

Company registration number: 09031686

**NTG Europe (UK) Limited**  
**Annual report and financial statements**  
For the year ended 31 December 2020



**NTG Europe (UK) Limited**

**Directors' report and financial statements for the year ended 31 December 2020**

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**NTG Europe (UK) Limited**  
**Company information**  
**For the year ended 31 December 2020**

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Registered office	3 Cadogan Gate Chelsea London SW1X 0AP
Directors	Richard Lott Nicholas Cummins
Independent auditors	BDO LLP Level 12 Thames Tower Station Road Reading RG1 1LX United Kingdom

**NTG Europe (UK) Limited**  
**Strategic report**  
**For the year ended 31 December 2020**

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The directors present the Strategic report together with the audited financial statements for the year ended 31 December 2020.

**Principal activities**

The principal activity of the Company is that of a holding company to its subsidiary undertakings ('the Group') who manufacture and distribute sails.

**Results and performance**

The results of the company for the year show a loss before taxation of £10,899,811 (2019: £2,944,955). The shareholder funds of the company show a £1,676,742 deficit (2019: £9,225,205 surplus).

**Risks and uncertainties**

**Financial risk management**

The Company's financial assets and liabilities consist of trade receivables and payables; cash balances; and loans to/from companies within the group that NTG Europe (UK) Limited is consolidated into. Given the size of the Company, responsibility for monitoring financial risk management is in the hands of the board. The current approach is to not hedge any financial risks through use of derivative financial instruments.

**Market risk**

The Company's investments are subject to seasonal and cyclical fluctuations arising from:

- The calendar of major international sailing events;
- Number of large new-build sailing yachts; and
- Popularity of international sail yacht racing.

**Currency risk**

Currency risk is restricted to the short-term settlement of trading balances and longer-term loan balances with companies within the Group. The Company does not trade speculatively in derivatives or similar instruments.

**Key performance indicators**

The Company monitors the performance of its investments by virtue of being a holding company. The directors are satisfied with the performance of its investments during the period.

**Future developments**

Based on the position of the Group and its close customer relationships, the directors are confident in the future outlook of the Company.

This report was approved by the Board of Directors on 20 September 2021 and is signed on its behalf by:



**Nicholas Cummins**  
Director

**NTG Europe (UK) Limited**  
**Directors' report**  
**For the year ended 31 December 2020**

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The directors present their report and the audited financial statements for the year ended 31 December 2020.

**Directors**

The directors who held office during the year, and subsequently, are as follows:

Richard Lott (appointed 24 December 2020)  
Nicholas Cummins (appointed 24 December 2020)  
Alexander Collins (resigned 24 December 2020)  
Trevor Jenkins (resigned 24 December 2020)

**Third party indemnity provisions**

The company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

**Disclosure of information to auditors**

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Independent auditors**

BDO LLP were appointed the auditors to the company, and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be reappointed will be put at a General Meeting.

**Dividends**

No dividends were distributed for the year ended 31 December 2020 (2019: nil).

**Brexit considerations**

Following the UK leaving the European Union on 1 January 2021 there has been no significant impact on the Company. The Board continues to monitor the impact of Brexit.

**Section 172(1) statement**

The Companies Act 2006 requires company directors to state how they have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing their duties to promote the success of the Company and group for the benefit of its members as a whole and in doing so have regard (amongst other matters). These are as follows:

- a) the likely consequences of any decision in the long term,
- b) the interests of the company's employees,
- c) the need to foster the company's business relationships with suppliers, customers and others,
- d) the impact of the company's operations on the community and the environment,
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the company.

The consideration given to each of these matters is set out below.

In the below discussion, 'the group' refers to this Company and its subsidiaries, operating across Europe and the Asia Pacific region. Further direction is provided by the global senior management team which consists of

members from the group and the US business. Collectively this is referred to as 'North Sails'.

During the year the key decision considered by the board was the approval of the wider group refinancing, of which the Company is a credit party, in September 2020.

The key stakeholders were defined as the Company's shareholders, other related parties, employees and customers.

The board of the company is responsible for fulfilling the company's legal and fiduciary responsibilities. It is assisted by the Executive Committee (EC) and the North Sails global senior management team (SMT). The EC is the main decision-making body for North Technology Group and directs the strategy of the wider group, the majority of whom are also board members of the group's ultimate parent. The SMT is not linked to any one specific company within the group but it is responsible for the delivery of North Sails' strategy.

