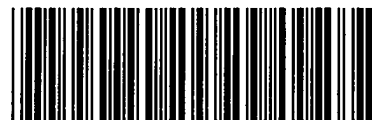


RNO Limited
Annual Report
for the year ended 31 December 2014

Registered number: 06409725

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RNO Limited

Annual Report

for the year ended 31 December 2014

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RNO Limited

Strategic Report for the year ended 31 December 2014

Business review and future developments

The group manufactures and sells luxury motor yachts to a worldwide network of independent distributors from six locations in the south west of England. The results of the group, for the year under review, show loss before income tax of £11,343,000 (2013: a profit before tax of £4,845,000) on turnover of £239,630,000 (2013: £239,365,000). This equates to a margin of minus 4.7% (2013: 2.0%). The board considers this to be a strong performance, having been impacted by a hurricane force storm in February 2014 causing multimillion pound damage to facilities and stock.

No sales orders were lost during this difficult period as we worked to recover from this exceptional weather event. Major disruption to our build plan was inevitable once the severity of damage to boats held in stock and the fabric of the manufacturing facilities were assessed. The recovery in work in progress took approximately eight months and we are working diligently with our insurance companies to settle our financial losses over the 24 month policy period.

The recovery from the storm concluded with our manufacturing plan being back on schedule by November 2014. Given a strong order book for 2015 and the expansion of both M Class and S Class ranges of boats we are on plan for a return to normative profitability in 2015.

Net assets of the group at 31 December 2014 totalled £7,108,000, a £21,462,000 decrease over the corresponding position last year (2013: £28,570,000), due to the combination of the loss in the year and the actuarial loss on the defined benefit pension scheme, which has recovered since year-end due to better performance of the gilts investments.

The results of the company, for the year under review, show a loss of £12,163,000 (2013: loss of £11,047,000), which arises mainly as a result of interest paid and accrued on the company's borrowings.

Key performance indicators

The ongoing financial performance and financial position of the group is monitored with reference to a series of key performance indicators which focus on the group's turnover, profit, net cash flow and total cash balances. All of these are monitored and approved by the directors and were reviewed at regular meetings of the board held during the year under review. The gross margin achieved in 2014 was 4.0% (2013: 10.3%). Net cash flow for the year was an outflow of £30,602,000 (2013: outflow of £10,231,000) and resulted in net debt at of £190,689,000 (2013: £158,823,000). This was mainly attributable to the storm effected trading profit (subject to insurance claim), our investment in new product and the group loan and interest payments.

Principal risks and uncertainties

The business is subject to a number of risks, with the principal area of risk and uncertainty relating to the economic conditions prevailing in world markets. To counter this, the group continues to invest heavily in new product development throughout its range of motor yachts, new models have been launched to much acclaim both in our traditional market sector and those we are expanding into, exposing ourselves to a wider customer demographic. 2014 saw three new models, the P60, P68 and the first of our S Class models, the S72. Our continued investment throughout 2014 will enable 2015 to be a record year in development terms by the range extension in M Class with the 30M and 35M, along with our second S Class, the S65. These new models will be joined by the V58 as we continue to strengthen our product offering. In addition, the group continues to review its cost base to ensure it is appropriate to the level of activity, together with continuing to pursue new market opportunities as they arise.

The group's operations expose it to a variety of financial risks, including the effects of credit risk, liquidity risk, exchange rate and interest rate risk. The policies in place to mitigate the potential impact of these financial risks are as follows:

RNO Limited

Strategic Report (continued)

Credit and liquidity risk

Where appropriate, credit checks are made prior to the appointment of a new distributor and these are reviewed on a periodic basis together with ongoing checks in respect of existing distributors. Weekly reviews of the debtors' ledger are carried out with the finance and sales teams and action initiated, as appropriate, to collect any overdue amounts, thus optimising the group's liquidity position.

Exchange rate risk

A proportion of the material cost is purchased in a currency other than sterling. In order to manage potential fluctuations in the exchange rate, a continuing programme of forward currency purchasing is in place and this is monitored on a monthly basis.

Interest rate risk

The rate of interest earned on the group's cash balances is monitored on an ongoing basis by continuing review of rates available in the market. Deposits are made with reference to these rates, in conjunction with projections of future cash requirements.

Going concern

The directors have undertaken detailed reviews of the group's forecast trading position as well as the trading positions of its distributors around the world, and the group's indebtedness, and are satisfied that the company and group have adequate resources to continue trading for the foreseeable future. As previously reported, the group was in breach of banking covenants at both 30 June 2014 and 31 December 2014. This has had no impact on the presentation of the related debt as this is now due for repayment in 2015 as the term of the loan ends. Post year end the breach of the June 2014 covenants was waived by the bank and the loan repayment was extended until 2018.

By order of the board

C J Gates
Director



24 August 2015

RNO Limited

Directors' Report for the year ended 31 December 2014

Registered Number 06409725

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2014.

Principal activity and business review

The group's principal activities are those associated with the manufacture and sale of motor yachts to a worldwide network of independent dealers from six locations in the south west of England. The company is a private limited company, domiciled in the United Kingdom, incorporated in England and Wales and its principal activity is that of a holding and investment company for the group. The ultimate parent undertaking of the company is RNO Group S.C.A., a company registered in Luxembourg.

Results and dividend

The group's results are shown in the Consolidated Income Statement on page 7. No ordinary share dividends have been paid or are proposed (2013: none).

Post balance sheet events

In July 2015 a corporate re-organisation took place, related to a group refinancing project. The Renwick Group plc (immediate subsidiary at year-end) was re-registered as a limited company and undertook a bonus share issue and capital reduction prior to distributing the investment in Princess Yachts International plc to the company. On 30 July 2015 Princess Yachts International plc approved a dividend of £3,000,000 to RNO Limited. Details of the outcome of the group refinancing can be found in note 14 of the financial statements.

Research and development

The group continues to develop new motor yachts to add to the existing range, with several new models having been launched during the year under review and with several more in the pipeline.

