

Princess Yachts (Holdings) Limited  
Annual Report  
for the year ended 31 December 2020

Registered number: 06409725

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# **Princess Yachts (Holdings) Limited**

## **Annual Report**

**for the year ended 31 December 2020**

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# Princess Yachts (Holdings) Limited

Strategic Report for the year ended 31 December 2020

## 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 and regional offices in Hong Kong and Fort Lauderdale, USA.

The results of the group, for the year under review, show turnover of £244.4m (2019: £314.3m), gross loss before exceptional costs of £8.2m (2019: £2.3m) and an operating loss before exceptional costs of £20.2m (2019: £16.3m). This equates to a gross margin of (3.4)% (2019: (0.7)%) and operating (loss)/profit margin of (8.3)% (2019: (5.2)%). The loss before tax was £38.1m (2019: £28.3m).

While 2020 was a complex year due to the COVID-19 outbreak and extensive lockdown measures in the UK, the company has maintained its focus on its long-term strategy of renewal of its product range, innovation, customer care and operational transformation. The 2020 year started well and on plan and, following the renewal of Operations, Quality and After Sales support infrastructure, the Directors and Shareholders agreed a £10.0m cash injection so that the company could continue its growth strategy driven by innovative new products.

However, the impact of COVID-19 and subsequent lockdown in the UK in late March 2020, brought a temporary closure for between six and eight weeks across each of the manufacturing sites. With a truly cohesive effort by the entire workforce to re-engineer our boat building process to be safe in a new environment, staff began to return to work through late May 2020 and restart production in a safe and compliant way. Notwithstanding these efforts, the company experienced losses in production capacity due to the number of vulnerable staff that were isolating and lower capacity in the supply chain.

The new Operations Team rapidly engaged with the business introducing new working practices, promoting adherence to new PPE requirements and government guidelines, along with utilising IT capabilities to accelerate working from home across office-based staff. This speed of transformation enabled over 80% of our employees to return to work by the end of May 2020 and significantly reduced the need for utilising the government furlough support scheme.

Despite the COVID-19 outbreak throughout the year, the retail side remained extremely strong with the Order Book accelerating due to strong demand for our new innovative models such as the Y72. It was also assisted by Princess' adherence to strict luxury principles of producing only to customer demand and keeping the stock levels in our distributorships at record low levels (at 31<sup>st</sup> December 2020, the distributor stock was approximately one month of stock and this had fallen to below 2 weeks at the date of this report).

With the backdrop of a strong and growing Order Book and our rapid return to production, the Directors agreed with the Shareholders and the Group's principle bankers HSBC and National Westminster Bank ("Bank Group") to a short-term refinancing facility of £18.7m to assist in the restart of the business during June 2020. This included scheduled repayments through to 31<sup>st</sup> December 2021 and as a result the covenants were reset. This facility was aimed at allowing the restart of our supply chain by paying down most supplier balances which had fallen overdue during the lockdown.

This solid foundation of stakeholder support, financial backing and commercial strength provided a clear direction to return the business back to positive EBITDA. On a full year basis however, with the complete loss of gross margin from zero production volume during the shutdown and reduced volume during the period of restart under new working practices, the results for 2020 were understandably impacted by the COVID-19 outbreak. During the year, the company carefully controlled all overhead activities and these contributed favourably to the overall full year results as shown below:

# Princess Yachts (Holdings) Limited

Strategic Report for the year ended 31 December 2020

## Business review and future developments (continued)

	2020 £m	2019 £m	Movement £m	Movement %
Revenue	244.4	314.3	(69.9)	(22%)
Operating (loss)/profit before exceptional costs	(20.2)	(16.3)	(3.9)	24%
EBITDA*	(10.7)	(5.7)	(5.0)	88%

\* EBITDA includes Exceptional costs that are one-time in nature relating to pension equalisation, specific Covid 19 costs, staff redundancy and transformation consultancy, see note 9.

Throughout this period, the company maintained its focus on renewing its product range and reinvigorating its manufacturing capabilities. Total product development in 2020 was £11.5m (2019: £13.7m), with new capital expenditure of £2.2m (2019: £5.7m). On-going capital will continue to be deployed to support health and safety, long term maintenance programmes and new product introduction. The Group continues to support the next generation of marine industry experts by promoting opportunities through South West colleges and supporting product innovation projects.

During 2020, record attendance at the Dusseldorf Boat Show in January 2020 provided the single opportunity to promote the Princess brand on a worldwide scale. Following this event, the uncertainty on travel restrictions and quarantine restrictions brought a temporary suspension to almost all Boat Shows, only lifted in part by Fort Lauderdale (November 2020). Princess rapidly adjusted, moving Marketing to digital-based activities ranging from personalised video customer tours of yachts in Plymouth, through to the "The Princess Experience" series of episodes promoted through social media channels. In 2020 our YouTube channel received 1,283,903 views versus 453,347 views in 2019, an increase of 183%. The number of Facebook followers grew by 37% in 2020 versus the previous year, similarly Instagram and LinkedIn grew by 26% and 42% respectively. It is clear that our enhanced communications strategy has driven awareness and demand through increased digital activities throughout the year and resulted in new sales.

Having launched new 85, 72 and 95 foot platforms in 2019 and 2020, Princess will complete the renewal of the highest contribution part of its product range with the launch of two new platforms larger than 60 feet during 2021 and 2022. All of these platforms will spawn a range of new models which we expect to underpin the profitable growth of the company. In addition a number of models have been facelifted to sustain and lengthen their lifecycle. These launches have been instrumental in securing Princess's commercial position in the 70-100 foot range. The new X95, launched in early 2020 secured double digit orders ahead of Slot 1 and has continued its strong commercial success. The innovative architecture and striking design language of the X Class is an entirely new concept for Princess and the industry, offering over 30% more guest space than a traditional yacht of this size. The X95 is equipped with an all-new wave piercing bow that delivers a 15% improvement in efficiency when compared to a traditional hull design. We approached the sales of this product in a new way utilising "hyper-personalisation". Private tours and experiences were streamed directly into customer homes and private offices, and manned by senior staff and board members across digital platforms. We took our products to our clients, rather than waiting for restrictions to lift. During 2020 we also launched the enormously successful Y72, which has already accumulated almost 50 orders and during 2021 we will launch the smaller sister to the X95, the innovative X80 which is in build and has generated almost 20 orders already. The success of these, and our other models, has resulted in 100% of 2021 production, 95% of 2022 production and 57% of 2023 production ordered as of the end of August 2021

In 2020 Princess was also awarded the Princess Royal Training Award, specifically to recognise the industry leading apprenticeship program run by the company. Princess was also recognised for our Manufacturing Excellence in responding to a locked down market place and featured on the International Top Track 200 Awards. To further align our behaviours with our strategic direction, the Directors embarked on a review of company values and corporate risk assessment, with both of these projects being rolled out through 2021.

# Princess Yachts (Holdings) Limited

Strategic Report for the year ended 31 December 2020

## Brexit

During the year, the Company continued to evaluate the risks and opportunities of the exit from the European Union ("Brexit"). Likely scenarios were assessed in conjunction with the government timeframes, with actions centred around the impact to the supply chain and despatch arrangements of our boats. Supplier lead times, the impact of tariffs and currency fluctuations are examples of areas under continual review. Following the transition through 31<sup>st</sup> December 2020, no significant challenges have been encountered but continual assessment remains in place.

## Covid-19

There continues to be significant macro-economic uncertainty as a result of the COVID-19 outbreak since the Balance Sheet date. The UK entered its third lockdown in January 2021, however at the time of signing the Company and its Supply Chain were in a significantly improved position aligned to the UK government guidelines. With a European based supply chain the Company is still experiencing disruption and uncertainty due to the availability of commodities, capacity restrictions and labour shortfalls. The Company expects to manage through this disruption due to its known order book and long term relationships with its suppliers. The company continues to monitor travel restrictions and corridors so that existing and potential customers can return to site visits and that our employees can also travel safely through the worldwide Distributor network.

The Directors have considered the adequacy of the financing facility and are confident the Group will continue to operate within its available facilities for the foreseeable future, subject to the potential impact of further COVID-19 pandemic restrictions. Please refer to the Going Concern section of the Directors' report for more details.

## Key performance indicators

The ongoing financial performance and financial position of the company are monitored with reference to a series of key performance indicators which focus on the company's turnover, gross profit and 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 2020 was (3.4)% (2019: (0.7)%). At the year-end there was a cash balance of £3.6m (2019: £10.6m).

## 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 company continues to invest heavily in new product development throughout its range of motor yachts to increase the range for potential clients across the world. In addition, the company 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 company'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:

### Financial Risk Management

#### *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 company'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. As at 31 December 2020, the principal amounts of the forward currency contracts recognised at fair value, were €4,500,000 and \$1,000,000.

# Princess Yachts (Holdings) Limited

Strategic Report for the year ended 31 December 2020

## Financial Risk Management (continued)

### ***Interest rate risk:***

The rate of interest earned/paid on the company's cash balances and loans is monitored on an ongoing basis by continuing review of rates earned/paid that are available in the market. Deposits are made with reference to these rates, in conjunction with projections of future cash requirements. An element of interest rate payable on the loans is variable, the rate of interest paid is monitored on an ongoing basis.

### **Section 172**

In accordance with section 172 of the Companies Act 2006 each of our directors' act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- 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 Board have received training on their section 172 duties and how they should be fulfilled. The Board also continue to review their approach to corporate governance, stakeholder engagement and environmental impact.

## Decision Making

The Board undertook a review facilitated by an independent external advisor in 2019. All directors were encouraged to share their thoughts, observations and instincts for the benefit of all. Directors also update their skills, knowledge and understanding of PYL by meeting with senior management, visiting production operations and sector events (such as visits to boat shows) and by attending appropriate external seminars and training courses.

