

Princess Yachts Limited

Annual Report

For the year ended 31 December 2022

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Princess Yachts Limited

Financial Statements

Year ended 31 December 2022

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Princess Yachts Limited

Strategic Report

Year ended 31 December 2022

Business Review and future developments

The Company manufactures and sells luxury motor yachts to a worldwide network of independent distributors from six locations in the South West of England and regional location in Hong Kong and Fort Lauderdale, USA.

Change of Ownership

During 2021, the Princess Yachts Group of companies ("Group") had experienced a surge in demand across its entire range of luxury yachts tempered by a backdrop of unprecedented supply chain disruptions that led to loss of volume and inefficient build of yachts. At the start of 2022, driven by the enormous success of our new, award-winning models and subsequent potential for growth, the Directors and Shareholders engaged in a review of the operations of the Group. With the continuing supply chain disruption, the strategic review concentrated on resolving these issues, while providing the capital necessary to improve build efficiency and increase capacity beyond pre-pandemic levels. Having secured Freeport status at our South Yard site, we had opportunities to secure increased capacity within and outside our existing sites together with a new partner.

After exploring and evaluating multiple interested parties, during November 2022 the Directors and Shareholders entered a period of exclusivity with KPS Capital Partners ("KPS") to secure a significant investment within the Group of companies. Despite all endeavours to conclude within a shortened period, the international regulatory process delayed the final completion of the transaction until March 2023. During this period, the manufacturing operations were adversely affected, however the existing shareholders and bank Group continued to support the business pending the transaction completing and the significant positive refinancing of the Group.

As part of the successful conclusion of the KPS investment in March 2023, the previous Shareholders continued to remain as a minority shareholder. The investment resulted in the following Group highlights:

- Move to a majority investment partner with proven track record in successful implementation of growth plans and manufacturing excellence.
- Initial Equity/Cash injection of £53.7m into the Group to support working capital and future growth
- All previous Shareholder Loans and Preference Shares with accumulated interest being cancelled and removed from the Balance Sheet.
- Extension of the existing Bank facility with HSBC and NatWest to January 2027, reflecting a partnership of eight years.
- A vision to build on the Group's commercial success to invest in and grow the business.

Business Review

Operationally, 2022 started with major disruption to the Supply Chain, severely impacting the ability to return to stable and efficient production levels. The ability to secure the timely arrival of material and products to stage builds throughout all lines impacted the efficiency, volume targets and delivery to time metrics.

The most impacted parts categories included large components that are typically fitted at the beginning of the build (engines, generators, electrical panels and air conditioning equipment) which in some cases arrived months late for the required build sequence. Due to our fast-moving boat lines, these delays resulted in some part-built boats to be taken offline, increasing the financial working capital requirement and delaying timely completion, while incurring significant cost to retrofit these components. As the year closed, the working capital impact was exaggerated by the mix of boats paid upon completion, however this was supported with an additional short term bank facility.

Princess Yachts Limited

Strategic Report *(continued)*

Year ended 31 December 2022

During the year the focus on employee engagement remained strong with continued investment in apprenticeship schemes and re-training projects to enable offline completion of boats that were awaiting parts. Staff engagement has become a key metric through the post pandemic period, with monthly and all staff quarterly presentations continuing to update employees on the business performance.

During January 2022 a full boat show line up were on display at the Royal William Yard, Plymouth, where staff and their families were encouraged to attend and engage with the products that our staff manufacture. In addition to staff, local business leaders and stakeholders were invited to attend this unique and exclusive event. Engagement programmes continued with local sporting clubs (Plymouth Argyle, Plymouth Albion) providing family opportunities for employees, which has also enabled charitable support to Plymouth Children in Poverty.

Despite the challenging operational performance, the product strategy continues to drive strong commercial results with three new boats launched in 2022 and a further three planned for each of 2023 and 2024. In 2022, two sister variants of current models were launched with the Y95 and S72 variants supporting the existing X95 and Y72. Total product development in 2022 was £14.7m (2021: £14.6m), with new capital expenditure maintained at £2.4m (2021: £2.6m). This continued intensity will help Princess maintain and grow its global market share leadership in the 35-100 foot market space. The strategy to continue to invest in new products remains key to the longer-term plans and is supported by a deposited Order Book in excess of £750m and stretching out into 2025 as at July 2023. Coupled with global distributor stock position of just 13 yachts at year end, Princess has a strong base from which to grow profitably.

With the uncertainty in the supply chain impacting production and inflationary cost pressures, 2022 financial performance was disappointing. However, the arrival of KPS as an investor and the subsequent and support brought by them in early 2023 provides a sound foundation to move forward through the second half of 2023.

	2022 £m	2021 £m	Movement £m	Movement %
Revenue	315.2	308.3	6.9	2.2%
Operating Loss before exceptional costs	(30.0)	(3.7)	(26.3)	--
EBITDA before exceptional costs	(25.7)	0.2	(25.9)	--

The results of the Group, for the year under review, show turnover of £315.2m (2021: £308.3m) and an operating loss before exceptional costs of (£30.0m) (2021: £3.7m). This equates to an EBITDA loss of £25.7m (2021: profit of £0.2m). The loss before tax was £43.3m (2021: £10.0m).

Outlook

With the solid order book and new financial and operational support from KPS, 2023 will provide an opportunity to form a foundation to move forward and expand the Princess brand further. In addition to this infrastructure in place, maintaining quality standards with an increasing production volume, supported by a lean infrastructure will provide a great opportunity to return to more profitable levels in 2023 and beyond.

Sustainability

During the past few years, the Group has made significant strides forward on its sustainability initiatives. As a boat designer, we have naturally focussed on the efficiency of our hulls and the space efficiency of our boats. Our improvements in hull efficiency have exceeded 20% from one generation to the next and, when coupled with innovative architecture on boats such as the X95, result in half the fuel burn per square foot of passenger space.

