

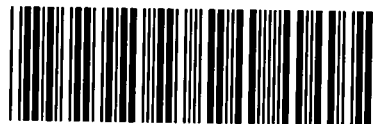
Parkdean Resorts UK Limited

Annual report and financial statements

Registered Number 05729719

31 December 2018

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Strategic report

The directors present their strategic report for the year ended 31 December 2018.

Principal activity

The principal activity of Parkdean Resorts UK Limited (the 'Company') is to act as an agent on behalf of the Richmond UK Holdco Limited group (the 'Group'). The Group owns and operates 67 award winning holiday parks, operating under the Parkdean Resorts brand.

The Company enters into supply agreements with major suppliers for the benefit of the trading entities in the Group, provides employees for those companies and acts as a booking agent for holiday bookings for the Group.

On 16 December 2016 an agreement to acquire the Company's former ultimate parent undertaking Parkdean Resorts Topco Limited and its subsidiaries (the 'Parkdean Resorts group') was signed by Richmond UK Bidco Limited, acting as an acquisition vehicle on behalf of Onex Corporation ('Onex'). Onex is a Canadian headquartered private equity investment firm listed on the Toronto Stock Exchange. This acquisition was completed on 3 March 2017 and the Company became a member of the Group.

Business review

The Company's result for the year comprised turnover of £58,284,000 (2017: £53,212,000), earnings before interest, tax, depreciation, amortisation and exceptional items ('EBITDA') of £12,192,000 (2017: £10,250,000) and a profit after tax of £10,578,000 (2017: £5,289,000). The Company had net assets of £484,988,000 as at 31 December 2018 (2017: £474,410,000).

John Waterworth retired from his position as Chief Executive Officer of the Group on 31st March 2019. His successor, Steve Richards, will join the Group on 31st May 2019.

Principal risks and uncertainties

The principal risks and uncertainties are integrated with those of the Group and are not managed separately. All of the key business risks and uncertainties disclosed in the consolidated financial statements are also applicable to the Company.

Economic and market risks

- Brexit

Risk of consumer uncertainty and adverse economic outcomes as a result of Brexit, especially in holiday home sales. Consumer uncertainty and adverse exchange rate movements following the Brexit decision have created considerable uncertainty in the UK. The Group has experienced input price increases above RPI, particularly for foods and build costs for holiday homes.

We will change the mix of holiday sales and holiday home sales on park where appropriate to adapt to the impact of Brexit on consumer confidence. Alternative sourcing arrangements have been put in place to help mitigate price increases. The Group continues to closely monitor the impact of Brexit and adapt its supply strategy accordingly.

- Competition and customer expectation

The Group faces competition both within the UK holiday park sector and from a broad range of UK and overseas holiday offers. The Group's business and growth potential could be impacted if product and service standards do not meet customer expectations.

While the Group is the largest UK holiday park operator (by number of parks in the UK), this sector is highly fragmented and the Group is exposed to multiple competitors on a local basis. The Group adopts both local and national marketing and pricing strategies to ensure it remains competitive. Holiday guest and holiday home owner feedback is monitored continuously and appropriate actions taken. The Group has a strategy of investment in our holiday parks and improving service and standards with the aim of increasing customer retention.

Operational risks

- People availability and expertise

The need to attract and retain appropriately motivated and experienced customer-focused people is increasing with the scale of the business.

Strategic report *(continued)*

Personal impact plans supported by periodic reviews are in place for all the Group's people. An annual engagement survey is carried out which provide inputs to the development of HR policies. Training programmes are continually under review and development.

- Health and safety

The Group employs over 6,800 people during peak season (including those on seasonal contracts) and welcomes over 2 million holiday guests to our parks every year. There is therefore an ongoing risk of health and safety incidents. We understand our duty of care to protect the safety and security of our people, customers and other visitors to the parks.

The Group is committed to maintaining high standards of health and safety, food safety and environmental management across our parks and offices. The Group employs an in-house health and safety team, supplemented where required by specialist consultants to undertake risk assessments and ensure that appropriate health and safety and food safety policies and procedures are in place. Our people are trained on a regular basis and all parks receive a comprehensive health and safety audit on an annual basis. A Health and Safety steering committee, chaired by the Chief Executive Officer, meets on a quarterly basis to review performance with monthly updates and regular calls between committee meetings.

- Business continuity

The Group is at risk of a business continuity incident affecting parks, offices or critical systems.

The Group has undertaken a Business Impact Analysis exercise to understand its business continuity requirements. The Group has reviewed and updated its crisis communications procedures and undertaken training across the operational management teams. In addition, the business continuity planning for its central support offices has been reviewed and enhancements are in progress.

- Technology and cyber security

The Group operates a dispersed IT infrastructure, covering its network of parks and offices and makes use of a variety of proprietary and third party systems. There is a risk of system or network failure and of a cyber security breach.

The Group's critical IT infrastructure is held in Tier one data centres, with live replication. All critical network lines have back-up paths in place. The Group regularly upgrades hardware and software to improve network and application performance and security. The Group is also investing heavily in enhancing the IT platform and improving and integrating systems. The Group performs regular risk reviews and tests for network performance and has increased both data and cyber security for internal purposes and as required under the Payment Card Industry Data Security Standards.

- Regulatory compliance

The Group is subject to regulation across a number of areas including credit broking and the sale of insurance under FCA authorisations, gaming activities pursuant to an operating licence issued by the Gambling Commission and holding and processing personal information under the Data Protection Act 2018 and associated regulations.

The Group employs a dedicated compliance team and has a comprehensive FCA and Gambling Commission compliance programme. This includes training to all of the Group's sales and on-park management teams and monitoring ongoing compliance. Processes have been reviewed and all our people have been given training to ensure compliance with the General Data Protection Regulation which came into force on 25 May 2018.