The Board has a robust decision process making that aligns with the Company strategy that enables agile and flexible decision making whilst remaining competitive. In consideration of the company's strategic goals and values in conjunction with the various stakeholder input. Regular and positive interaction with the Parent Company Board further enables oversight and scrutiny.

## Stakeholder Engagement

The Board take account of the views, opinions and interests of all relevant stakeholders when reaching their decisions. The Board receives a variety of forms of information that facilitates proper consideration of the impact of decisions on stakeholders.

### **Corporate Governance Statement**

In accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (as amended by The Companies (Miscellaneous Reporting) Regulations 2018) (the 'Regulations'), for the year ended 31 December 2020, the Company has in its corporate governance arrangements applied the Wates Corporate Governance Principles for Large Private Companies (the 'Principles'), which are available at [frc.org.uk](http://frc.org.uk). The following section explains the Company's approach to corporate governance, and its application of the Principles. Further detail is given in the full report available on the Company website.

### **Principle 1 - Purpose & Leadership**

The Board recently took the opportunity to re-visit the values and objectives of the company and have agreed on a specific approach to take the company forward, the roll out of this approach continues into 2021. The company's purpose and values inform expected behaviours and practices throughout the

# **Princess Yachts (Holdings) Limited**

Strategic Report for the year ended 31 December 2020

## **Corporate Governance Statement (Continued)**

organisation and will be integrated into the business functions and operations. A healthy culture is vital to the company's competitive advantage and long-term value. The board, shareholders and management are committed to embedding the desired culture in the company.

### **Principle 2 – Board Composition**

The Board provides practical leadership to the Company and has an appropriate balance of executive directors (with access to non-executive directors) and of skills, knowledge and experience appropriate to meet the strategic needs and challenges of the organisation and to enable effective decision making.

Princess Yachts (Holdings) Limited is the Parent Company of PYL (Parent Company). The structure of the Parent Company's board ensures that the Parent Company effectively acts as a supervisory board and ensures that the balance of responsibilities, accountabilities and decision making across the PYL are effectively maintained. The Shareholder representatives play a pivotal role in creating the conditions for overall Board and individual director effectiveness. They also bring experience in a variety of areas, in addition to perspectives and challenges from outside the sectors in which PYL operates. A further Non-Executive Director has been appointed to the Parent Company board.

### **Principle 3 - Director Responsibilities**

There is a clear division of responsibility between the Executive Chairman, the Directors and the Non-Executive Directors of the Parent Company Board. Clear terms and obligations in the Shareholders Investment Agreements supports effective decision making.

### **Principle 4 – Opportunity and Risk**

The Board seeks out opportunity whilst mitigating risk. The Board is at the forefront of the company's strategy to focus on renewal of its product range, innovation, customer care and operational improvements to drive the long-term sustainable growth of the company. The Company is continuing with the review of its risk management processes having engaged the services of a third party professional service to assist in the introduction of a bespoke risk management system. The project has identified inherent and emerging risks as is now progressing to determine the appropriate methods of managing risk. Additionally, this will ensure that there is a coherent approach to risk identification, classification and mitigation.

### **Principle 5 – Remuneration**

Remuneration is ultimately overseen by the Parent Company Board. The Board promotes executive remuneration structures aligned to the long-term sustainable success of a company, considering pay and conditions elsewhere in PYL. The Parent Company Board plays an oversight role in respect of executive remuneration and is responsible for overseeing recommendations from the Board concerning the remuneration and recruitment strategy, long-term incentive plans. Advice is taken from independent external consultants who provide updates on legislative requirements, best market practice and remuneration benchmarking.

### **Principle 6 – Stakeholder Relationships and Engagement**

The Company is committed to continuing to develop effective relationships with all stakeholders and key stakeholders such as the Workforce, Distributors, Customers and Suppliers all have bespoke mechanisms dedicated to enhancing those relationships, increasing engagement and having specific regard to their views when taking decisions. Further detail is contained in the full governance statement available on the Company website.

# **Princess Yachts (Holdings) Limited**

Strategic Report for the year ended 31 December 2020

## **Future Developments**

Other than the Covid-19 epidemic risks described above, during the year, the Company continued to evaluate the risks and opportunities of the exit from the European Union ("Brexit"). Likely scenarios have been assessed in conjunction with the government timeframes, with actions centred around the impact to the supply chain and despatch arrangements of our completed boats. Supplier lead times, the impact of tariffs and currency fluctuations are examples of areas under continual review.

Looking forward with the appointment of the Board of Directors complete, the focus continues on production improvements, implementation of quality systems and successfully launching an array of innovative new yachts that increases product renewal intensity and broadens the product range.

This report was approved by the board of Directors on 27 September 2021 and signed on behalf of the board by:



A M Sheriff  
Director

**Registered Number 06409725**



# Princess Yachts (Holdings) Limited

## Directors' Report for the year ended 31 December 2020

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

### Principal activities and Incorporation

The Group's (incorporating Princess Yachts Limited and Felix Engineering Limited) 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 (Princess Yachts (Holdings) Limited) is a private limited company, domiciled in the United Kingdom, incorporated in England and Wales, registered office being Newport Street, Plymouth, Devon PL1 3QG. 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.

### Future developments

Information on the future developments and financial risk management are contained within the Strategic Report.

### Going concern

The results of the Group, for the year under review, show turnover of £244.4m (2019: £314.3m), gross loss before exceptional costs of £8.2m (2019: £2.3m) and an operating loss before exceptional costs of £20.2m (2019: £16.3m). This equates to a gross margin of (3.4)% (2019: (0.7)%) and operating (loss)/profit margin of (8.3)% (2019: (5.2)%).

The Group meets its day to day working capital requirements from cashflows generated from operations and banking facilities provided by the Group's principle bankers HSBC and National Westminster Bank ("Bank Group"). During 2020, the Group had a net cash increase of £1.7m (2019: decrease of £33.9m). As at 31 December 2020 the Group utilised an agreed revolving credit facility and ancillary services facility totalling £40m.

In evaluating the going concern assumption, the Directors utilise existing business and commercial forecasts to demonstrate that the Group will return to profitability. The forecasts are based on a confirmed orderbook for future sales into 2023 along with specific assumptions on expenditure increases. The impact of COVID-19 has been recognised and the forecast represents management's best estimate of the scenario likely to occur.

To support these forecasts, in May 2020 following the COVID-19 pandemic, the Directors worked closely with the Shareholders and Bank Group in presenting a revised business plan to restart the business from its temporary closure. Building off the new COVID-19 protocols and stable Order Book, a working capital cash advance of £18.7m was provided by the Shareholders and Bank Group. This temporary facility was completed on 30<sup>th</sup> June 2020 and included scheduled repayments through to 31<sup>st</sup> December 2021, along with covenants being reset.

The Directors have considered the adequacy of the financing facility and are confident the Group will continue to operate within its available facilities for the foreseeable future, subject to the potential impact of further COVID-19 pandemic restrictions.

The Group has total external net debt of £68.4m at 31 December 2020, (2019: £66.9). The terms of the debt require the Group to comply with quarterly covenant testing on Gross Leverage to EBITDA, Cashflow Cover and Interest Cover. The forecasts prepared for the June refinancing, built in a sensitivity of 25% to enable the Directors to identify any areas of concern in a timely manner. The current forecasts indicate that the Group will remain within these covenants through to December 2022.

After consideration of the above matters, the Directors are still of the opinion that it remains appropriate to prepare the financial statements on a going concern basis. The Directors will continue to monitor the COVID-19 situation closely and assess the impact on the financial statements, performance and operations as the situation develops.

# Princess Yachts (Holdings) Limited

Directors' Report for the year ended 31 December 2020

## Results and dividend

The Group's results are shown in the Consolidated Income Statement on page 14. No ordinary share dividends have been paid or are proposed (2019: nil).

## 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. Refer to note 11 for further details.

## Directors

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

A Bratt

N Brunel

B Dauchin (appointed 1 December 2020)

F Hauser (appointed 30 March 2020)

D Heidecorn

A Sheriff

P Mellier (resigned 31 January 2020)

A Pallavicini (resigned 30 March 2020)

## 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.

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 employees' by means of regular works committee meetings and the issue of periodic newsletters. The Group has a companywide bonus scheme.

## Qualifying indemnity provision

During the year and up to the date of signing the financial statements the Company had in force an indemnity provision in favour of one or more Directors of Princess Yachts Limited, against liability in respect of proceedings brought by third parties, subject to conditions set out in section 234 of the Companies Act 2006.

## Disclosure of information in the strategic report

For details of how the Company engages with its stakeholders and how these feeds into the Company strategy please see the Corporate Governance Statement in the Directors' Report and the Strategic Report. One specific example would be the investment made in the Quality systems and After Sales infrastructure, which, whilst also following direct customer and distributor feedback, also aligns with the longer-term transformation of operational effectiveness.

# Princess Yachts (Holdings) Limited

Directors' Report for the year ended 31 December 2020

## Streamlined Energy and Carbon Reporting

The following figures make up the baseline reporting for Princess Yachts Ltd, as 2020 is the first year that the Princess Yachts Ltd are required to report this information.

Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets, and grey fleet.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day to day business operations.

Scope 3 consumption and emissions relate to indirect emissions from sources connected to the business, such as suppliers and distributors.

The total consumption (kWh) figures for energy supplies reportable by Princess Yachts Ltd are as follows:

Utility and Scope	2020 UK Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	15,607,004
Gaseous and other fuels (Scope 1)	40,607,199
Transportation (Scope 1 and 3)	188,910
<b>Total</b>	<b>56,403,113</b>
No Cost for 2020 Global (excluding UK Consumption (kWh))	

The total emission (tCO<sub>2</sub>e) figures for energy supplies reportable by Princess Yachts Ltd are as follows.