Princess Yachts Limited

Strategic Report *(continued)*

Year ended 31 December 2022

At the same time, we are also experimenting with alternative, more sustainable materials in the fit out of our boats as well improvements in our footprint in the way we produce boats, with initiatives in biomass heating, the use of solar energy and reduction of waste

Supply Chain Risk

Supply chain efficiency continues to be driven by factors such as Brexit and Covid-19 macro-economics. 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. Skilled labour availability is being maintained through recruitment initiatives such as apprenticeship schemes and local education schemes.

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, no significant challenges have been encountered but continual assessments remain in place.

Russia, Ukraine war

The Company is continually monitoring the impact of the Russia/Ukraine war. With a forward global order book, demand for our boats remains high and any disruption in these countries is not materially impacting the ability to re-sell boats. As this situation remains on-going, the Company continues to monitor and comply with all applicable sanctions and export controls.

Inflation

Within the UK economy, inflation continued to rise through 2022, with CPHI closing at 9.2% at December 2022. This has since reduced further in 2023, however the Company continues to offset this by introducing cost saving workstreams and process reviews across all operations.

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 2022 was (5.2)% (2021: 1.8%). At the year-end there was a cash balance of £1.1m (2021: £0.6m).

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:

Princess Yachts Limited

Strategic Report *(continued)*

Year ended 31 December 2022

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 2022, the outstanding contracts, were €15,750,000 and \$2,250,000 (2021 €12,500,000 and \$3,000,000). The fair value of the currency contracts is £105,000 (2021 loss of £161,000)

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 they consider, 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 strategic review facilitated by an independent external advisor in 2021. 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 Princess Yachts Ltd '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.

Princess Yachts Limited

Strategic Report *(continued)*

Year ended 31 December 2022

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 2022, 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. 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 Company's purpose and values inform expected behaviours and practices throughout the organisation and are 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.

There are a number of Shareholder Representatives that sit as board directors of the Parent Company, Princess Yachts (Holdings) Limited, (Parent Company). The Executive Chairman & CEO and General Counsel both also sit on the Board of the 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 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.

The size and composition are appropriate to our moderately sized yet focused business. The Directors have equal voting rights when making decisions and all Directors have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at PYL's expense.

Post the Balance Sheet date and the KPS change of ownership, the Company and Parent Company board composition continues to be aligned to the decision making required to meet the objective of long-term value of the Parent Company and its subsidiaries. Details of Director changes can be seen within the Directors Report.

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.

Princess Yachts Limited

Strategic Report *(continued)*

Year ended 31 December 2022

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 has continued its review of the risk management processes. 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 the 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 of its key stakeholders such as the Workforce, Distributors, Customers, Suppliers and the Local Community and Region. 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.

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 transfer of ownership to KPS Capital Partners in March 2023, the Board of Directors look to embrace their manufacturing and transformation expertise along with financial support, to evaluate short term and strategic opportunities for the Company within the marine sector.

This report was approved by the board of Directors on 28th September 2023 and signed on behalf of the board by:



Will Green

Director

Registered Number 06409725

Princess Yachts Limited

Directors' Report

Year ended 31 December 2022

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2022

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, were:

A Bratt
W Green
P Mackenzie (resigned 12 September 2023)
G Maxa
P Turner (resigned 19 May 2023)
P Cahill (appointed 31 August 2022)

Dividends

No dividends were paid in the year (2021: £nil). No final dividend has been proposed by the directors (2021: £nil). The results for the year are given on page 1.

Employment of Disabled Persons

The Company 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 Company 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 Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employees

The Company 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, the issue of periodic newsletters and Companywide online employee briefs. The Company has a Companywide bonus scheme.

Financial Instruments

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in profit and loss. Outstanding derivatives at reporting date including foreign exchange, are included under the appropriate format heading depending on the nature of the derivative.

Research and Development

During the year under review, the Company has continued to develop new models, both to replace and to add new yachts to the existing range. Several new models have been launched during the year, with several more in the pipeline. Expenditure on research and development during the year under review totalled £14.7m, (2021: £14.6m) and demonstrates the Company's level of commitment to the new model development programme.

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Directors' Report *(continued)*

Year ended 31 December 2022

The Company's growth plan centres around product innovation and in line with this, a review of Research and Development tax credits took place during 2020. Research and Development tax credits are shown within note 3.

Directors' Indemnities

During the year 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. This indemnity provision was in place at the date of signing the financial statements.

Disclosure of Information in the Strategic Report

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

Going Concern

The results of the Company, for the year under review, show turnover of £315.2m (2021: £308.3m) and an operating loss before exceptional costs of (£30.0m) (2021: (£3.7m)). This equates to an EBITDA loss of (£25.7m) (2021: £0.2m). The Company had net assets of £4.9m (2021: net assets of £66.1m).

As a result of COVID, in June 2020, the Shareholders and Bank Group provided a working capital cash advance of £18.7m, of which the Bank Debt (£3.4m) was repaid in full during 2022. The repayments of the remaining Shareholder advance were held from October 2022 at £4.6m, to support operational projects and the strategic review exercise initiated in 2022. The Group had total bank group net debt of £79.1m at 31 December 2022, (2021: £53.7m). The terms of the debt require the Group to comply with quarterly covenant testing on Gross Leverage to EBITDA, Cashflow Cover and Interest Cover. Scheduled bank loan repayments have remained in place throughout the period, aligned to the master facility agreement, along with covenants reset to the 2022 plan and beyond as noted below.

During 2022, the Shareholders and Directors of the Group announced plans to the Bank Group to carry out a strategic review (refer to Strategic Report) of the current business and future growth strategy. This strategic review supported by the Bank Group focused on both the longer-term opportunities in conjunction with the challenges within the day-to-day operations.