Directors

The directors of the company during the year and up to the date of signing the financial statements were:

C M Folleas (appointed 24 December 2014)
P M Franchet
C J Gates
P G Houël
D S King (Chairman up to 23 September 2014, resigned 6 August 2015)
P J C Mellier (appointed, as Chairman, 23 September 2014)
A Pallavicini
D R Piette
P H Skipworth (appointed 23 September 2014)
E S Velasco

Employees

The group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests.

RNO Limited

Directors' Report (continued)

Employees (continued)

Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in contributing towards its success. The group encourages the involvement of employee's by means of regular works committee meetings and the issue of periodic newsletters.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and 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 prepared the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the parent 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 the 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 IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

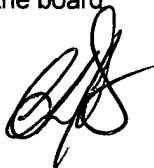
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, so far as each director is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



C J Gates
Director

24 August 2015

Independent auditors' report to the members of RNO Limited
Report on the financial statements

Our opinion

In our opinion:

- RNO Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's loss and cash flows for the year then ended;
 - the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
 - the company 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.
-

What we have audited

The financial statements comprise:

- the Consolidated Balance Sheet as at 31 December 2014;
- the Company Balance Sheet as at 31 December 2014;
- the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the year ended 31 December 2014 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

***Independent auditors' report to the members of RNO Limited
(continued)***

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Heather Ancient

Heather Ancient (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Plymouth

24 August 2015

RNO Limited

Consolidated Income Statement for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Continuing operations			
Revenue	2	239,630	239,365
Cost of sales		(230,035)	(214,702)
Gross profit		9,595	24,663
Distribution costs		(6,613)	(6,063)
Administrative expenses		(2,463)	(2,001)
Other income		587	550
Operating profit	4	1,106	17,149
Finance income	3	357	256
Finance costs	3	(12,806)	(12,560)
(Loss)/profit before income tax		(11,343)	4,845
Income tax income/(expense)	6	211	(2,101)
(Loss)/profit for the year from continuing operations	20	(11,132)	2,744

The notes on pages 14 to 37 are integral to these consolidated financial statements.

RNO Limited

Consolidated Statement of Comprehensive Income for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
(Loss)/profit for the year		(11,132)	2,744
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Actuarial loss on post-employment benefit obligations	18	(12,912)	(851)
Movement on deferred tax relating to pension liability	16	2,582	170
Other comprehensive income for the year, net of tax		(10,747)	(681)
Total comprehensive income for the year		(21,462)	2,063

The notes on pages 14 to 37 are integral to these consolidated financial statements.

RNO Limited

Consolidated Statement of Changes in Equity

	Ordinary shares £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2014	40	4,105	24,425	28,570
Total comprehensive income	-	-	(21,462)	(21,462)
At 31 December 2014	40	4,105	2,963	7,108

	Ordinary shares £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2013	40	4,105	22,362	26,507
Total comprehensive income	-	-	2,063	2,063
At 31 December 2013	40	4,105	24,425	28,570

The notes on pages 14 to 37 are integral to these consolidated financial statements.

RNO Limited

Consolidated Balance Sheet

	Note	2014 £'000	2013 £'000
Assets			
Non-current assets			
Property, plant and equipment	7	47,494	49,765
Intangible assets	8	116,825	118,124
Investments	9	232	207
Deferred income tax assets	16	4,435	1,872
		168,986	169,968
Current assets			
Inventories	11	104,548	101,194
Trade and other receivables	12	16,550	13,016
Cash and cash equivalents		1,421	28,663
		122,519	142,873
Total assets		291,505	312,841
Equity and liabilities			
Equity attributable to the owners of the parent			
Called up share capital	19	40	40
Share premium account	20	4,105	4,105
Retained earnings	20	2,963	24,425
Total equity		7,108	28,570
Liabilities			
Non-current liabilities			
Borrowings	14	182,750	181,686
Deferred government grants	15	6,233	6,284
Deferred income tax liabilities	16	2,490	2,762
Retirement benefit obligations	18	15,814	4,669
Provisions for other liabilities and charges	17	5,405	2,464
		212,692	197,865

RNO Limited

Consolidated Balance Sheet (continued)

	Note	2014 £'000	2013 £'000
Current liabilities			
Trade and other payables	13	62,345	80,517
Current tax liabilities		-	89
Borrowings	14	9,360	5,800
		71,705	86,406
Total liabilities		284,397	284,271
Total equity and liabilities		291,505	312,841

The notes on pages 14 to 37 are integral to these consolidated financial statements.

The financial statements on pages 7 to 37 were approved by the board of directors on 24 August 2015 and were signed on its behalf by:

C J Gates Director



Registered number: 06409725

RNO Limited

Company Balance Sheet

	Note	2014 £'000	2013 £'000
Fixed Assets			
Investments	9	187,006	187,006
Current assets			
Cash at bank and in hand		100	100
		100	100
Creditors: amounts falling due within one year	13, 14	(47,261)	(37,237)
Net current liabilities		(47,161)	(37,137)
Total assets less current liabilities		139,845	149,869
Creditors: amounts falling due after one year	14	(182,750)	(181,686)
Net liabilities		(42,905)	(31,817)
Capital and reserves			
Called up share capital	19	40	40
Share premium account	20	4,105	4,105
Profit and loss account	20	(47,050)	(35,962)
Total shareholders' deficit		(42,905)	(31,817)

The financial statements on pages 7 to 37 were approved by the board of directors on 24 August 2015 and were signed on its behalf by:

C J Gates Director



Registered number: 06409725

RNO Limited

Consolidated Statement of Cash Flows for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Cash (used in)/generated from operations	21	(11,379)	10,878
Interest paid		(5,741)	(5,907)
Income tax paid		(954)	(5,577)
Net cash used in operating activities		(18,074)	(606)
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(865)	(2,273)
Proceeds from sale of property, plant and equipment		24	12
Expenditure on development of new yachts	8	(5,917)	(6,869)
Government grant received	15	-	4,491
Interest received		30	314
Net cash used in investing activities		(6,728)	(4,325)
Cash flows from financing activities			
Repayments of borrowings		(5,800)	(5,300)
Net cash used in financing		(5,800)	(5,300)
Net decrease in cash and cash equivalents		(30,602)	(10,231)
Movement in borrowings		5,800	5,300
Other non-cash movements		(7,064)	(6,548)
Net debt at 1 January		(158,823)	(147,344)
Net debt at 31 December	22	(190,689)	(158,823)

RNO Limited

Accounting Policies

Group:

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS) and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the going concern basis under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate. Accounting policies adopted by subsidiaries are consistent with the policies across the group, with the exception of research and development costs, which are written off to the profit and loss account as incurred in subsidiaries. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

New standards which are now effective

The following standards have been adopted by the group for the first time for the financial year beginning on 1 January 2014; however, their implementation has not had a material impact on the group:

- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.
- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.
- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material. The interpretation is not mandatory for the Group in the current period, however the Group has early adopted the interpretation.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the group.