#### *Long term decision making*

The EC has created a long-term framework which underpins all strategic decisions taken by the board including in the financial year under review and typically over a five year period. As a result of the impact of COVID-19 on the business and on the global economy, the EC refocused on immediate priorities in the first half of 2020 to effectively navigate the period of disruption (e.g., the health and safety of employees and liquidity management) and reset the longer-term view for 2021 and beyond. This long term view has been continually monitored over the course of 2020.

#### *Consideration of employee interests*

The group's ethos is to offer opportunities to learn and develop to help our colleagues enjoy a rewarding career.

North Sails has a Corporate Ethics Policy which is made available to all employees and sets out workplace expectations for compliance with laws governing working conditions and fair business practices. During 2020, as a result of COVID-19, the SMT further developed its engagement with employees by introducing updated workplace policies covering specific protocols such as social distancing, temperature testing and the provision of protective equipment for those employees working on site at manufacturing facilities or lofts.

During the year, North Sails has undertaken actions to ensure appropriate employee engagement including recurrent email updates from the CEO and a Q&A broadcast between SMT members published online and made available to all employees. Both provided an update on North Sails' activities, performance, and future plans.

One of the group's key strengths is providing colleagues with great training. Through years of building up knowledge and expertise in sail manufacturing the organisation provides excellent access to on the job training for employees and through an established framework of colleague communications provides regular information updates on product innovations, market updates, business performance and other matters.

#### *Nurturing business relationships with suppliers and customers*

##### **Customers**

North Sails engages with its customers through a number of avenues including hosting events and running pop up lofts at race regattas, producing its own content via webinars and podcasts and investing in strategic partnerships.

The business further developed its online capabilities during the year introducing Pay By Link functionality to invoices to make it easier for customers to pay and introducing a new internal prospecting tool to enable sales persons to better track customer activities and provide a more tailored customer service experience.

**NTG Europe (UK) Limited**  
**Directors' report**  
**For the year ended 31 December 2020**

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**Suppliers**

The group has a vertically integrated supply chain, which helps it to reduce the number of third party suppliers it works with. Otherwise, wherever possible, it develops strong, long-term relationships with suppliers to facilitate working together towards our mission of passionately providing the highest quality sails. This includes visiting supplier sites and ensuring they keep high standards.

During the year North Sails kept in close communication with key suppliers to best mitigate the supply chain impact resulting from pandemic disruption and worked collaboratively with suppliers to improve demand planning and order more raw materials in advance.

*Community and environmental impact*

North Sails is continually exploring ways to recycle sails and other materials to reduce waste. During the year this included providing its affiliated apparel brand with second hand sails to repurpose to create a new range of sustainably produced bags. It also sponsors a university research program to de engineer 3Di sails, breaking them down with the aim of finding ways to reuse the materials.

*Maintaining a high standard of business conduct*

The group complies with applicable laws and expects its employees and suppliers to comply with all applicable laws and regulations, including those governing working conditions and fair business practices.

Governments, regulators, and consumers have increasing expectations of brands to act in a socially and environmentally responsible manner. To respond to these expectations, and as a result of the ongoing COVID-19 pandemic, North Sails continues to review the way it manages ethical trading risks.

*Treating all members fairly*

The company is 100% owned by NSG (Bermuda) LP, who have representation on the EC and continue to influence and drive strategy and the company and group's interests.

We do not consider that any of the key decisions made by the Directors during the year had adverse legal, regulatory and environmental impact and the Directors are satisfied given the information disclosed that these decisions promote the long-term interest of the Company for the benefit of all its stakeholders and members.