With the start of the exclusive period with KPS introduced in November 2022, the Bank Group began discussions to move forward on an extension of the existing facility. During this period up to completion, the Bank Group provided an additional working capital loan to support the operational needs during this interim phase. This interim loan has since been repaid in full. Additionally in March 2023 during completion of the KPS transaction, the Bank Group extended their bank facility to January 2027 under similar terms to the facility that had been in place since May 2019.

At the end of the financial year and ahead of the KPS investment, the Group had a net cash decrease from operations of (£5.9m) (2021: increase of £29.4m) driven primarily by customer advances on yachts ordered or in production offset by operating losses. As at 31 December 2022 the Group utilised an agreed revolving credit facility and ancillary services facility totalling £37.75m of which £26.9 was drawn.

Princess Yachts Limited

Directors' Report *(continued)*

Year ended 31 December 2022

Business forecasting continues to be assessed using a base case and downside case approach. Within each case, scenarios include completing a projected boat volume and how the supply chain, inflation, energy prices and staff levels impact the financial outcomes. Cashflow forecast projections consider delays in collecting cash, as well as areas such as the impact of deferring capital expenditure.

Following the investment by KPS into the Group in March 2023, the initial cash injection resulted in the revolving credit facility being repaid in full, along with repayment of PIK interest and a restructure of the repayments profile between the short and long term loans. Surplus cash remained on the Balance Sheet at the transaction date and will be used for working capital needs. Since the acquisition, KPS have continued to assess the Company's cash requirements against the short-term operational performance and working capital requirements, and the strategic opportunities to drive capacity growth and increased boat volumes. To support these requirements, KPS has also introduced a financing company within the new structure to accommodate these opportunities, and made available a factoring facility of £65m, drawn against receivables of the business.

In evaluating the going concern assumption, the Directors utilise existing business and commercial forecasts to demonstrate that the Group will return to profitability. The base and downside forecasts are based on a confirmed pricing structure and deposited order book for future sales into 2025 and flexing the achievable production volumes. Beyond volume sensitivity, specific assumptions are included on expenditure increases, such as inflation and all cost inputs across the production facilities. The forecasts also include provision for the future impact of increasing UK energy prices and are without any government assistance. On-going delays in transit shipments have been considered, as have the availability of recruiting skilled workers against a continuing attrition level. With demand for boats known well into 2024 and beyond, these downside forecasts represent a continuation of the 2021 and 2022 operating environment and represents management's best estimate of a downside scenario that could occur i.e. without any positive change from existing operational influences. With an extended Bank Facility started in March 2023 and with financial covenants reset to March 2024, and the new financing company facility which KPS have confirmed to the directors of the company will be made available to the company for at least 12 months from the date of approval of the accounts, the downside scenario shows sufficient forecast liquidity and headroom on the financial covenants for at least 12 months from the date of approval of the accounts.

In addition, the shareholders have also confirmed their consent to allow the group to drawdown additional funding on bank facilities arranged by KPS should it be required by the group in the next twelve months or seek to provide additional capital via a capital call on the relevant funds. As a consequence, 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.

After consideration of the above matters, the Directors are of the opinion that it remains appropriate to prepare the financial statements on a going concern basis.

Streamlined Energy and Carbon Reporting

The following figures make up the reporting for Princess Yachts Limited, 2022 is the third year that this Company has provided this report 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.

Princess Yachts Limited

Directors' Report *(continued)*

Year ended 31 December 2022

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

Utility and Scope	2022 UK Consumption (kWh)	2021 UK Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	16,859,285	17,087,073
Gaseous and other fuels (Scope 1)	44,653,666	48,648,097
Transportation (Scope 1 and 3)	312,406	216,944
Total	61,825,357	65,952,114

The total emission (tCO₂e) figures for energy supplies reportable by Princess Yachts Limited are as follows.

Utility and Scope	2022 UK Consumption (tCO ₂ e)	2021 UK Consumption (tCO ₂ e)
Grid-Supplied Electricity (Scope 2)	3,260.25	3,628.10
Gaseous and other fuels (Scope 1)	9,422.76	10,352.41
Transportation (Scope 1 and 3)	72.06	50.30
Total	12,755.07	14,030.81

Intensity Metric

An intensity metric of tCO₂e per £m Turnover has been applied for the annual total emissions of Princess Yachts Limited. The methodology of the intensity metric calculations is detailed below, and results of this analysis is as follows:

	2022 UK Intensity Metric	2021 UK Intensity Metric
tCO ₂ e / £m turnover	40.47	45.51

Reporting Methodology

Scope 1 and 2 consumption and CO₂e 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 kgCO₂e emissions factors relevant for reporting year 01/01/2022 – 31/12/2022: Database 2021, Version 1.01.

Estimations undertaken to cover missing billing periods for properties directly invoiced to Princess Yachts Limited were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 2% of reported consumption.

Princess Yachts Limited

Directors' Report *(continued)*

Year ended 31 December 2022

Intensity metrics have been calculated utilising the 2022 reportable figures for the following metrics, and tCO₂e for both individual sources and total emissions were then divided by this figure to determine the tCO₂e per metric: Total turnover was £315.2m

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Disclosure of Information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Princess Yachts Limited

Directors' Report *(continued)*

Year ended 31 December 2022

Independent Auditors

The 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.

This report was approved by the board of directors on 28th September 2023 and signed on behalf of the board by:



Will Green
Director

Registered office:
Newport Street
Plymouth
PL1 3QG

Independent auditors' report to the members of Princess Yachts Limited

Year ended 31 December 2022

Independent auditors' report to the members of Princess Yachts Limited

Report on the audit of the financial statements

Opinion

In our opinion, Princess Yachts Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- 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 Statement of Financial Position as at 31 December 2022; the Statement of Comprehensive Income and the Statement of Changes in Equity 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 company 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the borrowing facility documents showing the facilities available and the related financial covenants;
- Assessing the accuracy of management's forecasts by obtaining management information for the financial performance year to date; and
- Evaluating and challenging the key assumptions within management's forecasts.