RNO Limited

Accounting Policies (continued)

Standards not yet effective

As at the date of authorisation of these financial statements, the following Standards and Interpretations as well as amendments to existing Standards and Interpretations, which have not been applied in these financial statements, were in issue but not effective:

IFRS 15 'Revenue from contracts with customers' (effective 2017)

IFRS 9 'Financial Instruments' (effective 2018)

Management will quantify the effect of adopting the above standards in due course as the implementation date nears.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and the equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the acquisition date.

Going concern

The directors have undertaken detailed reviews of the group's forecast trading position as well as the trading positions of its distributors around the world, and the group's indebtedness, and are satisfied that the company and group have adequate resources to continue trading for the foreseeable future. As previously reported, the group was in breach of banking covenants at both 30 June 2014 and 31 December 2014. This has had no impact on the presentation of the related debt as this is now due for repayment in 2015 as the term of the loan ends. Post year end the breach of the June 2014 covenants was waived by the bank and the loan repayment was extended until 2018.

Revenue recognition

Turnover is the invoiced value of goods, net of value added tax and discounts. Turnover from the sale of goods is recognised when the significant risks and benefits of product ownership transfer to the buyer (and the yacht is fully paid for), which may be upon shipment, completion of the product or the product being ready for delivery, based on specific contract terms.

Long-term contract accounting

Revenue and profit recognised in the year reflects management's best estimate of the value of work completed on each yacht over 80 feet in length. The degree of completion, which forms the basis of this estimate, is assessed by reference to the labour cost expended in the construction process at the accounting date as a percentage of the total expected labour cost for the yacht. The resultant percentage is then applied to management's estimate of the total expected revenue and profit on completion of the yacht to determine the amounts to be recognised in the financial statements. Losses are recognised as soon as they are identified. The amount by which recorded turnover exceeds payments received on account is classified separately as contract receivables.

Research and development costs

Costs directly associated with the development of new yachts (material and labour) are capitalised and amortised over the period during which it is expected sales revenues will be generated as the result of establishing a commercially viable and separately identifiable project. Capitalised costs are reviewed annually and will be written off where continuing carry forward is no longer considered to be appropriate.

RNO Limited

Accounting Policies (continued)

Warranty cost

Provision is made for warranty costs that are estimated to arise in relation to boats sold. Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Grants

Government grants are treated as deferred income in the balance sheet and credited to trading results over the estimated useful economic lives of the assets to which they relate. Amortisation of government grants commences once all conditions have been met and there is no longer a possibility of repayment.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date, except where they are covered by forward currency contracts, in which case the forward contract rate is used. Transactions denominated in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. All exchange differences are included in the Income Statement. The consolidated financial statements are presented in sterling, which is the company's functional and the group's presentation currency.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity and debt instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Direct issue costs are amortised over the life of the instrument. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise. Assets are derecognised when the rights to receive cash flows have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

The group adopted IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' prospectively from 1 January 2013. Accordingly, the group has classified its financial assets in the following categories:

- i) ***Financial assets at fair value through profit and loss***
Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if it has a readily ascertainable market value and it is publicly traded.
- ii) ***Loans, liabilities and receivables***
Loans, liabilities and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The group's loans, liabilities and receivables comprise "trade and other receivables" "trade and other payables" and "cash and cash equivalents" in the balance sheet. Loans, liabilities and receivables are held at amortised cost.

Share capital

Debt and equity instruments are classified according to the substance of the contractual arrangements as required by IAS 32 'Financial Instruments: Disclosure and Presentations'. Ordinary shares are classified as equity.

RNO Limited

Accounting Policies (continued)

Operating leases

Costs in respect of operating leases are charged to the income statement on a straight line basis over the lease term.

Intangible assets - goodwill

Purchased goodwill represents the excess of the cost of the acquisition of the business over the fair value of the net identifiable assets of the acquired business. Goodwill is not amortised but tested for impairment annually, or when trigger events occur, and carried at cost less accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment are recorded at its purchase cost, together with any associated expense of acquisition. In 2013 the group acquired a number of heritage buildings with the acquisition of South Yard in Plymouth. These assets are held at cost (being £1) and are not being depreciated.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight line basis, over the expected useful economic life of the asset concerned. Freehold land and assets under construction are not depreciated. The principal economic lives are:

Freehold buildings	25 to 50 years
Cranes and hoists	7 to 20 years
Other plant and equipment	4 to 7 years
Motor vehicles	4 to 5 years

Inventory and work in progress

Inventory are stated at the lower of cost and net realisable value with due allowance being made for obsolete and slow moving items. Raw materials are stated at cost on a "First in, First out" (FIFO) basis. Work in progress is stated at the accumulated cost of material, labour and an appropriate allocation of production overheads.

Pensions

Pension scheme arrangements are accounted for in accordance with accounting standard IAS 19 'Retirement Benefits'. Scheme assets are determined at bid value and liabilities are calculated using the projected unit method discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The expected return on assets and the increase or decrease in the present value of the liabilities for the year are included in other finance expense. Actuarial gains and losses are recognised in the Statement of Comprehensive Income. The pension deficit is included in the balance sheet, net of the related deferred tax. The group also operates defined contribution pension arrangements. Contributions are charged to the income statement when they fall due.