**Going Concern**

The directors have considered the future cash requirement of the Company which indicates there will be a shortfall over the going concern review period. The Company is therefore reliant on the support of its immediate parent, NSG (Bermuda) LP, to meet this deficit. The group headed by NSG (Bermuda) LP, is currently trading in line with its latest forecasts, has substantial headroom under its financial covenants and is confident of remaining in compliance with those covenants and maintaining an adequate level of operating liquidity through the going concern period. As a result, the directors of the Company have received a letter of support from NSG (Bermuda) LP confirming its intention to continue to provide financial support to the Company for a period of 12 months from the date of the signing of these financial statements. The directors of the Company therefore have a reasonable expectation that the Company has adequate resources available to it to continue in operational existence for at least 12 months from the approval of these financial statements and that it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

**NTG Europe (UK) Limited**  
**Directors' report**  
**For the year ended 31 December 2020**

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**Post balance sheet events**

The Company has evaluated events occurring subsequent to 31 December 2020 through to the date on which the financial statements are available to be issued.

In June 2021 the Company made further equity contributions to North Sails AB and North Sails Srl, of the amounts SEK 2,000,000 and EUR 839,638, respectively.

This report was approved by the Board of Directors on 20 September 2021 and is signed on its behalf by:



**Nicholas Cummins**  
Director



**NTG Europe (UK) Limited**  
**Statement of Directors' responsibilities**  
**For the year ended 31 December 2020**

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, 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 of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

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

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF NTG EUROPE (UK) LIMITED

Opinion

In our opinion the financial statements:

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

We have audited the financial statements of NTG Europe (UK) Limited ("the Company") for the year ended 31 December 2020 which comprise the Profit and loss account, Balance sheet, Statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 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.

Conclusions relating to going concern

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. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual report and financial statements 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

#### **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,

**NTG Europe (UK) Limited**  
**Independent Auditor's Report**  
**For the year ended 31 December 2020**

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including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- obtaining an understanding of the legal and regulatory framework that the Company operates in, focusing on those laws and regulations that had a significant effect on the financial statements or that had a fundamental effect on the operations of the company namely:
  - o Companies Act 2006
  - o United Kingdom Accounting Standards, including Financial Reporting Standard 102
  - o Relevant tax legislation
- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
  - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - o challenging assumptions made by management in their significant accounting estimates.
- we identified and tested journal entries, in particular any journal entries posted with unusual account combinations and those balances considered most susceptible to fraud discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

DocuSigned by:

*Chris Pooler*

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Christopher Pooler (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
Reading, UK

Date: 20 September 2021

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

**NTG Europe (UK) Limited**  
**Profit and loss account**  
**For the year ended 31 December 2020**

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	Note	2020 £	2019 £
Management charges		2,300,131	1,883,095
Administrative expenses		(2,560,750)	(3,728,649)
<b>Operating (loss)/profit</b>	3	<b>(260,619)</b>	<b>(1,845,554)</b>
Interest receivable and similar income	5	51,481	102,581
Interest payable and similar expense	6	(1,408,995)	(1,201,982)
Impairment of investments	9	(9,281,678)	
<b>Loss before taxation</b>		<b>(10,899,811)</b>	<b>(2,944,955)</b>
Tax on loss	7	(2,136)	(13,503)
<b>Loss for the financial year</b>		<b>(10,901,947)</b>	<b>(2,958,458)</b>

All of the activities of the company are classed as continuing.

There was no other comprehensive income for the year or prior year other than that included in the profit and loss account above.

The notes on pages 15 to 25 are an integral part of these financial statements.

**NTG Europe (UK) Limited**  
**Balance sheet**  
**As at 31 December 2020**

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Tangible assets	8	2,704	2,107
Investments	9	17,079,194	26,102,064
		<u>17,081,898</u>	<u>26,104,171</u>
<b>Current assets</b>			
Debtors: Amounts falling due within one year	10	7,419,533	7,354,371
Cash at bank and in hand		1,353	76,713
		<u>7,420,886</u>	<u>7,431,084</u>
<b>Current liabilities</b>			
Bank loans and overdrafts	12	(733,588)	(414,317)
Creditors: Amounts falling due within one year	12	(14,344,252)	(13,655,031)
		<u>(15,077,840)</u>	<u>(14,069,348)</u>
<b>Net current liabilities</b>		<u>(7,656,954)</u>	<u>(6,638,264)</u>
<b>Total assets less current liabilities</b>		<u>9,424,944</u>	<u>19,465,907</u>
Creditors: Amounts falling due after more than one year	12	(11,101,686)	(10,240,702)
<b>Net assets</b>		<u>(1,676,742)</u>	<u>9,225,205</u>
<b>Capital and reserves</b>			
Called up share capital	13	1,657,363	1,657,363
Share premium account		14,916,228	14,916,228
Profit and loss account		(18,250,333)	(7,348,386)
<b>Total shareholder's funds</b>		<u>(1,676,742)</u>	<u>9,225,205</u>

The notes on pages 15 to 25 are an integral part of these financial statements.