Utility and Scope	2020 UK Consumption (tCO <sub>2</sub> e)
Grid-Supplied Electricity (Scope 2)	3,638.62
Gaseous and other fuels (Scope 1)	8,692.80
Transportation (Scope 1 and 3)	44.75
<b>Total</b>	<b>12,376.17</b>
No Cost for 2020 Global (excluding UK Consumption (kWh))	

## Intensity Metric

An intensity metric of tCO<sub>2</sub>e per £m Turnover has been applied for the annual total emissions of Princess Yachts Ltd. The methodology of the intensity metric calculations is detailed below, and results of this analysis is as follows:

Intensity Metric	2020 UK Intensity Metric	2020 Global (excluding UK) Intensity Metric
tCO <sub>2</sub> e / £m turnover	49.26	0

## Reporting Methodology

Scope 1 and 2 consumption and CO<sub>2</sub>e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used, utilising the current published kWh gross calorific value (CV) and kgCO<sub>2</sub>e emissions factors relevant for reporting year 01/01/2020 – 31/12/2020: Database 2020, Version 1.01.

Estimations undertaken to cover missing billing periods for properties directly invoiced to Princess Yachts Ltd were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 10.8% of reported consumption.

Intensity metrics have been calculated utilising the 2020 reportable figures for the following metrics, and tCO<sub>2</sub>e for both individual sources and total emissions were then divided by this figure to determine the tCO<sub>2</sub>e per metric: Total turnover £244.4m

# Princess Yachts (Holdings) Limited

## Directors' Report for the year ended 31 December 2020

### Directors' Responsibilities Statement

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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company 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 Group and company and of the profit or loss of the Group and 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 IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the company financial statements, 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 Group and company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

### Statement of disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the Directors' report is approved so far as each director is aware:

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

This report was approved by the board of directors on 27 September 2021 and signed on behalf of the board by:



On behalf of the board  
A M Sheriff  
Director

# Princess Yachts (Holdings) Limited

Independent Auditors' Report to the Members of Princess Yachts (Holdings) Limited for the year ended 31 December 2020

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Princess Yachts (Holdings) 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 2020 and of the group's loss and the group's and company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared 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); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated Balance Sheet and the Company Balance Sheet as at 31 December 2020; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the Company Statement of Cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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 group's and 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

# Princess Yachts (Holdings) Limited

Independent Auditors' Report to the Members of Princess Yachts (Holdings) Limited for the year ended 31 December 2020

## Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## Strategic report and Directors' Report

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 year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

### Auditors' 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 auditors' 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.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the requirements of UK tax law and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined

# Princess Yachts (Holdings) Limited

Independent Auditors' Report to the Members of Princess Yachts (Holdings) Limited for the year ended 31 December 2020

## Auditors' responsibilities for the audit of the financial statements (continued)

that the principal risks were related to the potential posting of inappropriate journal entries to manipulate financial performance and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Testing journal entries to identify any entries which met our risk criteria, in particular journal entries with unusual account combinations to revenue;
- Testing management bias in estimates, including in respect of the determination of the defined benefit pension scheme liability; and
- Performing unpredictable procedures as part of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

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

## Use of this report

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.

## Other required reporting

### Companies Act 2006 exception reporting

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

- we have not obtained 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
- certain disclosures of directors' remuneration specified by law are not made; 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.



Colin Bates (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Bristol

29 September 2021

# Princess Yachts (Holdings) Limited

Consolidated Income Statement for the year ended 31 December 2020

	Note	2020 £'000 Excluding exceptional items	2020 £'000 Exceptional items (note 9)	2020 £'000 Total	2019 £'000 Total
<b>Revenue</b>	2	<b>244,441</b>	-	<b>244,441</b>	314,319
Cost of sales		(252,670)	(3,759)	(256,429)	(317,930)
<b>Gross loss</b>		<b>(8,229)</b>	(3,759)	<b>(11,988)</b>	(3,611)
Distribution costs		(8,257)	-	(8,257)	(11,646)
Administrative expenses		(4,528)	(169)	(4,697)	(3,610)
Other operating income	3.2	833	-	833	1,248
<b>Operating loss</b>	5	<b>(20,181)</b>	(3,928)	<b>(24,109)</b>	(17,619)
Finance income	3.1	-	-	-	2
Finance costs	4	(14,039)	-	(14,039)	(10,655)
<b>Loss before income tax</b>		<b>(34,220)</b>	(3,928)	<b>(38,148)</b>	(28,272)
Income tax credit	8	1,755	815	2,570	1,495
<b>Loss for the year from continuing operations</b>	23	<b>(32,465)</b>	(3,113)	<b>(35,578)</b>	(26,777)

The above income and expenditure all relates to continuing operations.

The notes on pages 23 to 54 are integral to these consolidated financial statements.



# Princess Yachts (Holdings) Limited

Consolidated Statement of Comprehensive Income for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Loss profit for the year</b>		<b>(35,578)</b>	<b>(26,777)</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit and loss</b>			
Actuarial gain on post-employment benefit obligations	21	28	5,510
Movement on deferred tax relating to pension liability	19	(6)	(937)
<b>Other comprehensive income for the year, net of tax</b>		<b>22</b>	<b>4,573</b>
<b>Total comprehensive expense for the year</b>		<b>(35,556)</b>	<b>(22,204)</b>

# Princess Yachts (Holdings) Limited

## Consolidated Statement of Changes in Equity for the year ended 31 December 2020

<b>Consolidated</b>	<b>Called up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Accumulated losses £'000</b>	<b>Total Equity £'000</b>
At 1 January 2019	40	4,105	(32,872)	(28,727)
Loss for the year	-	-	(26,777)	(26,777)
Other comprehensive income				
Actuarial gain on post-employment benefit obligations	-	-	5,510	5,510
Movement on deferred tax relating to pension liability	-	-	(937)	(937)
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>4,573</b>	<b>4,573</b>
<b>Total comprehensive expense</b>	<b>-</b>	<b>-</b>	<b>(22,204)</b>	<b>(22,204)</b>
<b>At 31 December 2019</b>	<b>40</b>	<b>4,105</b>	<b>(55,076)</b>	<b>(50,931)</b>

  

	<b>Called up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Accumulated losses £'000</b>	<b>Total Equity £'000</b>
At 1 January 2020	40	4,105	(55,076)	(50,931)
Loss for the year	-	-	(35,578)	(35,578)
Other comprehensive income:				
Actuarial gain on post-employment benefit obligations	-	-	28	28
Movement on deferred tax relating to pension liability	-	-	(6)	(6)
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>22</b>
<b>Total comprehensive expense</b>	<b>-</b>	<b>-</b>	<b>(35,556)</b>	<b>(35,556)</b>
<b>At 31 December 2020</b>	<b>40</b>	<b>4,105</b>	<b>(90,632)</b>	<b>(86,487)</b>

The notes on pages 23 to 54 are integral to these consolidated financial statements.

# Princess Yachts (Holdings) Limited

Company Statement of Changes in Equity for the year ended 31 December 2020

Company	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' deficit £'000
At 1 January 2019	40	4,105	(77,478)	(73,333)
Loss for the year	-	-	(9,404)	(9,404)
<b>At 31 December 2019</b>	<b>40</b>	<b>4,105</b>	<b>(86,882)</b>	<b>(82,737)</b>

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' deficit £'000
At 1 January 2020	40	4,105	(86,882)	(82,737)
Loss for the year	-	-	(10,968)	(10,968)
<b>At 31 December 2020</b>	<b>40</b>	<b>4,105</b>	<b>(97,850)</b>	<b>(93,705)</b>

The notes on pages 23 to 54 are integral to these consolidated financial statements.

# Princess Yachts (Holdings) Limited

Consolidated Balance Sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	53,891	56,188
Intangible assets	11	126,207	125,708
Investments	12	53	51
Deferred income tax assets	19	13,031	8,634
		<b>193,182</b>	190,581
<b>Current assets</b>			
Inventories	14	69,299	66,465
Corporation tax		2,079	2,482
Trade and other receivables	15	22,954	29,753
Cash and cash equivalents	25	3,603	10,553
		<b>97,935</b>	109,253
<b>Total assets</b>		<b>291,117</b>	299,834
<b>Equity and liabilities</b>			
<b>Equity attributable to the owners of the parent</b>			
Called up share capital	22	40	40
Share premium account	23	4,105	4,105
Accumulated losses	23	(90,632)	(55,076)
<b>Total equity</b>		<b>(86,487)</b>	(50,931)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	17	210,916	194,248
Deferred government grants	18	-	64
Deferred income tax liabilities	19	7,248	5,536
Retirement benefit obligations	21	4,948	6,103
Provisions for other liabilities and charges	20	3,011	3,108
		<b>226,123</b>	209,059

# Princess Yachts (Holdings) Limited

Consolidated Balance Sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Current liabilities</b>			
Trade and other payables	16	132,056	139,506
Borrowings	17	19,425	2,200
		<b>151,481</b>	141,706
<b>Total liabilities</b>		<b>377,604</b>	350,765
<b>Total equity and liabilities</b>		<b>291,117</b>	299,834

The notes on pages 23 to 54 are integral to these consolidated financial statements.