Independent auditors' report to the members of Princess Yachts Limited

Year ended 31 December 2022

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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 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.

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 2022 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 company and its 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 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

Independent auditors' report to the members of Princess Yachts Limited

Year ended 31 December 2022

unless the directors either intend to liquidate 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 company 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 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. 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.

Independent auditors' report to the members of Princess Yachts Limited

Year ended 31 December 2022

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 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

9 October 2023

Princess Yachts Limited

Statement of Comprehensive Income

Year ended 31 December 2022

	Note	2022 £000 Excluding exceptional items	2022 £000 Exceptional items (note 10)	2022 £000 Total	2021 £000 Total
Turnover	2	315,164	-	315,164	308,326
Cost of sales		(331,701)	(9,419)	(341,120)	(302,729)
Gross (Loss)/Profit		(16,537)	(9,419)	(25,956)	5,597
Distribution costs		(6,932)	-	(6,932)	(5,881)
Administrative expenses		(7,794)	-	(7,794)	(6,225)
Other operating income	3.2	1,247	-	1,247	1,218
Operating loss	3.1	(30,016)	(9,419)	(39,435)	(5,291)
Other interest receivable and similar income	7	1,125	-	1,125	110
Interest payable and similar expenses	8	(5,036)	-	(5,036)	(4,846)
Loss before taxation		(33,927)	(9,419)	(43,346)	(10,027)
Tax on loss	9	(13,928)	(3,867)	(17,795)	5,420
Loss for the financial year		(47,855)	(13,286)	(61,141)	(4,607)
Revaluation of investments		10	-	10	4
Remeasurement of the net defined benefit plan	19	17	-	17	968
Tax relating to components of other comprehensive income		(7)	-	(7)	(245)
Other comprehensive income for the year		20	-	20	727
Total comprehensive expense for the year		(47,835)	(13,286)	(61,121)	(3,880)

All the activities of the Company are from continuing operations.

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Statement of Financial Position

As at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets	11	36,948	39,108
Investments	12	67	57
		<u>37,015</u>	<u>39,165</u>
Current assets			
Stocks	13	60,937	64,489
Debtors	15	127,957	130,659
Cash at bank and in hand		<u>1,126</u>	<u>561</u>
		<u>190,020</u>	<u>195,709</u>
Creditors: amounts falling due within one year	16	<u>(220,919)</u>	<u>(163,573)</u>
Net current (liabilities) / assets		(30,899)	32,136
Total assets less current liabilities		6,116	71,301
Provisions for liabilities	18	-	(2,643)
Defined benefit pension plan liability	19	<u>(1,174)</u>	<u>(2,595)</u>
Net assets		<u>4,942</u>	<u>66,063</u>
Capital and reserves			
Called up share capital	21	16,190	16,190
Revaluation reserve		2,063	2,125
Profit and loss account		<u>(13,311)</u>	<u>47,748</u>
Total shareholders' funds		<u>4,942</u>	<u>66,063</u>

These financial statements on pages 19 to 37 were approved by the board of directors
28th September 2023 and signed on its behalf by:



Will Green
Director

Company registration number: 00856633

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Statement of Changes in Equity

Year ended 31 December 2022

	Called up share capital £000	Revaluation reserve £000	Profit and loss account £000	Total shareholder funds £000
At 1 January 2021	16,190	2,193	51,560	69,943
Loss for the year	-	-	(4,607)	(4,607)
<i>Other comprehensive income / (expense) for the year:</i>				
Revaluation of investment	-	4	-	4
Transfer excess depreciation	-	(72)	72	-
Remeasurement of the net defined benefit plan	-	-	968	968
Tax relating to other comprehensive income / (expense)	-	-	(245)	(245)
Total comprehensive expense for the year	-	(68)	(3,812)	(3,880)
At 31 December 2021	16,190	2,125	47,748	66,063
Loss for the year	-	-	(61,141)	(61,141)
<i>Other comprehensive income / (expense) for the year:</i>				
Revaluation of investment	-	10	-	10
Transfer excess depreciation	-	(72)	72	-
Remeasurement of the net defined benefit plan	19	-	17	17
Tax relating to other comprehensive income / (expense)	9	-	(7)	(7)
Total comprehensive expense for the year	-	(62)	(61,059)	(61,121)
At 31 December 2022	16,190	2,063	(13,311)	4,942

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

Summary of Significant Accounting Policies

Statement of Compliance

The individual financial statements have been prepared in compliance with FRS 102 and the Companies Act 2006.

Basis of Preparation

The financial statements are prepared on a going concern basis, under the historical cost convention. The accounting policies have been applied consistently, other than where new policies have been adopted.

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.

The Company is a private limited Company, limited by shares, incorporated in United Kingdom. The registered number is 00856633, the address of the registered office is Newport Street, Plymouth, PL1 3QG.

Going concern

The results of the Company, for the year under review, show turnover of £315.2m (2021: £308.3m) and an operating loss before exceptional costs of (£30.0m) (2021: (£3.7m)). This equates to an EBITDA loss of (£25.7m) (2021: £0.2m). The Company had net assets of £4.9m (2021: net assets of £66.1m).