Cash and cash equivalents

Cash and cash equivalents includes cash and bank balances (including bank loans), as well as other balances considered as equivalent debt by management such as shareholders' loans and preference shares, even where these have a longer-term maturity than the next 12 months.

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

RNO Limited

Accounting Policies (continued)

Tax, including deferred tax

The tax expense represents the sum of current tax expense and deferred tax expense. Current tax expense is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Group relief is claimed from other group companies in respect of their losses, to offset taxable profits in this company. £0.50 is paid for each £1 of tax losses surrendered across the group. As this payment is in excess of the expected amount payable (equating to the tax rate for the year of 21.5%), any amount above this level is taken directly to equity.

Deferred tax is accounted for on an undiscounted basis at expected rates on all differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised where the directors are satisfied that the amount is recoverable.

Fair values

The fair values of short term deposits, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values. The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the group's assets that are measured at fair value at 31 December 2014 (no liabilities are held at fair value):

Group – 31 December 2014

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Financial assets at fair value through profit and loss	232	-	-	232
Total	232	-	-	232

Group – 31 December 2013

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Financial assets at fair value through profit and loss	207	-	-	207
Total	207	-	-	207

RNO Limited

Accounting Policies (continued)

Company:

These financial statements are prepared on the going concern basis and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, unless otherwise stated, are set out below.

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, modified to include the revaluation of investments. The directors have considered the accounting policies and estimation techniques detailed below and concluded that, in accordance with FRS 18 'Accounting Policies', they are the most appropriate for the company.

As permitted by section 408 of the Companies Act 2006, the company's profit and loss account has not been included in these financial statements. The parent company's loss after tax for the year was £12,163,000 (2013: loss £11,047,000)

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date, except where they are covered by forward currency contracts, in which case the forward contract rate is used. Transactions denominated in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. All exchange differences are included in the Income Statement. The consolidated financial statements are presented in sterling, which is the company's functional and the group's presentation currency.

Investments

Parent company investments in subsidiaries are initially measured at cost and impairment reviews are conducted when there is an indication of potential impairment. Other unlisted investments are measured at market value, using the AIM quoted price as an indicator.

Tax, including deferred tax

The tax expense represents the sum of current tax expense and deferred tax expense. Current tax expense is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Group relief is claimed from other group companies in respect of their losses, to offset taxable profits in this company. £0.50 is paid for each £1 of tax losses surrendered across the group. As this payment is in excess of the expected amount payable (equating to the tax rate for the year of 21.5%), any amount above this level is taken direct to reserves through the Statement of total recognised gains and losses.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Notes to the Consolidated Financial Statements

1 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated on page 17. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 8).

b) Useful economic lives of yacht models for capitalisation of development costs

Development costs relating to the introduction of new yacht models are capitalised and amortised off over the period during which it is expected sales revenues will be generated. This period is the average useful life for new models developed over recent years. A one year reduction in the period over which such development costs are amortised would have impacted profit before income tax by £1,377,000 (2013: £1,501,000).

c) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying value of pension obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 18.

d) Revenue recognition – long-term contract accounting

Yachts over 80 feet in length are accounted for under long-term contract accounting, with revenue and profit being based on the degree of completion at year end. The revenue and profit recognised are calculated using the labour cost incurred as a percentage of total forecast labour cost to complete, multiplied by the proportion of the expected profit on completion. Estimates are required for the percentage completion of the yacht itself, and also on the estimate of the overall profit to be generated. A 1% decrease in the overall expected profit would reduce gross profit by £77,000 (2013: £50,000). A 1% decrease in the percentage completion of the yachts would reduce gross profit by £206,000 (2013: £194,000).

RNO Limited

Notes to the Consolidated Financial Statements (continued)

2 Revenue

All revenue derives from UK boat manufacturing activities and originates in the UK. The directors consider that there is only one operating segment, relating to the principal activity.

	2014 £'000	2013 £'000
Revenue recognised when delivered	228,101	215,867
Revenue recognised according to long term contract accounting	11,529	23,498
Revenue	239,630	239,365

3 Finance income

	2014 £'000	2013 £'000
Interest receivable from bank deposits	30	256
Other finance income – pensions (see note 18)	327	-
	357	256

Finance costs

	2014 £'000	2013 £'000
Interest payable on bank loan	207	372
Amortisation of bank loan issue cost	332	222
Interest payable on other loans	7,446	7,300
Other finance expense – pensions (see note 18)	-	105
Preference share dividend	4,821	4,561
Net interest payable	12,806	12,560

RNO Limited

Notes to the Consolidated Financial Statements (continued)

4 Operating profit

	2014 £'000	2013 £'000
Operating profit is stated after charging/(crediting):		
Amortisation of development costs	7,216	6,763
Depreciation of tangible fixed assets	3,114	3,107
Amortisation of government grant	(51)	(51)
Research and development not capitalised	3,593	3,749
(Profit)/loss on disposal of property, plant and equipment	(2)	2
Operating lease rentals – plant and machinery	26	33

Auditors' remuneration of £154,000 (2013: £155,000) includes £14,000 (2013: £14,000) in respect of the parent company and group audit, £113,000 (2013: £83,000) in respect of subsidiary company audits, £18,000 (2013: £20,000) relating to tax compliance services, £4,000 (2013: £16,000) relating to tax advisory services, £nil (2013: £11,000) relating to non-audit assurance activities and £5,000 (2013: £11,000) relating to all other non-audit services.

5 Staff numbers and costs

The average monthly number of employees for the group during 2014 and 2013 was:

By activity	2014 Number	2013 Number
Production	2,356	2,174
Selling and distribution	29	26
Administration	44	43
	2,429	2,243

Employee costs	2014 £'000	2013 £'000
Wages and salaries	71,934	64,566
Social security costs	6,971	6,297
Pension costs	440	509
	79,345	71,372

Directors' emoluments

Aggregate directors' emoluments for the year were £595,867 (2013: £565,458). The aggregate value of company contributions paid to a defined contribution pension scheme in respect of the directors' qualifying services is £24,000 (2013: £24,000). One director (2013: one) is accruing benefits under money purchase pension schemes. The number of directors with accrued benefits under the company's defined benefit pension scheme is one (2013: one).