The financial statements on pages 14 to 54 were approved by the board of Directors on 27 September 2021 and were signed on its behalf by:



A-M Sheriff  
Director

Registered number: 06409725

# Princess Yachts (Holdings) Limited

Company Balance Sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Fixed Assets</b>			
Investments	12	187,006	187,006
<b>Current assets</b>			
Trade and other receivables	15	-	222
Cash at bank and in hand		4	4
Deferred income tax assets	19	617	553
Total current assets		621	779
Creditors: amounts falling due within one year	16	(69,372)	(75,761)
Borrowings	17	(2,200)	(2,200)
<b>Net current liabilities</b>		(70,951)	(77,182)
Total assets less current liabilities		116,055	109,824
Creditors: amounts falling due after more than one year	17	(209,760)	(192,561)
<b>Net liabilities</b>		(93,705)	(82,737)
<b>Capital and reserves</b>			
Called up share capital	22	40	40
Share premium account	23	4,105	4,105
Profit and loss account	23	(97,850)	(86,882)
<b>Total shareholders' deficit</b>		(93,705)	(82,737)

The company's loss for the year is £10,968,000 (2019: loss of £9,404,000).

The financial statements on pages 14 to 54 were approved by the board of Directors on 27 September 2021 and were signed on its behalf by:



A M Sherfff  
Director

Registered number: 06409725

# Princess Yachts (Holdings) Limited

## Consolidated Statement of Cash Flows for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Cash flows from operating activities</b>			
Cash used in operations	24	(8,323)	(2,206)
Interest paid		(2,476)	(1,951)
Income tax paid		-	(387)
<b>Net cash used in operating activities</b>		<b>(10,799)</b>	<b>(4,544)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	10	(2,186)	(7,844)
Proceed from sale of property, plant and equipment		-	79
Research & development expenditure on development of new yachts	11	(10,650)	(12,868)
Interest received	3	-	2
<b>Net cash used in investing activities</b>		<b>(12,836)</b>	<b>(20,631)</b>
<b>Cash flows from financing activities</b>			
Advance of borrowings	25	8,300	26,900
Shareholder loan advance / (repayments)	25	17,000	(35,618)
<b>Net cash generated from / (used) in financing activities</b>		<b>25,300</b>	<b>(8,718)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	25	<b>1,665</b>	<b>(33,893)</b>
Movement in borrowings	25	(25,300)	8,718
Other non-cash movements	25	(6,292)	(8,883)
Net debt at the beginning of the year	25	(213,895)	(179,837)
<b>Net debt at the end of the year</b>	25	<b>(243,822)</b>	<b>(213,895)</b>

# Princess Yachts (Holdings) Limited

Company Statement of Cash Flows for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	-	10,551
Interest paid		-	(1,950)
<b>Net cash generated from operating and investing activities</b>		-	8,601
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(10,000)	(48,600)
Receipt of new borrowings		10,000	40,000
<b>Net cash used in financing activities</b>		-	(8,600)
<b>Net increase in cash and cash equivalents</b>		-	1
Movement in borrowings	27	(7,800)	8,380
Other non-cash movements	27	(9,399)	(6,858)
Net debt at the beginning of the year	27	(194,757)	(196,280)
<b>Net debt at the end of the year</b>	27	<b>(211,956)</b>	<b>(194,757)</b>



# Princess Yachts (Holdings) 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 International Financial Reporting Standards (IFRS), as adopted by the International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 and historic cost modified by the revaluation of financial assets and financial liabilities held at fair value through Profit & Loss.

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.

The company is a private limited company, limited by shares, incorporated in England and Wales.

### 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.

The Group has applied the exemption to omit the Company's Income Statement and Statement of Comprehensive Income from the financial statements, under section 408 of the Companies Act 2006. The company's Income Statement and Statement of Comprehensive Income for the financial year has been approved by the Directors in accordance with section 414 (1).

### New standards which are now effective

The following new and amended standards have been adopted by the Group for the financial year beginning on 1 January 2020;

### Definition of Business (Amendments to IFRS 3)

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Group has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations. The amendments do not permit the Group to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business.

### COVID-19-Related Rent Concessions (Amendments to IFRS 16)

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

# Princess Yachts (Holdings) Limited

## Accounting Policies

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

### Group (continued)

### COVID-19-Related Rent Concessions (Amendments to IFRS 16) (continued)

- b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Group received no rent concessions in the year and has therefore not elected to utilise the practical expedient for rent concessions.

### Other standards

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Group are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative – Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

### Standards not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

### Interest Rate Benchmark Reform – IBOR ‘phase 2’ (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).
- IFRS 17 Insurance Contracts (effective 1 January 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that ‘settlement’ includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

Management will quantify the effect of adopting the remaining 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.

# Princess Yachts (Holdings) Limited

## Accounting Policies

### Group (continued)

#### 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 acquired, plus any costs directly attributable to the business combination. The acquired 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 (Group & Company)

The results of the Group, for the year under review, show turnover of £244.4m (2019: £314.3m), gross loss before exceptional costs of £8.2m (2019: £2.3m) and an operating loss before exceptional costs of £20.2m (2019: £16.3m). This equates to a gross margin of (3.4)% (2019: (0.7)%) and operating (loss)/profit margin of (8.3)% (2019: (5.2)%).

The Group meets its day to day working capital requirements from cashflows generated from operations and banking facilities provided by the Group's principle bankers HSBC and National Westminster Bank ("Bank Group"). During 2020, the Group had a net cash increase of £1.7m (2019: decrease of £33.9m). As at 31 December 2020 the Group utilised an agreed revolving credit facility and ancillary services facility totalling £40m.

In evaluating the going concern assumption, the Directors utilise existing business and commercial forecasts to demonstrate that the Group will return to profitability. The forecasts are based on a confirmed orderbook for future sales into 2023 along with specific assumptions on expenditure increases. The impact of COVID-19 has been recognised and the forecast represents management's best estimate of the scenario likely to occur, management has considered a downside sensitivity (such as a 10% reduction in EBITDA) before mitigating actions, and that this would not result in a breach of covenants.

To support these forecasts, in May 2020 following the COVID-19 pandemic, the Directors worked closely with the Shareholders and Bank Group in presenting a revised business plan to restart the business from its temporary closure. Building off the new COVID-19 protocols and stable Order Book, a working capital cash advance of £18.7m was provided by the Shareholders and Bank Group. This temporary facility was completed on 30<sup>th</sup> June 2020 and included scheduled repayments through to 31<sup>st</sup> December 2021, along with covenants being reset.

The Directors have considered the adequacy of the financing facility and are confident the Group will continue to operate within its available facilities for the foreseeable future, subject to the potential impact of further COVID-19 pandemic restrictions.

The Group has total external net debt of £68.4m at 31 December 2020, (2019: £66.9m). The terms of the debt require the Group to comply with quarterly covenant testing on Gross Leverage to EBITDA, Cashflow Cover and Interest Cover. The forecasts prepared for the June refinancing, built in a sensitivity of 25% to enable the Directors to identify any areas of concern in a timely manner. The current forecasts indicate that the Group will remain within these covenants through to December 2022.

After consideration of the above matters, the Directors are still of the opinion that it remains appropriate to prepare the financial statements on a going concern basis. The Directors will continue to monitor the COVID-19 situation closely and assess the impact on the financial statements, performance and operations as the situation develops.

#### Revenue recognition

Revenue recognition Revenue is measured at the fair value of the consideration which is expected to be received in exchange for goods and services provided, net of trade discounts and sales-related taxes.

Revenue is recognised when all of the following conditions are satisfied:

- A contract exists with a customer.
- The performance obligations within the contract have been identified.
- The transaction price has been determined.
- The transaction price has been allocated to the performance obligations within the contract.

# Princess Yachts (Holdings) Limited

## Accounting Policies

### Group (continued)

#### Revenue recognition (continued)

- Revenue is recognised as or when a performance obligation is satisfied which is normally on completion of the product or on shipment depending on contract terms.

Sale of goods - Revenue from the sale of goods is generally recognised at a point in time when control of the goods has transferred to the customer, usually being when the goods have been shipped to the customer in accordance with the contracted shipping terms. For certain boats, when the criteria in para 35 of IFRS15 is met, revenue is recognised over time as the boat is manufactured and the amount of revenue is recognised by reference to the labour hours incurred as a proportion of total labour hours. With the last Metre class yachts being sold in the year, and being replaced with the X-class, no boats were accounted for over time at the balance sheet date.

#### Research and development costs

Costs directly associated with the development of new yachts (material and labour) are capitalised and amortised over the period, typically between 2 and 6 years, 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. Amortisation of £9.2m (2019: £8.5m) is included within cost of sales in the consolidated income statement.

#### 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 including £12.0m received in the year in respect of the CJRS 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 of the grant have been met or over the period in which the related expenditure is expensed to the profit and loss account.

#### 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.

# Princess Yachts (Holdings) Limited

## Accounting Policies

### Group (continued)

#### Financial instruments (continued)

The Group adopted IAS 32 'Financial Instruments: Disclosure and Presentation' and IFRS 9 'Financial Instruments'. 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.

#### **Assessment on Expected Credit Loss (ECL) on financial assets**

The Group's financial assets, trade receivables, loans and other receivables are subject to consideration in respect of ECLs.

The Group keeps this position under regular review, using available information including:

- Monitoring receivables
- Any actual or expected change in industry or economic conditions
- Changes in counterparty credit ratings

Financial assets are written off when there is no expectation of recovery. The company has established a provision for doubtful debts which it continues to review and monitor.

Given the nature of the financial assets the ECL applied to each is deemed to be minimal and therefore any impairment loss immaterial.

#### **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. Preferences shares are classified as debt.

#### **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. Where the life of existing property, plant and equipment is significantly extended through subsequent expenditure, these costs are capitalised and depreciated over the extended period.

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

# Princess Yachts (Holdings) Limited

## Accounting Policies

### Group (continued)

#### 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.

#### Non financial assets

Non financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period

#### 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 comprise cash on hand and call deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### 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.