As a result of COVID, in June 2020, the Shareholders and Bank Group provided a working capital cash advance of £18.7m, of which the Bank Debt (£3.4m) was repaid in full during 2022. The repayments of the remaining Shareholder advance were held from October 2022 at £4.6m, to support operational projects and the strategic review exercise initiated in 2022. The Group had total bank group net debt of £79.1m at 31 December 2022, (2021: £53.7m). The terms of the debt require the Group to comply with quarterly covenant testing on Gross Leverage to EBITDA, Cashflow Cover and Interest Cover. Scheduled bank loan repayments have remained in place throughout the period, aligned to the master facility agreement, along with covenants reset to the 2022 plan and beyond as noted below.

During 2022, the Shareholders and Directors of the Group announced plans to the Bank Group to carry out a strategic review (refer to Strategic Report) of the current business and future growth strategy. This strategic review supported by the Bank Group focused on both the longer-term opportunities in conjunction with the challenges within the day-to-day operations.

With the start of the exclusive period with KPS introduced in November 2022, the Bank Group began discussions to move forward on an extension of the existing facility. During this period up to completion, the Bank Group provided an additional working capital loan to support the operational needs during this interim phase. This interim loan has since been repaid in full. Additionally in March 2023 during completion of the KPS transaction, the Bank Group extended their bank facility to January 2027 under similar terms to the facility that had been in place since May 2019.

At the end of the financial year and ahead of the KPS investment, the Group had a net cash decrease from operations of (£5.9m) (2021: increase of £29.4m) driven primarily by customer advances on yachts ordered or in production offset by operating losses. As at 31 December 2022 the Group utilised an agreed revolving credit facility and ancillary services facility totalling £37.75m of which £26.9 was drawn.

Business forecasting continues to be assessed using a base case and downside case approach. Within each case, scenarios include completing a projected boat volume and how the supply chain, inflation,

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

energy prices and staff levels impact the financial outcomes. Cashflow forecast projections consider delays in collecting cash, as well as areas such as the impact of deferring capital expenditure.

Following the investment by KPS into the Group in March 2023, the initial cash injection resulted in the revolving credit facility being repaid in full, along with repayment of PIK interest and a restructure of the repayments profile between the short and long term loans. Surplus cash remained on the Balance Sheet at the transaction date and will be used for working capital needs. Since the acquisition, KPS have continued to assess the Company's cash requirements against the short-term operational performance and working capital requirements, and the strategic opportunities to drive capacity growth and increased boat volumes. To support these requirements, KPS has also introduced a financing company within the new structure to accommodate these opportunities, and made available a factoring facility of £65m, drawn against receivables of the business.

In evaluating the going concern assumption, the Directors utilise existing business and commercial forecasts to demonstrate that the Group will return to profitability. The base and downside forecasts are based on a confirmed pricing structure and deposited order book for future sales into 2025 and flexing the achievable production volumes. Beyond volume sensitivity, specific assumptions are included on expenditure increases, such as inflation and all cost inputs across the production facilities. The forecasts also include provision for the future impact of increasing UK energy prices and are without any government assistance. On-going delays in transit shipments have been considered, as have the availability of recruiting skilled workers against a continuing attrition level. With demand for boats known well into 2024 and beyond, these downside forecasts represent a continuation of the 2021 and 2022 operating environment and represents management's best estimate of a downside scenario that could occur i.e. without any positive change from existing operational influences. With an extended Bank Facility started in March 2023 and with financial covenants reset to March 2024, and the new financing company facility which KPS have confirmed to the directors of the company will be made available to the company for at least 12 months from the date of approval of the accounts, the downside scenario shows sufficient forecast liquidity and headroom on the financial covenants for at least 12 months from the date of approval of the accounts.

In addition, the shareholders have also confirmed their consent to allow the group to drawdown additional funding on bank facilities arranged by KPS should it be required by the group in the next twelve months or seek to provide additional capital via a capital call on the relevant funds. As a consequence, 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.

After consideration of the above matters, the Directors are of the opinion that it remains appropriate to prepare the financial statements on a going concern basis.

Disclosure Exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Princess Yachts (Holdings) Limited which are publicly available. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102 that no cash flow statement has been presented for the Company.

Dividends

Dividends and other distributions to Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

Turnover

Revenue is measured at the fair value of consideration received or receivable and represents the invoiced value of goods, net of value added tax and discounts. Turnover from the sale of goods is recognised when the significant risks and benefits of product ownership transfer to the buyer. This is normally on completion of the product or the product being ready for delivery (but which may also be upon shipment) and in conjunction with specific contract terms.

Revenue Recognition – Long-term Contract Accounting

Yachts over 80 feet in length are accounted for under long-term contract accounting, with revenue and profit being based on the degree of completion at year end. The revenue and profit recognised are calculated using the labour 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 loss by £111,000 (2021: £58,000). A 1% decrease in the percentage completion of the yachts would reduce gross loss by £261,000 (2021: £161,000). At the balance sheet date the Company had received customer payments of £4,742,000 in excess of revenue recognised (2021 £2,090,000 less than revenue recognised).

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.

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

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Subsequent expenditure (where the cost of replacing a part or upgrading an asset is expected to provide incremental future benefits) is added to the asset with carrying value of the replaced part being fully impaired. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they incurred.

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

Tangible Fixed Assets and Depreciation (Continued)

Depreciation is calculated so as to write off the cost of tangible fixed assets from the date at which they are brought into use in the business, less their estimated residual values, on a straight-line basis, over the expected useful economic lives of the assets concerned. The principal economic lives for this purpose [during the year and comparative year were]:

Freehold land	Not depreciated
Freehold buildings	25 to 50 years
Assets under construction	Not depreciated
Cranes and hoists	7 to 20 years
Other plant and machinery	4 to 7 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively. No such changes have been made during the year or comparative year.

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.

Investments in Subsidiaries

The investment in subsidiary companies are held at cost £nil (2021: £nil) less accumulated impairment losses £nil (2021: £nil).

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design

costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

Impairment of Assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation.