The remuneration of the highest paid director was £224,000 (2013: £236,200). His accrued pension entitlement under the group's defined benefit pension scheme at 31 December 2014 was £33,855 per annum (2013: £32,745 per annum).

RNO Limited

Notes to the Consolidated Financial Statements (continued)

6 Income tax (income)/expense

Analysis of (credit)/charge to income statement

	2014 £'000	2013 £'000
Current tax:		
UK corporation tax at 21.5% (2013: 23.25%)	40	2,769
Adjustments relating to prior years	2	(302)
Total current tax	42	2,467
Deferred tax (note 16):		
Origination and reversal of timing differences	(599)	(787)
Movement on pension scheme	353	310
Adjustments relating to prior years	(7)	111
Total deferred tax	(253)	(366)
Total tax (credit)/charge for the current year	(211)	2,101

The tax assessed for 2014 and 2013 reconciles to the standard effective rate of corporation tax in the UK as follows:

	2014 £'000	2013 £'000
(Loss)/profit before taxation	(11,343)	4,845
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	(2,438)	1,126
Effects of:		
Expenses not deductible for tax purposes	2,216	1,314
Adjustments to prior periods tax charge	(5)	(155)
Deferred tax rate changes	16	(184)
Total tax (credit)/charge for the current year	(211)	2,101

Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the company's profits for this financial year are taxed at an effective rate of 21.5%. However, a reduction in the standard rate to 20% with effect from 1 April 2015 has been substantively enacted at the date of financial statement approval and therefore, this is the rate which has been used to calculate deferred tax balances. Proposals were included in the July 2015 Budget to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. Both changes are yet to be legislated.

RNO Limited

Notes to the Consolidated Financial Statements (continued)

7 Property, plant and equipment

Group	Freehold property £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2013	47,297	16,712	64,009
Additions	155	2,118	2,273
Disposals	-	(35)	(35)
At 1 January 2014	47,452	18,795	66,247
Additions	85	780	865
Disposals	-	(43)	(43)
At 31 December 2014	47,537	19,532	67,069
Accumulated depreciation			
At 1 January 2013	3,220	10,176	13,396
Charge to income statement	1,014	2,093	3,107
Disposals	-	(21)	(21)
1 January 2014	4,234	12,248	16,482
Charge to income statement	1,018	2,096	3,114
Disposals	-	(21)	(21)
31 December 2014	5,252	14,323	19,575
Net book value at 31 December 2014	42,285	5,209	47,494
Net book value at 31 December 2013	43,218	6,547	49,765

8 Intangible assets

a) Goodwill

Group	2014 £'000
Cost	
At 31 December 2013 and 31 December 2014	104,377

Impairment tests for goodwill

Management reviews the business performance at the one, overall, segmental level of the principal activity.

Notes to the Consolidated Financial Statements (continued)

8 Intangible assets (continued)

The recoverable amount of the only CGU has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the annual financial projections approved by management covering a nine year period, being management's lowest estimate for the future life of the business. The growth rates used do not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations in 2014 and 2013 are as follows:

	2014	2013
Operating profit before depreciation and amortisation (£'000)	5,997	20,788
Economic life (years)	9	9
Growth rate - %	10.0%	8.1%
Discount rate - %	5.5%	8.0%

Management determined projected operating profit before depreciation and amortisation based on past performance together with expectations of future market development. The discount rates used are pre-tax.

b) Capitalised development costs

Group	Total £'000
Cost	
At 1 January 2013	23,990
Additions	6,869
At 1 January 2014	30,859
Additions	5,917
At 31 December 2014	36,776
Accumulated amortisation	
At 1 January 2013	10,349
Charge to income statement – cost of sales	6,763
1 January 2014	17,112
Charge to income statement – cost of sales	7,216
At 31 December 2014	24,328
Net book value at 31 December 2014	12,448
Net book value at 31 December 2013	13,747

RNO Limited

Notes to the Consolidated Financial Statements (continued)

9 Investments

	Group 2014 £'000	2013 £'000	Company 2014 £'000	2013 £'000
Investment in The Renwick Group plc	-	-	187,006	187,006
Other unlisted investments	232	207	-	-
	232	207	187,006	187,006

Parent investment in The Renwick Group plc

The subsidiary companies within The Renwick Group plc are:

Subsidiary	Holding	Nature of Business	Country of Incorporation
The Renwick Group plc	100%	Holding company	England
Princess Yachts International plc	100%	Manufacture of luxury motor yachts	England
Felix Engineering Limited	100%	Manufacture of luxury motor yachts	England
Marine Projects (Plymouth) Limited	100%	Dormant	England
Capstan Travel Limited	100%	Dormant	England

At the balance sheet date, The Renwick Group plc owns 100% of the ordinary share capital of Princess Yachts International plc, which in turn owns 100% of the ordinary share capital of Felix Engineering Limited (see note 28 for details of post balance sheet events).