#### 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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 following analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

# Princess Yachts (Holdings) Limited

## Accounting Policies

### Group (Continued)

#### Fair values (continued)

- 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).

Details of the Group's assets measured at fair value at 31 December 2020 are shown in note 13 of the financial statements.

#### Exceptional items

The Group classifies certain one-off charges or credits that have a material impact (both qualitative and quantitative) on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

#### Leases

As explained in new standards section above, the Group has changed its accounting policy for leases where the Group is a lessee. The impact is set out in the notes to the accounts.

For lessees, IFRS 16 requires most leases to be recognised on the balance sheet, eliminating the distinction between operating and finance leases. Under IFRS 16 the lessee recognises a right of use asset and corresponding liability. The asset is treated similarly to other non-financial assets and is depreciated accordingly. The liability is measured at the present value of future lease payments, payable over the term of the lease.

The Group has previously recognised operating leases as an expense on a straight line basis over the term of the lease.

For any new contract, the Group considers whether a contract is, or contains a lease, defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. The Group therefore assess whether:

- The contract contains an identifiable asset, either explicitly identified in the contract or implicit identified at the time it is made available to the Group
- The Group has the right to obtain substantially all of the economic benefits of use from the asset throughout the period, considering its rights within the contract
- The Group has the right to direct the use of the asset throughout the period of use.

#### Impairment of assets

Assets are assessed at each reporting date to determine whether there is any indication of impairment. Where there is any indication of impairment, the carrying value of the asset is tested for impairment, with an impairment loss being recognised for the amount by which the assets carrying value exceeds its recoverable amount.

#### 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 on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit or loss and fair value through other comprehensive income. The accounting policies have been applied consistently, other than where new policies have been adopted.

# Princess Yachts (Holdings) Limited

## Accounting Policies

### Company (continued)

#### Basis of preparation (continued)

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

#### 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 19.0%), any amount above this level is taken direct to reserves through the Statement of Comprehensive Income

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. Pre 1 April 2017, a net deferred tax asset was 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.

Due to changes in legislation, tax losses incurred post 1 April 2017 can be carried forward and surrendered through Group relief and therefore a net deferred tax asset is recognised on the basis the losses will be utilised within the taxable profits of the Group in the future.

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.

#### Fixed asset investments

Unlisted investments, excluding those relating to the subsidiary companies, are stated at market value using, where applicable, the AIM quoted price as an indicator. The Companies Act 2006 alternative rules have been adopted. The amount of any profit or loss arising on revaluation is taken to the revaluation reserve. Subsidiary investments are held at the lower of cost and net realisable value.

#### Investments in Subsidiary Companies

The Investment in the subsidiary companies are held at cost less accumulated impairment losses.

#### 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 company after deducting all of its liabilities. Equity and debt instruments issued by the company 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 company has transferred substantially all risks and rewards of ownership.



# Princess Yachts (Holdings) Limited

## 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 and of investment in subsidiaries (Group and Company)*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 11).

##### b) *Useful economic lives of capitalised development costs (Group)*

Development costs relating to the introduction of new yacht models are capitalised and amortised 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 £2.6m (2019: £2.1m). Additional information is disclosed in note 11.

##### c) *Pension benefits (Group and Company)*

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 Group determines the appropriate discount rate at the end of each year. This is the 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 21.

##### d) *Revenue recognition – long-term contract accounting (Group and Company)*

Certain 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 hours incurred as a percentage of total forecast labour hours 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 £nil (2019: £39,000). A 1% decrease in the percentage completion of the yachts would reduce gross profit by £nil (2019: £97,000).

##### e) *Warranty Provision (Group and Company)*

Historical warranty spend data is collated across all models and used to estimate future warranty spend based on boats sold and the balance of warranty period remaining. When historical information is unavailable, for instance on new launches an estimate is made by reference to the historic warranty spend on a similar size of yacht. During the year £5.3m additional provision was booked with a release of £5.4m. The closing provision was £3.0m (2019: £3.1m). Additional information is disclosed in note 20.

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 1 Critical accounting estimates and judgements (continued)

#### f) Deferred tax asset (Group and Company)

A deferred tax asset is recognised on the basis of forecasted taxable profits for the Group which will utilise the tax losses. There is an unrecognised deferred tax asset in Princess Yachts (Holdings) Limited of £1,693,000 (2019: £1,643,000) relating to losses carried forward. This has not been recognised due to uncertainty that sufficient taxable profits will be generated in future in that company in order to utilise the tax losses.

### 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.

	2020 £'000	2019 £'000
Revenue recognised when delivered	240,027	286,956
Revenue recognised according to long term contract accounting	4,414	27,363
<b>Revenue</b>	<b>244,441</b>	<b>314,319</b>

#### 3.1 Finance income

	2020 £'000	2019 £'000
Interest receivable from bank deposits	-	2

#### 3.2 Other operating income

	2020 £'000	2019 £'000
Research & development tax credit	721	1,127
Other income	112	121
<b>Other operating income</b>	<b>833</b>	<b>1,248</b>

### 4 Finance costs

	2020 £'000	2019 £'000
Interest payable on bank loan	3,104	1,112
Amortisation of bank loan issue cost	740	584
Finance costs in relation to leases (note 28)	84	36
Interest payable on other loans (note 17)	3,071	2,212
Preference share dividend (note 17)	6,727	6,363
Other finance expense – pensions (note 21)	313	348
<b>Net finance costs payable</b>	<b>14,039</b>	<b>10,655</b>

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 5 Operating loss

	2020 £'000	2019 £'000
<b>Operating loss is stated after charging/(crediting):</b>		
Depreciation of property, plant & equipment (note 10)	4,429	3,749
Staff costs (note 7)	110,219	121,033
Provision for doubtful debts	25	17
Provision for obsolete stock	37	209
Loss / (Profit) on disposal of property, plant & equipment	54	(107)
Amortisation of development costs (note 11)	9,176	8,453
Amortisation of government grant income (note 18)	(158)	(291)
UK Government Coronavirus Job Retention Scheme grant income (included as a deduction to cost of sales)	(12,036)	-
Research and development tax credit		
- Current year	(722)	(994)
- Prior year	-	(133)
Inventory expensed in the year	120,629	154,307
Operating lease rentals	614	628

### 6 Auditors' remuneration

	2020 £'000	2019 £'000
Fees payable to company's auditors and their associates for the audit of the company and consolidated financial statements	35	23
Fees payable to the company's auditors and their associates for other services:		
The audit of the company's subsidiaries	120	117
Taxation compliance services	39	30
	<b>194</b>	<b>170</b>

### 7 Staff numbers and costs

The average monthly number of employees for the Group during 2020 and 2019 was:

By activity	2020 Group Number	2019 Group Number	2020 Company Number	2019 Company Number
Production	2,757	2,805	-	-
Selling and distribution	63	61	-	-
Administration	90	85	6	6
	<b>2,910</b>	<b>2,951</b>	<b>6</b>	<b>6</b>

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 7 Staff numbers and costs (continued)

<b>Employee costs</b>	<b>Group 2020 £'000</b>	<b>Group 2019 £'000</b>
Wages and salaries	<b>98,159</b>	108,228
Social security costs	<b>9,640</b>	10,325
Other pension costs	<b>2,420</b>	2,480
Sub-total	<b>110,219</b>	121,033
Less: Grant Income (CJRS)	<b>(12,036)</b>	-
	<b>98,183</b>	121,033

No employee costs in 2020 or 2019 relate to the company.

#### Directors' emoluments

The Directors are remunerated through Princess Yachts Limited, a 100% wholly owned subsidiary, in respect of their services to the Group.

Aggregate Directors' emoluments for the year were £1,210,000 (2019: £1,406,000). The aggregate value of company contributions paid to a defined contribution pension scheme in respect of the Directors' qualifying services is £26,000 (2019: £47,000). No directors (2019: one) are accruing benefits under money purchase pension schemes. There are no Directors with accrued benefits under the company's defined benefit pension scheme (2019: one).

The remuneration of the highest paid director was £1,042,000 (2019: £1,025,000). The highest paid director does not accrue benefits under the company's defined benefit pension scheme. The same applied in the prior year.

#### Key management compensation:

Key management only includes the Directors whose salaries are disclosed above plus additional Directors who are paid by a wholly owned subsidiary. The total compensation paid or payable to key management for employee services is salaries £4,682,000 (2019 £4,521,000) and post-employment benefits £248,000 (2019 £255,000).

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 8 Income tax credit

#### Analysis of credit to income statement

	2020 £'000	2019 £'000
<b>Current tax:</b>		
UK corporation tax at 19% (2019: 19%)	(133)	504
Adjustments relating to prior years	12	(73)
<b>Total current tax</b>	<b>(121)</b>	<b>431</b>
<b>Deferred tax (note 19):</b>		
Origination and reversal of timing differences	5,195	1,296
Change in tax rate	(5)	(234)
Adjustments relating to prior years	(2,499)	2
<b>Total deferred tax credit</b>	<b>2,691</b>	<b>1,071</b>
<b>Total tax credit for the current year</b>	<b>2,570</b>	<b>1,495</b>

Adjustment relating to prior years of £2.5m relates changes in assumption used to calculate a deferred tax liability arising on consolidation in relation to non-qualifying fixed assets,

The tax assessed for 2020 and 2019 reconciles to the standard effective rate of corporation tax in the UK as follows:

	2020 £'000	2019 £'000
<b>Loss before income tax</b>	<b>(38,160)</b>	<b>(28,272)</b>
Loss multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	7,251	5,372
Expenses not deductible for tax purposes	(1,499)	(1,784)
Income not taxable for tax purposes	5	(1)
Adjustments relating to prior years	(2,487)	(71)
Deferred tax not previously recognised	-	(1,700)
Effects of other reliefs	-	19
Impact of unrecognised deferred tax assets / liabilities	(695)	(106)
Deferred tax rate changes	(5)	(234)
<b>Total tax credit for the year</b>	<b>2,570</b>	<b>1,495</b>

In the Spring Budget 2021, the government announced that from 1 April 2023 the headline corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax credit and the net deferred tax asset for the year by £1,827,000.