Thereafter any excess is recognised in profit or loss. If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Grants

Government grants are treated as deferred income in the balance sheet and credited to trading results as Other operating income 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.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

(i) 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.

Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

Employee benefits (Continued)

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due amounting to £2.8m for the year. Amounts not paid are shown in accruals in the balance sheet were £0.5m, representing the amount due for December 2022, paid January 2023. The assets of the plan are held separately from the Company in independently administered funds.

(iii) Defined benefit pension plan

The Company operates a defined benefit pension scheme. The scheme was closed to new entrants, and accrual of future benefits for all existing members 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 Company) was £103,154,000 which was sufficient to cover 94% of the benefits accrued at that date. Information has been calculated by updating the valuation calculations carried out for the initial results of the formal valuation as at 6 April 2019. In defined contribution schemes the amount charged to the profit and loss account in respect of pensions and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. During the year, contributions of £1,440,000 (2021: £1,440,000) plus scheme expenses of £560,722 (2021: £522,302) were made by the Company towards meeting the funding requirement. Contributions of £1,440,000pa will continue subject to finalising the April 22 Triennial valuation.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, short-term deposits and cash guarantees held on call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Research and Development Costs

These costs are written off to the profit and loss account as incurred.

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 taken to the profit and loss account.

Operating Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

Financial Instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company only enters into basic financial instruments that result in the recognition of financial assets and liabilities such as trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

Exceptional Items

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

Critical Accounting Judgements and Estimation Uncertainty

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. 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:

Pension Benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

The 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 the notes.

Warranty Provision

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 £10.1m additional provision was booked with £5.9m utilised. The closing provision was £6.9m (2021: £2.6m). Additional information is disclosed in note 18.

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

Deferred Tax Asset

A deferred tax asset is recognised on the basis of forecasted taxable profits for the Company which will utilise the tax losses. Forecasts have been prepared showing substantial revenue growth reflecting high levels of current and future demand for yachts, combined with expected improvements in profitability from steps taken to improve efficiency. Given the inherent uncertainty in trading forecasts, there remains a risk that future profits will be insufficient to recover the losses recognised. Due to these uncertainties the Company has derecognised the deferred tax asset, and will review in the future against the profitability of the Company. In addition, the government has announced its intention to reduce the enacted tax rate from 25% back to 19%. If this change is enacted the deferred tax asset will reduce accordingly. Additional information is disclosed in note 17.

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. Fixed assets were not considered to be impaired as the Company is forecasting a return to positive gross margin position in 2023 and beyond under new ownership of KPS (see Strategic Report).

1. Statement of Compliance

The individual financial statements have been prepared in compliance with FRS 102 and the Companies Act 2006.

2. Turnover

All turnover and trading results are derived from the manufacturing of luxury motor yachts. The geographical analysis of the turnover has not been disclosed as in the opinion of the directors it would be seriously prejudicial to the Company's interests. The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

3. Other income and Adjustments

3.1 Operating Loss before Exceptional Costs

Operating loss is stated after charging / (crediting):

	2022 £000	2021 £000
Research and development expenditure expensed	14,746	14,621
Research and development tax credit Current year	(1,236)	(1,193)
Defined contribution pension plan expense	2,845	2,708
Stock expensed in the year	158,757	144,191
Depreciation of tangible fixed assets	4,303	3,984
Staff costs (note 5)	128,895	116,544
Amortisation of government grant income (note 20)	-	(64)
Provision for doubtful debts	28	91
Provision for obsolete stock	(358)	(311)
Operating lease charges	579	588

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

3.2 Other Operating Income

	2022 £000	2021 £000
Research and development tax credit	1,236	1,193
Other income	11	25
Total other operating income	<u>1,247</u>	<u>1,218</u>

4. Auditors' Remuneration

	2022 £000	2021 £000
Fees payable for the audit of the financial statements	<u>213</u>	<u>195</u>

5. Staff Costs

The monthly average number of persons employed by the Company during the year, including the directors, amounted to:

	2022 No.	2021 No.
Production staff	3,016	2,926
Distribution staff	49	53
Administrative staff	100	87
	<u>3,165</u>	<u>3,066</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2022 £000	2021 £000
Wages and salaries	114,177	103,775
Social security costs	11,873	10,061
Other pension costs	<u>2,845</u>	<u>2,708</u>
Net wages and salaries cost	<u>128,895</u>	<u>116,544</u>

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

6. Directors' Remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2022 £000	2021 £000
Remuneration	1,216	1,189
Company contributions to defined contribution pension plans	105	110
	<u>1,321</u>	<u>1,299</u>

Remuneration of the highest paid director in respect of qualifying services:

	2022 £000	2021 £000
Aggregate remuneration	<u>291</u>	<u>281</u>

Key Management Compensation:

Key management includes directors whose salaries are disclosed above plus additional directors who are paid by the Company. The total compensation paid or payable to key management for employee services is salaries £2,349,000 (2021: £2,265,000) and post-employment benefits £206,000 (2021: £248,000)

7. Other Interest Receivable and Similar Income

	2022 £000	2021 £000
Intercompany interest	1,125	110
	<u>1,125</u>	<u>110</u>

Intercompany interest refers to accumulated interest on amounts owed by Group undertakings.

8. Interest Payable and Similar Expenses

	2022 £000	2021 £000
Amortisation of bank loan issue cost	2,238	2,307
Bank interest payable	2,762	2,484
Net finance costs in respect of defined benefit pension plans (note 19)	36	55
	<u>5,036</u>	<u>4,846</u>

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

9. Tax on Loss

Major Components of Tax Income

	2022 £000	2021 £000
Current Tax Credit:		
UK current tax expense	-	-
Adjustment to tax charge in respect of prior periods	-	-
Deferred Tax Credit:		
Origination and reversal of timing differences	(17,803)	1,740
Change in tax rate	-	3,680
Adjustment to tax charge in respect of prior periods	8	-
Tax on Loss	(17,795)	5,420

Tax Recognised as Other Comprehensive Income or Equity

The aggregate current and deferred tax charge relating to items recognised as other comprehensive income or equity for the year was £7,000 (2021: £245,000). The deferred tax amount has included the change in corporation tax during 2022.