Other unlisted investments

Other unlisted investments comprise shares held in Sutton Harbour Holdings plc, a business concerned with regional regeneration and development. The group holds approximately 1% of this company's shares which are traded on the Alternative Investment Market. The original cost of these shares was £55,000 and valuation movements have been as follows:

Group	2014 £'000	2013 £'000
Market value at 1 January	207	214
Revaluation	25	(7)
Market value at 31 December	232	207

RNO Limited

Notes to the Consolidated Financial Statements (continued)

10 Financial instruments by category

Group – 31 December 2014

	Loans, liabilities and receivables £'000	Assets at fair value through profit and loss £'000	Total £'000
Assets as per balance sheet			
Financial assets at fair value	-	232	232
Trade and other receivables excluding prepayments	12,780	-	12,780
Cash and cash equivalents	1,421	-	1,421
Total	14,201	232	14,433
Liabilities as per balance sheet			
Borrowings	192,110	-	192,110
Trade and other payables excluding non-financial liabilities	92,287	-	92,287
Total	284,397	-	284,397

Group – 31 December 2013

	Loans, liabilities and receivables £'000	Assets at fair value through profit and loss £'000	Total £'000
Assets as per balance sheet			
Financial assets	-	207	207
Trade and other receivables excluding prepayments	9,622	-	9,622
Cash and cash equivalents	28,663	-	28,663
Total	38,285	207	38,492
Liabilities as per balance sheet			
Borrowings	187,486	-	187,486
Trade and other payables excluding non-financial liabilities	96,785	-	96,785
Total	284,271	-	284,271

RNO Limited

Notes to the Consolidated Financial Statements (continued)

11 Inventories

Group	2014 £'000	2013 £'000
Contract work in progress		
Contract costs incurred	57,800	40,252
Profit recognised as income	18,119	25,057
Work in progress	75,919	65,309
Invoicing on account to customers	(57,053)	(42,423)
Contract work in progress	18,866	22,886
Raw materials	13,322	9,027
Short-term work in progress	41,167	39,556
Finished goods	31,193	29,725
	104,548	101,194

There is no material difference between the balance sheet amount of stock and its replacement cost. A slow moving/obsolete stock provision of £1,125,000 (2013: £1,140,000) has been included within the raw materials analysis above.

12 Trade and other receivables

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade receivables	8,485	9,317	-	-
Corporation tax	1,102	392	-	-
Other receivables	3,193	305	-	-
Prepayments and accrued income	3,770	3,002	-	-
	16,550	13,016	-	-

The fair value of trade receivables is £8,485,000 (2013: £9,317,000). There are no trade receivables past due and not impaired and there is no provision for impaired receivables in either 2014 or 2013. The credit quality of those trade receivables not past due and not impaired is considered good. All trade receivables are denominated in Sterling for both 2014 and 2013.

RNO Limited

Notes to the Consolidated Financial Statements (continued)

13 Trade and other payables

Amounts due within one year	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade payables	25,362	27,540	-	-
Other payables	11,654	12,649	401	557
Amounts owed to group undertakings	-	-	40,860	30,880
Other taxation and social security	2,022	2,802	-	-
Accruals and deferred income	23,307	37,526	-	-
	62,345	80,517	41,261	31,437

14 Borrowings

Group and company	2014 £'000	2013 £'000
Non-current		
Bank loan (unsecured), net of issue costs	-	5,668
Redeemable preference shares	89,158	84,337
Shareholders' advances and other loans (unsecured)	93,592	91,681
	182,750	181,686
Group		
Current		
Bank loan (unsecured), net of issue costs	6,000	5,800
Bank overdrafts (unsecured)	3,360	-
	9,360	5,800
Company		
Current		
Bank loan (unsecured), net of issue costs	6,000	5,800

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant. All borrowings are denominated in Sterling in both 2014 and 2013.

RNO Limited

Notes to the Consolidated Financial Statements (continued)

14 Borrowings (continued)

Maturity profile

The maturity profile of the carrying amount of borrowing at 31 December 2014 was as follows:

	Bank overdraft	Bank loan	Redeemable preference shares	Other loans	Total
	£'000	£'000	£'000	£'000	£'000
<1 year	3,360	6,000	-	-	9,360
> 5 years	-	-	89,158	93,592	182,750
	3,360	6,000	89,158	93,592	192,110

a) Bank loan

As at 31 December 2014, the final tranche of the bank loan was repayable in June 2015, with variable interest based on a margin payable throughout the term of the loan. On 31 July 2015 the company and its parent, RNO Group SCA, agreed a debt restructuring with the bank regarding the Group's finance arrangements including the amount payable by RNO Limited. Under the debt restructuring, the term of the RNO Limited debt was extended until 31 October 2018 and re-allocated bank debt between RNO Limited and RNO SCA with the effect that at 31 July 2015, the bank debt of RNO Limited increased to £35,000,000. As set out below, a corresponding reduction was made to the shareholder loan from RNO Group SCA to RNO Limited.

b) Preference shares

The cumulative preference shares comprise 62,100,000 shares of £0.01 each (authorised, issued at £0.99 premium and paid up). The shares, which do not carry any voting rights, are redeemable on or before 31 December 2020 at the option of the shareholders, who have confirmed that it is not their current intention to exercise their option before this date. The shares bear interest calculated at 72% of 5.08% plus 275 basis points of the subscription price p.a. on the par value of these shares on a cumulative basis.

On winding up, the preference shareholders rank above ordinary shareholders. On redemption or winding up, the preference shareholders are entitled to receive the subscription price together with any interest accrued but unpaid in respect of their shares. The accrued interest on preference shares amounts to £27,058,000 (2013: £22,237,000). The interest will be rolled up throughout the term of the preference shares.

c) Shareholders' advance and other loans

Other loans comprise shareholders' advances from RNO Group S.C.A. (£68,500,000 plus interest and £15,000,000 plus interest). These advances are not expected to be repaid until 2038.

The interest rate on the shareholders advances was fixed at 5.08% plus 300 basis points in 2014. In June 2015 a reduction in the interest rate payable on these loans was agreed with the shareholders, to 5.08% plus 154 basis points for £15,000,000 of the loans and 5.08% for the £68,500,000 loan. The agreement also stated that the interest rates charged back to 2012 were also to be retrospectively changed to 5.08% plus 144 basis points in 2012, 5.08% plus 195 basis points in 2013 and 5.08% plus 187 basis points in 2014, and 5.08% respectively. The interest from 2012 until 2014 will be used to reduce the actual interest paid in 2015. No adjustment to prior years' financial statements has been made for this post balance sheet event. For £15,000,000 of the loans, the interest is being rolled up throughout the term of the loan. For the remaining loan balance, the interest is paid monthly.

As noted above, as at 31 July 2015, part of the shareholder loan from RNO SCA to RNO Limited reduced from £68,500,000 plus interest to £39,500,000 plus interest. The remaining £15,000,000 plus interest portion of the loan was not affected by the debt restructuring.