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 9 Exceptional items

	2020 £'000	2019 £'000
Consultancy costs	1,633	639
Redundancy costs	1,061	722
COVID-19 costs	1,234	-
	<b>3,928</b>	<b>1,361</b>

Exceptional consultancy costs relate to the additional cost of contracting consultants as part of the company transformation project as well as a one off settlement of a claim from a customer. Discrete Redundancy costs relate to the business staff restructuring programme. COVID-19 costs include incremental costs to the business incurred during the pandemic, which would not be in the course of normal business, including PPE and safety wear and additional cleaning costs.

### 10 Property, plant and equipment

Group	Freehold property £'000	Plant and equipment £'000	Right of use assets £'000	Total £'000
<b>Cost</b>				
At 1 January 2019	47,879	33,794	-	81,673
Additions	14	5,658	2,172	7,844
Disposal	-	(335)	-	(335)
At 31 December 2019	47,893	39,117	2,172	89,182
Additions	-	2,186	-	2,186
Disposal	(73)	-	-	(73)
<b>At 31 December 2020</b>	<b>47,820</b>	<b>41,303</b>	<b>2,172</b>	<b>91,295</b>
<b>Accumulated depreciation</b>				
At 1 January 2020	9,044	20,531	-	29,575
Charge to income statement	885	2,351	513	3,749
Disposal	(1)	(329)	-	(330)
At 31 December 2020	9,928	22,553	513	32,994
Charge to income statement	885	3,029	515	4,429
Disposal	(19)	-	-	(19)
<b>31 December 2020</b>	<b>10,794</b>	<b>25,582</b>	<b>1,028</b>	<b>37,404</b>
<b>Net book value at 31 December 2020</b>	<b>37,026</b>	<b>15,721</b>	<b>1,144</b>	<b>53,891</b>
Net book value at 31 December 2019	37,965	16,564	1,659	56,188

The above right of use assets of £1,144,000 are secured on the asset to which the lease relates.

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 11 Intangible assets

#### Capitalised development costs

Group	2020 £'000	2019 £'000
<b>Cost</b>		
At the beginning of the year	48,501	40,683
Additions	10,650	12,868
Disposals	(9,766)	(5,050)
<b>At the end of the year</b>	<b>49,385</b>	<b>48,501</b>
<b>Accumulated amortisation</b>		
At the beginning of the year	27,170	20,212
Charge to income statement – cost of sales	9,176	8,453
Disposals	(8,791)	(1,495)
<b>At the end of the year</b>	<b>27,555</b>	<b>27,170</b>
<b>Net book value at the end of the year</b>	<b>21,830</b>	<b>21,331</b>

#### Goodwill

Group	£'000	£'000
<b>Cost</b>		
At the beginning and at the end of the year	104,377	104,377
<b>Total</b>		
<b>Net book value at the end of the year</b>	<b>126,207</b>	<b>125,708</b>

Net impairment of development costs, included as disposals were £1.0m (2019: £3.6m)

#### Impairment tests for Development costs

Capitalised costs are reviewed annually and will be written off where continuing carry forward is no longer considered to be appropriate, such as a decision to cease production of a particular model. The impairment in the year relates to projects which are no longer going to be progressed by the Group.

#### Impairment tests for goodwill

Management reviews the business performance at the one, overall, segmental level of the principal activity. The recoverable amount of the only Cash Generating Unit 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 four 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.

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 11 Intangible assets (continued)

The key assumptions used for value-in-use calculations in 2020 and 2019 are as follows:

	2020	2019
EBITDA average growth rate (4 year period) - %	30.0%	28.0%
Long term growth rate - %	2.0%	2.0%
Discount rate - %	10.5%	10.5%

Management has determined the values assigned to each of the above key assumptions as follows:

**Initial growth rate** – Cash flows from the business plan are extrapolated out to year four using the implicit growth rate, shown in the table above as the initial growth rate. This is based on past performance and management expectations of market development

**Long term growth rate** – This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are consistent with forecasts included in industry reports and the improved production capacity and expanded product offering.

**Discount rate** – Discount rates are determined using rates that reflect current market assessment of the time value of money and the risk specific to the Group

Significant estimate impact of possible changes in key assumptions. The recoverable amount of the CGU would equal its carrying amount if the key assumptions were to change as follows:

	2020
EBITDA average growth rate (4 year period) - %	30% to 22%
Long term growth rate - %	From 2.0% to (4.2%)
Discount rate - %	From 10.5% to 13.9%

### 12 Investments

	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Investment in Princess Yachts Limited	-	-	187,006	187,006
Other unlisted investments	53	51	-	-
	53	51	187,006	187,006

The principal subsidiary companies within Princess Yachts (Holdings) Limited, all with the registered office of Newport Street, Plymouth, Devon PL1 3QG, are:

Subsidiary	Holding	Nature of Business	Country of Incorporation
The Renwick Group Limited	100%	Holding company	England
Princess Yachts Limited	100%	Manufacture of luxury motor yachts	England



# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 12 Other unlisted investments (continued)

Other unlisted investments comprise various shares across a number of entities. The majority of these shares are 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	2020 £'000	2019 £'000
Market value at the beginning of the year	51	61
Revaluation	2	(10)
Disposal	-	-
<b>Market value at the end of the year</b>	<b>53</b>	<b>51</b>

### 13 Financial instruments by category

#### Group – 31 December 2020

##### Assets as per balance sheet

	Loans, liabilities and receivables at amortised cost £'000	Assets and liabilities at fair value through profit and loss £'000	Total £'000
Financial assets at fair value - investments	-	53	53
Trade and other receivables excluding prepayments	23,143	-	23,143
Cash and cash equivalents	3,603	-	3,603
<b>Total</b>	<b>26,746</b>	<b>53</b>	<b>26,799</b>

##### Liabilities as per balance sheet

Borrowings	210,916	-	210,916
Trade and other payables excluding non-financial liabilities	114,909	-	114,909
<b>Total</b>	<b>325,825</b>	<b>-</b>	<b>325,825</b>

#### Group – 31 December 2019

##### Assets as per balance sheet

	Loans, liabilities and receivables at amortised cost £'000	Assets and liabilities at fair value through profit and loss £'000	Total £'000
Financial assets	-	51	51
Trade and other receivables excluding prepayments	26,735	-	26,735
Cash and cash equivalents	10,553	-	10,553
<b>Total</b>	<b>37,288</b>	<b>51</b>	<b>37,339</b>

##### Liabilities as per balance sheet

Borrowings	194,761	-	194,761
Trade and other payables excluding non-financial liabilities	112,569	-	112,569
<b>Total</b>	<b>307,330</b>	<b>-</b>	<b>307,330</b>

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 13 Financial instruments by category (continued)

#### Company – 31 December 2020

	Loans, liabilities and receivables at amortised cost £'000	Assets and liabilities at fair value through profit and loss £'000	Total £'000
<b>Assets as per balance sheet</b>			
Financial assets at fair value - investments	-	187,006	187,006
Cash and cash equivalents	3	-	3
<b>Total</b>	<b>3</b>	<b>187,006</b>	<b>187,009</b>
<b>Liabilities as per balance sheet</b>			
Borrowings	209,760	-	209,760
Trade and other payables excluding non-financial liabilities	69,542	-	69,542
<b>Total</b>	<b>279,302</b>	<b>-</b>	<b>279,302</b>

#### Company – 31 December 2019

	Loans, liabilities and receivables £'000	Assets and liabilities at fair value through profit and loss £'000	Total £'000
<b>Assets as per balance sheet</b>			
Financial assets	-	187,006	187,006
Cash and cash equivalents	4	-	4
<b>Total</b>	<b>4</b>	<b>187,006</b>	<b>187,010</b>
<b>Liabilities as per balance sheet</b>			
Borrowings	194,761	-	194,761
Trade and other payables excluding non-financial liabilities	75,761	-	75,761
<b>Total</b>	<b>270,522</b>	<b>-</b>	<b>270,522</b>

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 14 Inventories

#### Group

	2020 £'000	2019 £'000
Raw materials and consumables	8,537	9,250
Work in progress	58,636	47,294
Work in progress on Long Term contracts	-	6,420
Finished goods and goods for resale	2,126	3,501
	<b>69,299</b>	<b>66,465</b>

There is no material difference between the balance sheet amount of inventory and its replacement cost. A slow moving/obsolete inventory provision of £1,892,000 (2019: £1,855,000) has been included within the raw materials analysis above.

£Nil of inventory was written off in 2020 (2019: £Nil).

### 15 Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade receivables	20,944	26,813	-	-
Prepayments and accrued income	2,010	2,940	-	222
	<b>22,954</b>	<b>29,753</b>	<b>-</b>	<b>222</b>

The fair value of trade receivables is £20,944,000 (2019: £26,813,000). There are no material trade receivables past due (2019: £nil).