The company's registration number is 09031686.

These financial statements were approved by the Directors and authorised for issue on 20 September 2021 and are signed on their behalf by:



**Nicholas Cummins**  
Director

**NTG Europe (UK) Limited**  
**Statement of changes in equity**  
**For the year ended 31 December 2020**

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	Called up share capital £	Share premium account £	Profit and loss account £	Total share- holder's funds £
As at 1 January 2019	1,657,363	14,916,228	(4,389,928)	12,183,663
Loss for the financial year	-	-	(2,958,458)	(2,958,458)
As at 31 December 2019	1,657,363	14,916,228	(7,348,386)	9,225,205
Loss for the financial year	-	-	(10,901,947)	(10,901,947)
As at 31 December 2020	<u>1,657,363</u>	<u>14,916,228</u>	<u>(18,250,333)</u>	<u>(1,676,742)</u>

The notes on pages 15 to 25 are an integral part of these financial statements.

**NTG Europe (UK) Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (continued)**

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**1. Accounting policies**

NTG Europe (UK) Limited is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is 3 Cadogan Gate, Chelsea, London, SW1X 0AP. It is an investment holding company which provides management services to the North Sails group.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* ("FRS 102"), and with the Companies Act 2006.

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of its ultimate parent undertaking established under the law of a non-EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006. NSG (Bermuda) LP, an exempted and limited partnership formed in Bermuda, is considered the ultimate parent company by virtue of its 100% shareholding in NTG Europe (UK) Limited and is the smallest and largest group to consolidate these financial statements. The 31 December 2020 financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The accounting policies set out below, unless otherwise stated, have been applied consistently to all periods presented in these financial statements.

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in note 2.

**a) Measurement convention**

The financial statements have been prepared on the historical cost basis. The functional currency of the company is Pound Sterling.

**b) Going concern**

The directors have considered the future cash requirement of the Company which indicates there will be a shortfall over the going concern review period. The Company is therefore reliant on the support of its immediate parent, NSG (Bermuda) LP, to meet this deficit. The group headed by NSG (Bermuda) LP, is currently trading in line with its latest forecasts, has substantial headroom under its financial covenants and is confident of remaining in compliance with those covenants and maintaining an adequate level of operating liquidity through the going concern period. As a result, the directors of the Company have received a letter of support from NSG (Bermuda) LP confirming its intention to continue to provide financial support to the Company for a period of 12 months from the date of the signing of these financial statements. The directors of the Company therefore have a reasonable expectation that the Company has adequate resources available to it to continue in operational existence for at least 12 months from the approval of these financial statements and that it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.



**NTG Europe (UK) Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (continued)**

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**1. Accounting policies**

**c) Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholder. The company is a qualifying entity for the purposes of FRS 102 as its ultimate parent company prepares publicly available consolidated financial statements, and the company is included in that consolidation. The company has taken advantage of the following exemptions:

- from preparing a statement of cash flows;
- from the financial instrument disclosures required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29; and
- from disclosing the company key management personnel compensation as required by FRS 102 paragraph 33.7.

**d) Management fee income**

The company performs services and incurs expenses on behalf of fellow group subsidiaries. Such services and expenses are recharged to group companies at a mark-up and are recognised as income as the services are provided.

**e) Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation and accumulated impairment losses. Cost is the original purchase price and any expenditure directly attributable to bringing the asset to its working condition for its intended use. Depreciation is charged to the profit and loss account on a straight-line basis over the assets' estimated useful lives of 3 years. Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

**f) Provisions**

A provision is recognised on the balance sheet when the company has a present legal or constructive obligation as a result of a past event that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**g) Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1. Accounting policies (continued)

h) Foreign currencies

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recorded in the profit and loss account.

i) Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the company has a legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

j) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other debtors, cash and cash equivalents, borrowings, and trade and other creditors.