RNO Limited

Notes to the Consolidated Financial Statements (continued)

15 Deferred government grants

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Non-current				
At 1 January	6,284	1,844	-	-
Received during the year	-	4,491	-	-
Amortisation in the year	(51)	(51)	-	-
At 31 December	6,233	6,284	-	-

A grant of £4,491,000 was received during 2013 from the UK Government's Regional Growth Fund with regard to the company's development of its South Yard site at the Devonport Dock Yard. Amortisation of this grant will commence on completion of the project. A small element of the historic grant will be amortised within the next 12 months (£51,000); however, it has not been reallocated to amounts falling due within one year on grounds of being immaterial to these financial statements.

16 Deferred taxation

Group

	Pension Assets £'000	Excess capital allowances over depreciation Assets £'000	Liabilities £'000	Other timing differences Assets £'000	Liabilities £'000	Total Net £'000
At 1 January 2013	1,185	20	(77)	607	(3,161)	(1,426)
Movement recognised in income statement	(421)	(1)	64	312	412	366
Movement recognised in other comprehensive income	170	-	-	-	-	170
At 1 January 2014	934	19	(13)	919	(2,749)	(890)
Movement recognised in income statement	(353)	402	13	(68)	259	253
Movement recognised in other comprehensive income	2,582	-	-	-	-	2,582
At 31 December 2014	3,163	421	-	851	(2,490)	1,945

Total deferred tax assets = £4,435,000 (2013: £1,872,000)

Total deferred tax liabilities = £2,490,000 (2013: £2,762,000)

RNO Limited

Notes to the Consolidated Financial Statements (continued)

17 Provisions for other liabilities and charges

Group	Warranty cost £'000
1 January 2013	1,955
Utilised in the year	(1,955)
Additional provision made in the year	2,464
1 January 2014	2,464
Utilised in the year	(2,464)
Additional provision made in the year	5,405
31 December 2014	5,405

A provision for future warranty costs is based on the ratio of warranty costs to revenue in the past year, applied to the revenue for the year.

18 Retirement benefit obligations

Defined benefit scheme

Princess Yachts International plc, a wholly owned subsidiary within the group, operates a defined benefit pension scheme which was closed to new entrants on 31 May 2003. Accrual of future benefits for all existing members ceased at that time. The scheme's funding is valued triennially by an independent qualified actuary using the aggregate method. At the last full valuation on 6 April 2013, the value of the scheme's assets (which are held separately from the group) was £67,800,000, sufficient to cover 75% of the benefits accrued at that date.

During the year ended 31 December 2014, contributions of £1,440,000 (2013: £1,440,000) were made towards meeting the funding requirement. Contributions of £1,440,000 are expected to be made in 2015. The following information is based on the April 2014 actuarial valuation rolled forward to 31 December 2014 by a qualified independent actuary.

The principal assumptions used by the actuary were:

Principal assumptions	2014	2013
Rate of increase in pay – uncapped members	3.9%	4.2%
Rate of increase in pay – capped members	3.9%	4.2%
Rate of increase in pension payment	3.1%	3.4%
Discount rate	3.4%	4.4%
Inflation	3.1%	3.4%
Commutation factor	100%	100%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. At 31 December 2014 the assumed life expectations on retirement, at age 65 for current pensioners, were 21.6 years for men (2013: 21.6 years) and 23.5 years for women (2013: 23.4 years).

RNO Limited

Notes to the Consolidated Financial Statements (continued)

18 Retirement benefit obligations (continued)

Assets and expected rates of return

The expected return on assets is based on the long term future expected investment return of each asset class. The return on gilts is assumed to be the yield on the FTSE Actuaries 15 year gilt index and the return on corporate bonds is assumed to be the yield on the iBoxx Corporate AA 15+ index. The return on equities is assumed to be 3.5% p.a. margin above gilt yields. The overall expected rate of return for the year commencing 1 January 2015 is 3.9%.

	Long term rate of return expected at 31 December 2014 %	Bid value at 31 December 2014 £'000	Long term rate of return expected at 31 December 2013 %	Bid value at 31 December 2013 £'000
Equities	5.7%	28,498	6.9%	33,011
Bonds	3.4%	43,842	4.4%	37,672
Cash	0.5%	731	0.5%	198
Market value of assets		73,071		70,881
Present value of scheme liabilities (funded)		(88,885)		(75,550)
Scheme liability		(15,814)		(4,669)
Deferred tax asset		3,163		934
Net pension deficit		(12,651)		(3,735)

There is no current service cost in either year.

Analysis of amount credited to Finance income/(charged to Finance costs):	2014 £'000	2013 £'000
Expected return on assets	3,608	2,715
Interest on liabilities	(3,281)	(2,820)
Other finance income/(expense)	327	(105)

Analysis of amounts recognised in Statement of Comprehensive Income:

Actual return less expected return on assets	(1,086)	3,792
Experience adjustments arising on liabilities	217	(479)
Changes in assumptions underlying present value of liabilities	(12,043)	(4,164)
Actuarial loss in Statement of Comprehensive Income	(12,912)	(851)

Actual return on assets

Expected return on assets	3,608	2,715
Actuarial (loss)/gain on assets	(1,086)	3,792
	2,522	6,507

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Notes to the Consolidated Financial Statements (continued)

18 Retirement benefit obligations (continued)

Reconciliation of fair value of scheme assets	2014 £'000	2013 £'000
Assets at 1 January	70,881	64,756
Expected return on assets	3,608	2,715
Actuarial (loss)/gain	(1,086)	3,792
Employer contributions	1,440	1,440
Benefits paid (net of transfers in)	(1,772)	(1,822)
Assets at 31 December	73,071	70,881

Reconciliation of present value of scheme liabilities		
Liabilities at 1 January	(75,550)	(69,909)
Interest cost	(3,281)	(2,820)
Actuarial loss	(11,826)	(4,643)
Benefits paid (net of transfers in)	1,772	1,822
Liabilities at 31 December	(88,885)	(75,550)

The scheme assets are stated at bid value. The weighted average duration of the liabilities valued at 31 December 2014 is 19.1 years.