#### Ageing of trade receivables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Due within one year	21,022	26,867	-	-
Provision for doubtful debts	(78)	(54)	-	-
Total	<b>20,944</b>	<b>26,813</b>	<b>-</b>	<b>-</b>

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 16 Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Amounts due within one year</b>				
Trade payables	45,295	36,541	-	-
Bank facility	17,084	26,779	-	-
Other payables and accruals	17,593	12,697	-	-
Amounts owed to Group undertakings	-	-	69,372	75,761
Other taxation and social security	3,325	3,676	-	-
Government grants	64	158	-	-
Deferred income	48,695	59,655	-	-
	<b>132,056</b>	<b>139,506</b>	<b>69,372</b>	<b>75,761</b>

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at 0.8%. Deferred income relating to Long Term Contracting Accounting were £nil (2019: £11.7m)

### 17 Borrowings

	Note	Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Current</b>					
Bank loan (Company and Group - secured)	a	2,200	2,200	2,200	2,200
Bank Loan (Group - secured)	b	10,500	-	-	-
Shareholder Advances (Group - secured)	b	6,725	-	-	-
		<b>19,425</b>	<b>2,200</b>	<b>2,200</b>	<b>2,200</b>
<b>Non-current</b>					
Bank loan (secured), net of issue costs	a	35,570	36,700	35,570	36,700
Redeemable preference shares	c	124,339	117,612	124,339	117,612
Leases capitalised		1,156	1,687	-	-
Shareholders' advances (unsecured)	d	49,851	38,249	49,851	38,249
		<b>210,916</b>	<b>194,248</b>	<b>209,760</b>	<b>192,561</b>

The borrowings are at market rate and as such are recognised at amortised cost. All borrowings are denominated in Sterling in both 2020 and 2019.

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 17 Borrowings (continued)

#### Maturity profile

The maturity profile of the carrying amount of borrowing at 31 December 2020 was as follows:

	Bank loan £'000	Redeemable preference shares £'000	Other loans £'000	Leases capitalised £'000	2020 Total £'000	2019 Total £'000
<1 year	12,700	-	6,725	-	19,425	2,200
1-5 years	35,570	124,339	49,851	1,156	210,916	194,248
	<b>48,270</b>	<b>124,339</b>	<b>56,576</b>	<b>1,156</b>	<b>230,341</b>	<b>196,448</b>

#### a) Bank loan

Loan Facility A being £10,000,000 repayable in biannual instalments of £1,100,000 terminating in December 2023. Loan facility B being £30,000,000 repayable in full on the termination date of 15 May 2024 and are secured on the assets of the group (note 10).

#### b) Working Capital Facilities

Following the temporary factory closure due to the global pandemic (COVID-19), the banks and shareholders agreed a short-term financing facility primarily used to pay down suppliers, restart our supply chain and safely re-open our production facilities.

The bank loans consist of three facilities, facility AA1 for £5m repayable in two instalments, with £1.2m repaid 31 August 2020 and £3.8m repayable 30 April 2021, facility AA2 for £5.6m with £2.25m being repayable 31 October 2021, followed by £3.35m on 31 December 2021 and facility AA3 for £1.1m repayable 31 October 2021.

The shareholder loan of £6.7m is repayable in December 2021.

#### c) 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 2024 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 £62,239,000 (2019: £55,512,000). The interest will be rolled up throughout the term of the preference shares.

#### d) Shareholders' advance and other loans

Other loans comprise shareholders' advances from RNO Group S.C.A. (£13,478,509, £10,559,178 and £25,816,676) (2019: £12,942,861 and £25,306,167). Interest is being accrued and rolled up throughout the term of the loans.

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 18 Deferred government grants

Group	2020 £'000	2019 £'000
At 1 January	222	513
Amortisation in the year	(158)	(291)
<b>At 31 December</b>	<b>64</b>	<b>222</b>
	2020 £'000	2019 £'000
<b>Current</b>	<b>64</b>	<b>158</b>
<b>Non-current</b>	<b>-</b>	<b>64</b>
	<b>64</b>	<b>222</b>

A grant of £4.5m 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. During 2019, the monitoring period obligations were completed and audited, with amortisation of £0.2m released in the year.

Government CJRS grants received of £12.0m have been credited to the statement of comprehensive income.

### 19 Deferred income tax

Group	Pension Assets £'000	Excess capital allowances over depreciation Assets £'000	Liabilities £'000	Other timing differences Assets £'000	Liabilities £'000	Total £'000
At 1 January 2019	2,160	603	-	3,675	(3,480)	2,958
Movement recognised in income statement	(185)	(597)	(1,910)	3,909	(146)	1,071
Movement recognised in other comprehensive income	(937)	-	-	-	-	(937)
Movement recognised in equity	-	-	-	6	-	6
<b>At 31 December 2019</b>	<b>1,038</b>	<b>6</b>	<b>(1,910)</b>	<b>7,590</b>	<b>(3,626)</b>	<b>3,098</b>
Movement recognised in income statement	(93)	(6)	(1,190)	4,502	(522)	2,691
Movement recognised in other comprehensive income	(6)	-	-	-	-	(6)
<b>At 31 December 2020</b>	<b>939</b>	<b>-</b>	<b>(3,100)</b>	<b>12,092</b>	<b>(4,148)</b>	<b>5,783</b>

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 19 Deferred income tax (continued)

Total deferred tax assets are £13,031,000 (2019: £8,634,000). Total deferred tax liabilities are £7,248,000 (2019: £5,536,000). All deferred tax assets and liabilities are expected to reverse in more than 12 months.

The deferred tax asset is recognised on the basis of forecasted taxable profits for the Group which will utilise the tax losses. There is an unrecognised deferred tax asset in Princess Yachts (Holdings) Limited of £1,693,000 (2019: £1,643,000) relating to losses carried forward. This has not been recognised due to uncertainty that sufficient taxable profits will be generated in future in that company in order to utilise the tax losses.

The deferred tax balances have been calculated at 19% (2019: 17%) being the substantively enacted rate as at 31 December 2020 as applicable from 1 April 2020. In the spring budget 2021, the government announced that from a April 2023 the headline corporation tax rate will increase to 25%. If the deferred tax balances were calculated using a 25% rate, the net balance would be £7,660,000, an increase of £1,827,000.

#### Company

	<b>Other timing differences Liabilities £'000</b>
At 1 January 2019	(209)
Movement recognised in income statement	(344)
At 31 December 2019	<b>(553)</b>
Movement recognised in income statement	(64)
<b>At 31 December 2020</b>	<b>(617)</b>

### 20 Provisions for other liabilities and charges

#### Warranty provision Group

	<b>2020 £000</b>	<b>2019 £000</b>
At the beginning of the year	3,108	2,708
Additional provision made in the year	5,290	6,340
Charge against provision	(5,387)	(5,940)
<b>At the end of the year</b>	<b>3,011</b>	<b>3,108</b>

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 21 Retirement benefit obligations

#### Defined benefit scheme

Princess Yachts Limited, a wholly owned subsidiary within the Group, operates a defined benefit pension scheme which was closed to new entrants and accrual of pensionable service ceased on 31 May 2003. The scheme's funding is valued triennially by an independent qualified actuary using the accrued benefits method. At the last full valuation on 6 April 2019, the value of the scheme's assets (which are held separately from those of the Group) was £103,154,000 which was sufficient to cover 94% of the benefits accrued at that date.

During the year ended 31 December 2020, contributions of £1,440,000 (2019: £1,440,000) were made towards meeting the funding requirement. These are recognised in cost of sales. Contributions of £1,440,000 are expected to be made in 2021. The following information has been calculated by updating the valuation calculations carried out for the initial results of the formal valuation as at 6 April 2020.

The principal assumptions used by the actuary were:

Principal assumptions	2020	2019
Rate of increase in pay – uncapped members	2.2%	2.4%
Rate of increase in pay – capped members	2.2%	2.4%
Rate of increase in pension payment	3.0%	3.1%
Discount rate	1.3%	2.1%
Inflation	3.1%	3.2%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. At 31 December 2020 the assumed life expectations on retirement, at age 65 for current pensioners, were 21.0 years for men (2019: 20.9 years) and 23.4 years for women (2019: 23.2 years).

#### 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.

	Bid value at 31 December 2020 £'000	Bid value at 31 December 2019 £'000
Equity instruments	61,513	62,773
Debt instruments	36,672	33,551
Property	2,366	3,247
Cash and cash equivalents	1,182	1,082
Other assets	16,562	7,576
Market value of assets	118,295	108,229
Present value of scheme liabilities (funded)	(123,243)	(114,332)
<b>Scheme liability</b>	<b>(4,948)</b>	<b>(6,103)</b>

All the equity instruments above have been invested in quoted securities except for £27.6m (2019: £22.8m)



# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 21 Retirement benefit obligations (continued)

Amounts recognised in profit & loss	2020 £'000	2019 £'000
Expected return on assets	2,264	2,767
Interest on liabilities	(2,377)	(3,115)
Past service cost – pension equalisation	(200)	-
<b>Other finance expense</b>	<b>(313)</b>	<b>(348)</b>

#### Analysis of amounts recognised in Statement of Comprehensive Income:

Actual return less expected return on assets	8,692	11,143
Experience adjustments arising on liabilities	(8,664)	(5,633)
<b>Actuarial gain in Statement of Comprehensive Income</b>	<b>28</b>	<b>5,510</b>

#### Actual return on assets

Expected return on assets	2,264	2,767
Actuarial gain on assets	8,692	11,143
	<b>10,956</b>	<b>13,910</b>

#### Reconciliation of fair value of scheme assets

	2020 £'000	2019 £'000
Assets at the beginning of the year	108,229	96,478
Expected return on assets	2,264	2,767
Actuarial gain	8,692	11,143
Employer contributions	1,440	1,440
Benefits paid (net of transfers in)	(2,330)	(3,599)
<b>Assets at the end of the year</b>	<b>118,295</b>	<b>108,229</b>

#### Reconciliation of present value of scheme liabilities

Liabilities at the beginning of the year	(114,332)	(109,183)
Interest cost	(2,377)	(3,115)
Past service cost – pension equalisation	(200)	-
Actuarial loss	(8,664)	(5,633)
Benefits paid (net of transfers in)	2,330	3,599
<b>Liabilities at the end of the year</b>	<b>(123,243)</b>	<b>(114,332)</b>

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 21 Retirement benefit obligations (continued)

The scheme assets are stated at bid value. The weighted average duration of the liabilities valued at 31 December 2020 is 18.0 years (2019: 18.0 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	Approximate effect of liabilities	
	2020 £000	2019 £000
Discount rate increased by 1%	(£19,378)	(£19,181)
Discount rate decreased by 1%	£25,132	£24,949
RPI and associated assumptions increased by 1%	£15,438	£15,224
RPI and associated assumptions decreased by 1%	(£13,433)	(£13,310)

History of experience gains and losses	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Defined benefit obligation	(123,243)	(114,332)	(109,183)	(113,577)	(110,035)
Plan assets	118,295	108,229	96,478	100,671	95,154
Deficit	(4,948)	(6,103)	(12,705)	(12,906)	(14,881)
Experience adjustments on plan liabilities	(8,664)	(5,633)	-	-	-
Experience adjustments on plan assets	8,692	11,143	(5,167)	4,044	15,905

#### Defined contribution schemes

The Group also operates defined contribution pension schemes. Pension contributions in respect of these schemes were £2.4m (2019: £2.5m). Contributions outstanding at 31 December 2020 were £0.3m (2019: £0.3m) which were paid in January 2021.