Investments in equity securities

Investments in subsidiary undertakings are stated at cost less accumulated impairment losses. As discussed in this note, the company has taken advantage of the exemption in section 400 of the Companies Act 2006 to not produce consolidated financial statements.

Trade and other debtors

Trade and other debtors are initially recognised at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents.

Borrowings

Interest-bearing borrowings are initially recognised at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Trade and other creditors

Trade and other creditors are initially recognised at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss even had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss is calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss. An impairment loss of £9,281,678 has been recognised on the company's investment in North Sails subsidiaries during the year. In the prior year an impairment loss of £954,153 was recognised on the company's investment in North Kiteboarding Austråstia Limited. See note 9 for further details.

**NTG Europe (UK) Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (continued)**

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**1. Accounting policies (continued)**

**k) Impairment**

*Non-financial assets*

The carrying amounts of the company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

**l) Dividend income**

Dividend income is recognised when the right to receive payment is established.

**m) Reserves**

The company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

**2. Accounting estimates and judgements**

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Management have identified the following accounting estimates and assumptions which it considers to be critical due to their impact on the company's financial statements:

- **Investments;**  
Investments in subsidiary companies are held at cost less any provision for impairment. As at the balance sheet date, the directors have considered the impact of the COVID-19 pandemic on those companies and have recognised an impairment. Further details are included in note 9.
- **Deferred tax;**  
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

**NTG Europe (UK) Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (continued)**

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**3. Operating loss**

The following items have been charged/(credited) in arriving at operating loss:

	2020 £	2019 £
Auditor's remuneration - audit of financial statements	18,000	18,000
Office rent	39,527	51,920
Depreciation expense	1,234	782
Exchange losses / (gains)	214,697	(183,403)

**4. Employees**

The monthly average number of persons employed by the company (including directors) during the year is 4 (2019: 4). All employees are in administration and support.

The aggregate payroll costs are as follows:

	2020 £	2019 £
Wages and salaries	1,046,675	696,601
Social security costs	106,864	92,543
Pension costs	3,942	2,596
	<u>1,157,481</u>	<u>791,740</u>

Directors' remuneration included in the above is £899,920 (2019: £430,358). The highest paid director's remuneration is £899,920 (2019: £430,358). This included £40,000 of termination benefits which were committed by contractual arrangements and accrued at 31 December 2020. None of the company's other directors received any remuneration from the company during the year while in post (2019: £nil).

**5. Interest receivable and similar income**

	2020 £	2019 £
Interest on loans to group undertakings	<u>51,481</u>	<u>102,581</u>

**NTG Europe (UK) Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (continued)**

**6. Interest payable and similar expense**

	2020 £	2019 £
Interest on loans from group undertakings	(1,394,938)	(1,173,351)
Interest on bank overdraft	(14,057)	(28,631)
	<u>(1,408,995)</u>	<u>(1,201,982)</u>

**7. Tax on loss**

**Recognised in the profit and loss account**

	2020 £	2019 £
<b>Current tax</b>		
Current year	(2,136)	(6,113)
<b>Deferred tax</b>		
Current year	-	(7,390)
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>(7,390)</u>
<b>Total tax charge</b>	<u>(2,136)</u>	<u>(13,503)</u>

**Reconciliation of effective tax rate**

The reconciliation between loss before taxation and the tax charge for the year is as follows:

	2020 £	2019 £
Loss before taxation	<u>(10,899,811)</u>	<u>(2,944,955)</u>
Income tax at the UK tax rate of 19.0%	2,070,964	559,543
Expenses not deductible for tax purposes	(1,839,352)	(377,366)
Effect of change in tax rate	-	869
Withholding tax	(2,136)	(6,113)
Deferred tax not recognised	(231,612)	(190,436)
<b>Total tax charge</b>	<u>(2,136)</u>	<u>(13,503)</u>

The company has an unrecognised deferred tax asset at 31 December 2020 of £899,135 (2019: £768,011).