Reconciliation of Tax Credit

The tax assessed on the loss before taxation is calculated using the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%).

	2022 £000	2021 £000
Loss before taxation	(43,346)	(10,027)
Loss before taxation by rate of tax	(8,236)	(1,777)
Adjustment to tax charge in respect of prior periods	(8)	-
Effect of expenses not deductible for tax purposes	256	202
Effect of income not taxable for tax purposes	-	(1)
Remeasurement of deferred tax for changes in tax rates	3,996	(4,056)
Effects of other reliefs	1,131	(182)
Derecognition of deferred tax assets	20,656	394
Tax on loss	17,795	(5,420)

The deferred tax balances above have been calculated at 25% (2021: 25%) being the substantively enacted rate at 31 December 2022. Additional information is disclosed in note 17.

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

10. Exceptional Items

	2022 £'000	2021 £'000
Consultancy costs	2,460	589
Upholstery Costs	6,829	-
Redundancy costs	130	-
COVID-19 costs	-	748
Legal Settlements	-	207
	9,419	1,544

Exceptional consultancy costs relate to the additional cost of contracting consultants as part of the Company transformation project. Upholstery costs relate to a limited number of approved items requiring rectification work for boats already despatched. 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.

11. Tangible Assets

	Freehold property £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2022	39,495	53,888	93,383
Additions	-	2,304	2,304
Disposal	-	(190)	(190)
At 31 December 2022	39,495	56,002	95,497
Accumulated Depreciation			
At 1 January 2022	15,864	38,411	54,275
Charge for the year	866	3,437	4,303
Disposal	-	(29)	(29)
At 31 December 2022	16,730	41,819	58,549
Carrying amount			
At 31 December 2022	22,765	14,183	36,948
At 31 December 2021	23,631	15,477	39,108

Freehold land included within freehold property amounts to £3,599,000 which is not depreciated.

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

12. Investments

	Other Investments £000
Cost	
At 1 January 2022	57
Revaluations	10
At 31 December 2022	67
Accumulated Impairment	
At 1 January 2022 and 31 December 2022	-
Carrying amount	
At 31 December 2022	67
At 31 December 2021	57

The directors consider the carrying value to be supported by the underlying assets. The investment in the subsidiary companies are held at cost £nil (2021: £nil) less accumulated impairment losses £nil (2021: £nil).

Subsidiaries include Felix Engineering Ltd (dormant) registered office Newport Street, Plymouth, PL1 3QG, Princess Yachts Hong Kong Ltd, Registered office Level 54, Hopewell Centre, 183 Queens Road East, Hong Kong, Princess Yachts USA Inc. registered office 1209 N Orange St, Wilmington DE 19801-1120 and Princess Yachts Europe B.V. (dormant) registered office Verlengde Poolseweg 14, Breda, Netherlands.

The Company is a wholly owned subsidiary and it is included in the consolidated financial statements of Princess Yachts (Holdings) Limited which are publicly available. Therefore, the Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

13. Stocks

	2022 £000	2021 £000
Raw materials and consumables	16,412	8,874
Work in progress	42,595	54,970
Work in progress on long term contracts	1,930	645
Finished goods and goods for resale	-	-
	60,937	64,489

Stocks are stated after provisions for impairment of £1,223,000 (2021: £1,581,000)

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

14. Financial Instruments

	2022 £000	2021 £000
Financial assets at fair value through other comprehensive income	67	57
Financial assets that are debt instruments measured at amortised cost:		
Amounts owed by Group undertakings	77,808	72,864
Trade debtors	29,333	28,596
Amounts owed by customers on long term contracts	10,577	6,494
Other debtors, prepayments and accrued income	8,647	4,093
	126,365	112,047
Financial liabilities measured at amortised cost:		
Bank loans and overdrafts	43,698	17,507
Shareholders' advances and other loans	4,610	6,783
Payments received on account	104,170	81,070
Trade creditors	45,198	39,701
Other Creditors, accruals and deferred income	11,050	14,695
	208,726	159,756

15. Debtors

	2022 £000	2021 £000
Trade debtors	29,333	28,596
Amounts owed by customers on long term contracts	10,577	6,494
Amounts owed by Group undertakings	77,808	72,864
Deferred tax asset (note 17)	-	17,802
Corporation tax repayable	1,592	810
Other debtors	2,467	689
Prepayments and accrued income	6,180	3,404
	127,957	130,659

Amounts owed by Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at 3.55% (note 7), (2021: 0.8%). Trade debtors are stated after provisions for impairment of £198,000 (2021: £169,000).

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

16. Creditors: Amounts Falling due Within One Year

	2022 £000	2021 £000
Bank loans and overdrafts	43,698	17,507
Shareholders' advances and other loans	4,610	6,783
Payments received on account	88,850	74,570
Payments received on account on long term contracts	15,320	6,500
Trade creditors	45,198	39,701
Taxation and social security	3,937	3,817
Other Creditors, accruals and deferred income	12,403	14,695
Warranty provision (see note 18)	6,903	-
	<u>220,919</u>	<u>163,573</u>

Bank loans

Consist of a revolving credit facility expiring 15 May 2024 and an additional facility to support the Companies working capital requirements. The loans are secured on the assets of the Company (note 11). Following the takeover of the Company by KPS (see strategic report), the revolving facility was extended to January 2027

Shareholder Advances

During June 2020 the shareholders provided an advance of £7m, of which £4.6m remained outstanding at the balance sheet date. Further repayments were held pending negotiations of the KPS transaction. (see Strategic Report).

17. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2022 £000	2021 £000
Asset at 1 January	17,802	12,627
Charge to Other comprehensive income	(7)	(245)
Credit to the Income Statement	<u>(17,795)</u>	<u>5,420</u>
Included in debtors (note 15)	<u>-</u>	<u>17,802</u>

The deferred tax asset, which includes £nil (2021: £12,480,000) relating to losses. Management of the Company assessed the recoverability of these deferred tax assets and decided to derecognise £19,935,000 in the current year and will be reviewed in the future against the profitability of the Company.

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

18. Provisions for liabilities - Warranties

	2022 £000	2021 £000
At 1 January	2,643	3,011
Additional provision booked in year	10,137	6,901
Charge against provision	(5,877)	(7,269)
Reclassification to current liabilities	(6,903)	-
At 31 December	-	2,643

Provision is made for warranty costs that are estimated to arise in relation to boats sold calculated based on historic trends.

The Company considered the presentation and given the timing of the usage of the provision in the current year, it was considered appropriate to classify the amount as part of Creditors: amounts falling due within one year.

19. Defined benefit pension plan liability

Defined benefit plans

The Company operates a defined benefit pension scheme which was closed to new entrants, and accrual of future benefits for all existing members ceased, on 31 May 2003. An estimated valuation for the purpose of compliance with accounting standard FRS17 'Retirement Benefits' has been made under the guidance of the scheme's actuary and relevant disclosures are set out below.

Details of the scheme's future contributing are included within accounting policies.

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 2019. The major assumptions used by the actuary were:

	2022 %	2021 %
Discount rate	4.9	1.9
Expected rate of salary increase	2.6	2.6
Expected rate of increase in pensions	3.4	3.5
Inflation assumption	2.6	2.6
Mortality rates:		
Current pensioners at 65 - male	20.6	21.0
Current pensioners at 65 - female	23.1	23.5

The statement of financial position net defined benefit liability is determined as follows:

	2022 £000	2021 £000
Fair value of plan assets	81,303	127,303
Present value of defined benefit obligations	(73,079)	(115,786)
Effect of asset ceiling	(9,398)	(14,112)
	(1,174)	(2,595)

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

19. Defined benefit pension plan liability (continued)

Changes in the fair value of plan assets are as follows:

	2022 £'000
At 1 January 2022	127,303
Benefits paid	(2,883)
Contributions by employer	1,440
Remeasurements:	
Actuarial (loss)	(46,962)
Expected return on assets	2,405
At 31 December 2022	81,303

The scheme's investment assets are held in pooled investment vehicles, which are quoted instruments issued by the investment manager. These funds are in a range of investments with the underlying exposures to private or unquoted equities being £nil.

Changes in the present value of the defined benefit obligations are as follows:

	2022 £000
At 1 January 2022	(115,786)
Interest expense	(2,173)
Benefits paid	2,883
Remeasurements:	
Experience (losses) on liabilities	(439)
Actuarial gain	42,436
At 31 December 2022	(73,079)

The total costs for the year in relation to defined benefit plans are as follows:

	2022 £000	2021 £000
Recognised in profit and loss:		
Net finance expense	(36)	(55)
Recognised in other comprehensive income:		
Remeasurement of the asset/liability:		
Actuarial gain	42,436	5,457
Experience loss on liabilities	(46,962)	705
Return on plan assets, excluding amounts included in net interest	(439)	8,918
Impact of Asset Ceiling	4,982	(14,112)
	17	968

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

19. Defined benefit pension plan liability (continued)

The fair value of the major categories of plan assets are as follows:

	2022 £000	2021 £000
Equity instruments	11,383	76,382
Debt instruments	13,008	35,645
Property	4,878	5,092
Cash and cash equivalents	813	3,819
Liability-driven investments	38,212	-
Diversifying strategies	11,383	-
Other assets	1,626	6,365
	81,303	127,303

The amount recognised in profit and loss:

	2022 £000	2021 £000
Expected return on assets	2,405	1,529
Interest on liabilities	(2,173)	(1,584)
Past service cost	(268)	-
Other finance expense	(36)	(55)

20. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2022 £000	2021 £000
<i>Recognised in creditors:</i>		
Deferred government grants due within one year	-	64
Deferred government grants due after more than one year	-	(64)
	-	-

A grant of £4,491,000 was received during 2013 from the UK Government's Regional Growth Fund with regard to the Company's development of its South Yard site at the Devonport Dock Yard.

21. Called up share capital

Issued, called up and fully paid

	2022		2021	
	000's	£000	000's	£000
Ordinary shares of £1 each	16,190	16,190	16,190	16,190

The summary of significant accounting policies and notes on pages 20 to 38 form part of these financial statements.

Princess Yachts Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

22. Operating lease commitments

The Company had lease commitments in respect of non-cancellable operating leases for marina berthing spaces and plant and machinery. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2022	2021
	£000	£000
Within one year	485	551
Two - five years	67	360
	552	911

23. Related party transactions

The Company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Group.

24. Controlling party

The Company's immediate parent undertaking for the year ended 31 December 2022 is Princess Yachts (Holdings) Limited, registered in United Kingdom. The smallest Company into which Princess Yachts Limited is consolidated is Princess Yachts (Holdings) Limited and its financial statements are filed at the Registrar of companies, Companies House, Crown Way, Cardiff, CF14 3UZ. 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 Europe S.A.S.

25. Post Balance Sheet Event

On the 15th March 2023, post balance sheet date, ownership of Princess Yachts Limited passed to KPS Capital Partners, see Strategic Report for more information.