### 22 Called up share capital

Group and company	2020 Quantity	2020 £	2019 Quantity	2019 £
<b>Authorised</b>				
A ordinary shares of £0.01 each	3,000,000	30,000	3,000,000	30,000
B ordinary shares of £0.01 each	780,000	7,800	780,000	7,800
C ordinary shares of £0.01 each	200,000	2,000	200,000	2,000
D ordinary shares of £0.01 each	20,000	200	20,000	200
At 31 December	4,000,000	40,000	4,000,000	40,000

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 22 Called up share capital (continued)

Group and company	2020 Quantity	2020 £	2019 Quantity	2019 £
<b>Authorised, allotted, issued and fully paid</b>				
A ordinary shares of £0.01 each	3,000,000	30,000	3,000,000	30,000
B ordinary shares of £0.01 each	780,000	7,800	780,000	7,800
C ordinary shares of £0.01 each	200,000	2,000	200,000	2,000
D ordinary shares of £0.01 each	17,000	170	17,000	170
At 31 December	3,997,000	39,970	3,997,000	39,970

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. During 2017, 200,000 B ordinary shares of £0.01 each in the capital of the company held by its parent, RNO Group S.C.A., were re-designated and converted to 200,000 C ordinary shares of £0.01. A further 20,000 B ordinary shares of £0.01 were converted to D ordinary shares with the same value.

The different classes of ordinary shares attract differing rights and entitlements. The A Ordinary and B Ordinary shares have rights to income, voting and capital. The C Ordinary and D Ordinary shares have specific entitlements calculated by reference to net equity value and net return actually received. Each C Ordinary and D Ordinary share is entitled to vote. The rights of each class of Ordinary Shares are subject to the prior entitlements of the redeemable preference shares, which are classified as a liability (see note 17). Further information can be obtained from Companies House.

### 23 Reserves

Group	Share premium account £'000	Retained accumulated losses £'000	Total £'000
At 1 January 2019 - restated	4,105	(32,872)	(28,767)
Loss for the year	-	(26,777)	(26,777)
Actuarial gain on pension scheme (net of tax)	-	4,573	4,573
At 31 December 2019	4,105	(55,076)	(50,971)
Loss for the year	-	(35,578)	(35,578)
Actuarial gain on pension scheme (net of tax)	-	22	22
At 31 December 2020	4,105	(90,632)	(86,527)

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 23 Reserves (continued)

	Share premium account £'000	Accumulated losses £'000	Total £'000
<b>Company</b>			
At 1 January 2020	4,105	(86,882)	(82,777)
Loss for the year	-	(10,968)	(10,968)
<b>At 31 December 2020</b>	<b>4,105</b>	<b>(97,850)</b>	<b>(93,745)</b>

### 24 Cash used in operations

Group	2020 £'000	2019 £'000
Loss before income tax	(38,148)	(28,272)
Fair value movement on investments	(2)	10
Depreciation of property, plant and equipment	3,814	3,749
Amortisation of development costs	9,176	8,453
Impairment of development costs	975	3,555
Grant amortisation	(158)	(291)
Research & Development tax credit	(722)	(1,127)
Movement on provisions	(97)	400
Interest receivable	-	(2)
Interest payable	13,957	10,655
Loss/(Profit) on disposal of property, plant and equipment	54	(107)
(Increase) / decrease in inventory	(2,834)	23,870
Decrease / (increase) in trade and other receivables	4,026	(4,009)
Increase / (decrease) in trade payables	8,754	(17,750)
(Decrease) / increase in other payables	(5,678)	100
Pension contributions	(1,440)	(1,440)
<b>Net cash used in operating activities</b>	<b>(8,323)</b>	<b>(2,206)</b>

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 25 Reconciliation of movement in net debt - Group

	Net debt at 1 January 2020 £'000	Cash flow £'000	Non-cash flow £'000	Net debt at 31 December 2020 £'000
Cash	10,553	(6,950)	-	3,603
Bank facility	(28,000)	8,000	2,916	(17,084)
Net cash movement	(17,447)	1,050	2,916	(13,481)
Bank loan	(38,900)	2,200	(1,070)	(37,770)
Working Capital Loan – Bank	-	(10,500)	-	(10,500)
Working Capital Loan - Shareholders	-	(7,000)	275	(6,725)
Shareholders' advances and other loans	(38,249)	(10,000)	(1,602)	(49,851)
Preference shares	(117,612)	-	(6,727)	(124,339)
Leases	(1,687)	615	(84)	(1,156)
<b>Borrowing</b>	<b>(196,448)</b>	<b>(24,685)</b>	<b>(9,208)</b>	<b>(230,341)</b>
<b>Net debt</b>	<b>(213,895)</b>	<b>(23,635)</b>	<b>(6,292)</b>	<b>(243,822)</b>

Non-cash flow includes £1,070,000 (2019: £nil) accrued interest on PIK loans and £6,727,000 (2019: £6,363,000) accrued dividend on the preference shares.

### 26 Cash generated from operations - Company

Company	2020 £'000	2019 £'000
Loss before income tax	(11,032)	(9,748)
Interest payable	11,032	9,742
Increase in other payables	-	10,557
<b>Net cash generated from operating activities</b>	<b>-</b>	<b>10,551</b>

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 27 Reconciliation of movement in net debt - Company

	Net debt at 1 January 2020 £'000	Cash flow £'000	Non-cash flow £'000	Net debt at 31 December 2020 £'000
<b>Cash</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>4</b>
Bank loan	(38,900)	2,200	(1,070)	<b>(37,770)</b>
Shareholders' advances and other loans	(38,249)	(10,000)	(1,602)	<b>(49,851)</b>
Preference shares	(117,612)	-	(6,727)	<b>(124,339)</b>
<b>Borrowing</b>	<b>(194,761)</b>	<b>(7,800)</b>	<b>(9,399)</b>	<b>(211,960)</b>
<b>Net debt</b>	<b>(194,757)</b>	<b>(7,800)</b>	<b>(9,399)</b>	<b>(211,956)</b>

### 28 Leases

The Group had lease commitments in respect of Property Plant and Equipment. Each lease is reflected on the balance sheet as a right of use asset and a lease liability. The lease term for the equipment ranges from 2 to 5 years.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative values.

The balance sheet shows the following in respect of leases

<b>Right of use assets</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Property, Plant and Equipment	<b>1,144</b>	<b>1,659</b>
<b>Lease Liability</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Non-current	<b>1,156</b>	<b>1,687</b>

# Princess Yachts (Holdings) Limited

## Notes to the Consolidated Financial Statements

### 28 Leases (continued)

#### Measurement of right of use asset

The right of use assets were measured on transition to IFRS16 at the amount equal to the leasing liability.

A reconciliation of the lease liability recognised on adoption of IFRS16 to previous disclosure is as follows:

	2020 £'000
Operating lease commitments at the beginning of the year	2,391
Discounted at implicit lease interest rate of 4%	(220)
<b>Operating lease commitments at the end of the year</b>	<b>2,171</b>

	2020 £'000
The movements in the lease liability can be shown as follows:	
At the beginning of the year	1,687
Depreciation prior to 1 January 2020 under IFRS 16	-
Finance charge	84
Lease payments made in the year	(615)
<b>At the end of year</b>	<b>1,156</b>

#### Maturity analysis

	2020 £'000
Between 1 and 5 years	1,687

### 29 Related party transactions

The Group and company had the following transactions with related parties in 2020 and 2019:

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. There were no transactions with related parties that are not members of the Group during the year. During the year the company made no loans to key management personnel.

Cumulative preference shares comprising 62,100,000 of £0.01 each are held by RNO Group S.C.A. (note 17). During the year, accrued interest of £6,727,000 (2019: £6,363,000) were added to the carrying value of the preference shares. In addition £3,167,000 (2019: £2,212,000) of interest, on advances of £49,854,000 (2019: £38,249,000) made by RNO Group S.C.A. was charged to the income statement in the year.

# **Princess Yachts (Holdings) Limited**

## Notes to the Consolidated Financial Statements

### **31 Ultimate controlling party**

The immediate parent undertaking is RNO Group S.C.A.

The smallest undertaking for which the company is a member and for which Group financial statements are prepared is Princess Yachts (Holdings) Limited and 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. The ultimate controlling party is L'Catterton S.A.S.