**NTG Europe (UK) Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (continued)**

**8. Tangible assets**

	<b>Computer equipment £</b>
<b>Cost</b>	
At 1 January 2020	7,373
Additions	<u>1,831</u>
<b>At 31 December 2020</b>	<b><u>9,204</u></b>
<b>Accumulated depreciation</b>	
At 1 January 2020	(5,266)
Charge for the year	<u>(1,234)</u>
<b>At 31 December 2020</b>	<b><u>(6,500)</u></b>
<b>Net book value</b>	
<b>31 December 2020</b>	<b><u>2,704</u></b>
31 December 2019	<u>2,107</u>

**9. Investments**

	<b>2020 £</b>	<b>2019 £</b>
Shares in group undertakings and participating interests	<u><b>17,079,194</b></u>	<u><b>26,102,064</b></u>

The movement in the company's investments in subsidiary undertakings during the year is as follows:

	<b>2020 £</b>	<b>2019 £</b>
At beginning of the year	<b>26,102,064</b>	26,101,054
Impairment of investment in North Sails entities	<b>(9,281,678)</b>	-
Recapitalisation of North Sails AB	<b>258,808</b>	-
Acquisition of North Kiteboarding Australasia Limited	-	954,154
Write-off of investment in North Kiteboarding Australasia Limited	-	(954,153)
Disposal of North Kiteboarding Australasia Limited	-	(1)
Acquisition of North Sails Europe B.V.	-	1
Acquisition of North Sails Hong Kong	-	1,009
<b>At end of the year</b>	<b><u>17,079,194</u></b>	<b><u>26,102,064</u></b>

**NTG Europe (UK) Limited**  
**Notes to the financial statements**  
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**9. Investments (continued)**

The company evaluates its investments in subsidiaries on an annual basis. In assessing for impairment at 31 December 2020, the COVID-19 pandemic represents a qualitative factor that may indicate impairment of those investments due to its impact on near and mid-term cash-flow. The subsidiaries together make up the North Sails Europe and Asia Pacific CGU for which a calculation of the present value of future cash flows has been performed using a post-tax discount rate of 11.0% and a terminal value growth rate of 2.0%. Consequently, an impairment loss of £9,281,678 has been recognised.

In June 2020, the company increased its investment in North Sails AB contributing £258,808 to recapitalise its equity and bring it in line with the minimum required local statutory levels.

In June 2019, North Kiteboarding Australasia Limited issued further ordinary shares to the Company in exchange for the settlement of its debt with the company. Following this, the company sold its holding across to another commonly owned entity, North Actionsports Group Limited for a consideration of £1, which was considered its fair value. Prior to the sale, an impairment of the investment of £954,153 was recognised.

The company's investments in subsidiary undertakings comprise the following. All subsidiaries are involved in the manufacture of sails and related products.

<b>Name</b>	<b>Registered address</b>	<b>Proportion of voting rights and shares held</b>
<b>Directly held by NTG Europe (UK) Limited</b>		
North Sails AB	Angshydevagen 1, 181, 31, Lidingo, Sweden	100%
North Sails A/S	Lyskær 10, 2730 Herlev, Denmark	100%
North Sails (Australia) Pty Limited	12 Polo Avenue, Mona Vale, NSW, Australia	100%
North Sails Holdco (France) SAS	Allee Loic Cardec, 56000, Vannes, France	100%
North Sails GmbH	Brooktorkai 5, 20457, Hamburg, Germany	100%
North Sails Limited	Lederle Lane, Gosport, PO13 0LF, United Kingdom	100%
North Sails (New Zealand) Limited	217 Archers Road, Auckland, New Zealand	100%
North Sails N.V.	Conservenweg 6g, Stabroek, Antwerp, Belgium	100%
North Sails S.L.U.	Poligono A Ran 62, Cuntis, 36-Pontevedra, Spain	100%
North Sails S.r.l.	Via Pontevecchio 40/B1, Carasco, Genova, Italy	100%
North Sails Europe B.V.	Atrium Building, Strawinskylaan 3127, 8 <sup>th</sup> floor, 1077 ZX Amsterdam, Netherlands	100%
North Sails Hong Kong Limited	G7-G8 Pak Sha Wan Centre, Sai Kung, Sai Kung N.T., 0000, Hong Kong	100%
<b>Indirectly held by NTG Europe (UK) Limited</b>		
North Sails d.o.o.	Bana Jelacica 6, 21204 Dugopolje, Croatia	70%
North Sails S.a.r.l.	Allee Loic Cardec, 56000, Vannes, France	100%

**NTG Europe (UK) Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (continued)**

**10. Debtors: amounts falling due within one year**

	2020	2019
	£	£
Amounts owed by group undertakings	7,404,503	7,144,985
Amounts owed by other related parties	-	203,277
Other debtors	15,030	6,109
	<u>7,419,533</u>	<u>7,354,371</u>

Amounts owed by group undertakings, excluding current receivable balances mainly in respect of management charges, are unsecured, bear interest at 6.25% (2019: 5.0%) per annum, and are repayable on demand.