The effect of changes to the principal actuarial assumptions on the value of the funded defined benefit obligations disclosed is summarised below:

Change to assumption	Resulting benefit obligation value
Discount rate increased by 1%	£74,465,500
Discount rate decreased by 1%	£107,799,000
RPI and associated assumptions increased by 1%	£103,081,100
RPI and associated assumptions decreased by 1%	£78,056,900

History of experience gains and losses	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Defined benefit obligation	(88,885)	(75,550)	(69,909)	(64,736)	(60,834)
Plan assets	73,071	70,881	64,756	58,951	56,654
Deficit	(15,814)	(4,669)	(5,153)	(5,785)	(4,180)
Experience adjustments on plan liabilities	217	479	19	1,144	1,162
Experience adjustments on plan assets	(1,086)	3,856	3,646	(946)	1,658

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Notes to the Consolidated Financial Statements (continued)

18 Retirement benefit obligations (continued)

Defined contribution schemes

The group also operates defined contribution pension schemes. Pension contributions in respect of these schemes were £440,000 (2013: £509,000). There were no contributions outstanding or prepaid at 31 December 2014 (2013: £nil).

19 Called up share capital

Group and company	2014 £'000	2013 £'000
Authorised, allotted, issued and fully paid		
3,000,000 A ordinary shares of £0.01 each	30	30
1,000,000 B ordinary shares of £0.01 each	10	10
At 31 December	40	40

The value of the shares allotted on the acquisition of The Renwick Group plc was £4.0m, reflecting a premium of £0.99 per share. Lloyds TSB has a charge over 300,000 of the B ordinary shares relating to loan agreements entered into during 2008.

20 Reserves

Group	Share premium account £'000	Retained earnings £'000	Total £'000
1 January 2013	4,105	22,362	26,467
Profit for the year	-	2,744	2,744
Actuarial loss on pension scheme	-	(851)	(851)
Movement on deferred tax relating to pension liability	-	170	170
1 January 2014	4,105	24,425	28,530
Loss for the year	-	(11,132)	(11,132)
Actuarial loss on pension scheme	-	(12,912)	(12,912)
Movement on deferred tax relating to pension liability	-	2,582	2,582
31 December 2014	4,105	2,963	7,068
Company			
1 January 2014	4,105	(35,962)	(31,857)
Loss for the year	-	(12,163)	(12,163)
Excess payment for group relief	-	1,075	1,075
31 December 2014	4,105	(47,050)	(42,945)

RNO Limited

Notes to the Consolidated Financial Statements (continued)

21 Cash (used in)/generated from operations

Group	2014 £'000	2013 £'000
(Loss)/profit before tax	(11,343)	4,845
Fair value movement on investments	(25)	7
Depreciation of property, plant and equipment	3,114	3,107
Amortisation of development costs	7,216	6,763
Grant amortisation	(51)	(51)
Movement on warranty provision	2,941	509
Interest receivable	(357)	(256)
Interest payable	12,806	12,560
(Profit)/loss on disposal of property, plant and equipment	(2)	2
Increase in inventory	(3,354)	(24,501)
Increase in trade and other receivables	(2,824)	(3,320)
(Decrease)/increase in trade and other payables	(18,060)	12,653
Pension contributions	(1,440)	(1,440)
Net cash (outflow)/inflow from operating activities	(11,379)	10,878

22 Reconciliation of movement in net debt

	Net debt at 1 January 2014 £'000	Cash flow £'000	Non-cash flow £'000	Net debt at 31 December 2014 £'000
Cash	28,663	(27,242)	-	1,421
Bank overdraft	-	(3,360)	-	(3,360)
Bank loan	(11,468)	5,800	(332)	(6,000)
Shareholders' advances and other loans	(91,681)	-	(1,911)	(93,592)
Preference shares	(84,337)	-	(4,821)	(89,158)
Borrowing	(187,486)	5,800	(7,064)	(192,110)
Net debt	(158,823)	(24,802)	(7,064)	(190,689)

Non-cash flow includes £332,000 (2013: £222,000) amortised loan costs, £1,911,000 (2013: £1,765,000) other loan interest and £4,821,000 (2013: £4,561,000) accrued dividend on the preference shares.

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Notes to the Consolidated Financial Statements (continued)

23 Contingent liabilities and financial commitments

At 31 December 2014, the group had entered into forward foreign currency contracts to purchase €30,000,000 (2013: €18,400,000 and \$6,000,000) leading to a loss of £441,000 based on the foreign exchange rates at the year end. These contracts will crystallise in 2015.

24 Capital commitments

	2014 £'000	2013 £'000
Contracted not provided	48	235

25 Operating lease commitments

The group had lease commitments in respect of non-cancellable operating leases on plant and machinery. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 £'000	2013 £'000
Within one year	26	18
In more than five years	8	15
	34	33

26 Related party transactions

The company had the following transactions with related parties in 2014 and 2013:

As detailed in note 14, 62,100,000 cumulative preference shares of £0.01 each are held by RNO Group S.C.A.. During the year, accrued dividends of £4,821,000 (2013: £4,561,000) were added to the carrying value of the preference shares. In addition £7,446,000 (2013: £7,300,000) of interest, on advances of £83,500,000 made by RNO Group S.C.A. was charged to the income statement in the year.

27 Ultimate controlling party

The largest group for which consolidated financial statements are prepared is the ultimate parent undertaking, RNO Group S.C.A., a company incorporated in Luxembourg. These financial statements are not filed. There is no one company with ultimate control over the group.

28 Post balance sheet events

In July 2015 a corporate re-organisation took place, related to a group refinancing project (details of which can be found in note 14). The Renwick Group plc (immediate subsidiary at year-end) was re-registered as a limited company and undertook a bonus share issue and capital reduction prior to distributing the investment in Princess Yachts International plc to the company. On 30 July 2015 Princess Yachts International plc approved a dividend of £3,000,000 to RNO Limited.