**11. Deferred tax**

The movement on the deferred tax account during the year is as follows:

	2020	2019
	£	£
At beginning of the year	-	7,390
(Charge)/credit to profit and loss during the year	-	(7,390)
At end of the year	<u>-</u>	<u>-</u>

The UK tax rate as at 31 December 2020 and 2019 was 19%.

**12. Creditors**

	2020	2019
	£	£
<b>Amounts falling due within one year</b>		
Trade creditors	36,906	119,974
Bank overdraft	733,588	414,317
Amounts owed to group undertakings	13,872,238	12,313,108
Taxation and social security	42,000	32,238
Accruals and deferred income	393,108	1,189,711
	<u>15,077,840</u>	<u>14,069,348</u>
<b>Amounts falling due after more than one year</b>		
Amount owed to group undertaking	<u>11,101,686</u>	<u>10,240,702</u>



**NTG Europe (UK) Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (continued)**

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**12. Creditors (continued)**

Amounts owed to group undertakings due within one year, excluding current payable balances, includes unsecured balances that bear interest at 6.25% (2019: 5%) per annum, and are repayable on demand.

The amount owed to group undertakings due after more than one year is unsecured, bears interest at the 3-month LIBOR rate plus 7.25% per annum and is repayable in full on 4 March 2024. The 3-month LIBOR rate during the year was 0.29% (2019: 0.81%).

**13. Called up share capital**

The authorised, issued and fully paid up share capital is as follows:

	2020 £	2019 £
Ordinary shares of £1 each	<u>1,657,363</u>	<u>1,657,363</u>
	2020 Number	
At 1 January and 31 December 2020	<u>1,657,363</u>	

**14. Related party transactions**

The immediate parent undertaking of the company is NSG (Bermuda) LP, an exempted and limited partnership formed in Bermuda, which owns the entire issued share capital of the company.

The smallest group in which the results of the company are consolidated is that headed by NSG (Bermuda) LP. The consolidated financial statements of NSG (Bermuda) LP may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate parent and controlling party of NTG Europe (UK) Limited is OCPE Master II LP.

The company paid invoices totalling £33,974 (2019: £13,517) during the year in respect of NSG Apparel Cooperatief U.A., an associate company of the group. The balance owing from NSG Apparel Cooperatief U.A. to the company at year end is £245,383 (2019: £203,277), which has been fully impaired in 2020 with the doubtful debt expense included within the operating loss for the year (2019: no impairment).

The company has an outstanding loan payable with North Technology Group LLC, a fellow subsidiary within the group headed by NSG (Bermuda) LP, which is not wholly owned. The balance at 31 December 2020 was £3,970,662 (2019: £3,174,920). Movement during the year comprises £220,420 of interest charged, £771,822 of additional principal being provided with the remaining movement relating to foreign exchange as the balance is USD denominated.

Otherwise, the company has taken advantage of the exemption included under section 33.1A of FRS 102 to not disclose transactions with any other members of the group headed by its ultimate parent undertaking, NSG (Bermuda) LP, whereby the subsidiary party to a transaction is wholly owned by a member of the group.

**NTG Europe (UK) Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (continued)**

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**15. Contingent liabilities**

The company is party to a cross-guarantee, along with a number of fellow subsidiaries within the NSG (Bermuda) LP Group, to both a term loan and revolving credit facility under the Credit Agreement of the Group. The term loan outstanding was \$67,763,000 and the revolving credit facility was undrawn at the year end.

**16. Post balance sheet events**

The Company has evaluated events occurring subsequent to 31 December 2020 through to the date on which the financial statements are available to be issued.

In June 2021 the Company made further equity contributions to North Sails AB and North Sails Srl, of the amounts SEK 2,000,000 and EUR 839,638, respectively.