Financial risks

- Supply chain

The Group relies on a wide range of suppliers, on both a national and local basis and is subject to the risk of failure within this complex supply chain.

Strategic report *(continued)*

The Group has adopted a supplier segmentation approach. Suppliers have been categorised based on criticality and spend. The initial focus has been on tier one suppliers (high spend and criticality). Senior management relationship holders have been identified and regular reviews implemented to monitor supplier performance, build relationships and ensure strategic alignment. The financial profile of all suppliers has been assessed and plans developed to address particular areas of risk.

- Liquidity

The holiday park business is seasonal but predictable. Cash flows are positive through the main holiday season but negative during the winter months. Cash management is a key focus for the Group to mitigate the liquidity risk caused by this seasonal trading.

The Group has no requirements until 3 March 2024 to make any repayment on either the £558.5m first lien loan facility or on the £150.0m second lien facility except for payments of excess cash flow to the first lien facility providers. There is a £100.0m revolving credit facility available up to March 2023 and sufficient cash resources to meet the working capital requirements of the business going forward. Current forecasts and projections, taking into account reasonable changes in trading performance, are reviewed regularly to ensure that the Group is able to operate within its working capital facilities and banking covenants for the foreseeable future.

- Credit

The Group's operations mean that there is a relatively low credit risk. The vast majority of holidays cannot be taken and holiday homes are not released until payment is received in full. Annual pitch licence fees are paid in advance by holiday home owners or via an agreed direct debit payment plan. Almost all of on-park spend income is paid for at the point of sale.

The Group's objective is to reduce the risk of financial loss due to a customer not honouring their financial obligations and the debt profile is actively managed. Credit terms for holidays are only offered to credit-worthy corporate agents, again with the vast majority of the payments from these agents received prior to commencement of the guest's holiday. When the Group identifies a receivable that may not be recoverable, this is followed up as a priority.

- Interest rate

The first lien and second lien facilities are subject to floating rates of interest.

The Group has hedged £500.0m of debt with interest rate swaps that run to May 2021. This provides coverage on 71% of the floating rate debt held by the Group.

Key performance indicators

The key performance indicators used by the Group are turnover and EBITDA. A reconciliation of EBITDA to operating profit is included on the face of the profit and loss account.

Future developments

The UK holiday park market continues to be robust. The directors have confidence in both the long-term durability of the market in which the Group operates and in the quality of the assets owned.

The Board are confident of a successful trading year for the Group for the year ending 31 December 2019.

By order of the Board



Ian Kellett
Director

2nd Floor, One Gosforth Park Way
Gosforth Business Park
Newcastle upon Tyne
NE12 8ET
2 April 2019

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

Proposed dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2018 (2017: £nil).

Directors

The directors who held office during the year, and up to the date of signing, were as follows:

Ian Bull	Resigned 29 June 2018
Ian Gill	Appointed 27 June 2018
Ian Kellett	Appointed 30 June 2018
John Waterworth	Resigned 31 March 2019
Mark Simon Harper	Appointed 27 June 2018, Resigned 28 September 2018
Michael Wilmot	Resigned 19 July 2018

John Waterworth and Ian Kellett were also directors of the ultimate UK parent undertaking at the balance sheet date, Richmond UK Top Holdco Limited.

Another Group company effected and maintained insurance for the directors against liabilities as officers in relation to the Company.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2017: £nil).

Disclosure of information to auditor

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

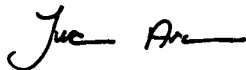
Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



Judith Archibold
Secretary

2nd Floor, One Gosforth Park Way
Gosforth Business Park
Newcastle upon Tyne
NE12 8ET

2 April 2019

Statement of directors' responsibilities in respect of the annual report and the financial statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Parkdean Resorts UK Limited

Opinion

We have audited the financial statements of Parkdean Resorts UK Limited for the year ended 31 December 2018 which comprise the *Profit and loss account and other comprehensive income, Balance sheet, Statement of changes in equity* and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Parkdean Resorts UK Limited

(continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

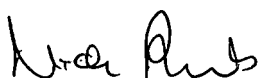
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Parkdean Resorts UK Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

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



Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

05 April 2019

Profit and loss account and other comprehensive income
for the year ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	3	58,284	53,212
Gross profit		58,284	53,212
Other operating income		5,648	5,290
Administrative expenses		(54,750)	(52,013)
Operating profit	5	9,182	6,489
<i>Analysed as:</i>			
EBITDA*		12,192	10,250
Depreciation	5	(957)	(304)
Amortisation	5	(402)	-
Exceptional items	4	(1,651)	(3,457)
Operating profit		9,182	6,489
Other interest receivable and similar income	8	135	33
Interest payable and similar charges	9	-	(24)
Profit before tax		9,317	6,498
Tax	10	1,261	(1,209)
Profit for the financial year		10,578	5,289

*EBITDA refers to earnings before interest, tax, depreciation, amortisation, impairment and exceptional items.

The Company has no items of comprehensive income other than the results for the current year or prior year disclosed above; accordingly a separate statement of other comprehensive income has not been included. All of the activities of the Company are classified as continuing.

Balance sheet
at 31 December 2018

	<i>Note</i>	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Property, plant and equipment	11		3,884		2,005
Intangible assets	12		1,480		-
Investments	13		798,790		798,790
Deferred tax asset	17		52		-
			<u>804,206</u>		<u>800,795</u>
Current assets					
Stocks	14	10		-	
Debtors	15	86,815		52,586	
Cash		46,902		18,701	
		<u>133,727</u>		<u>71,287</u>	
Creditors: amounts falling due within one year	16	(452,945)		(397,654)	
Net current liabilities			<u>(319,218)</u>		<u>(326,367)</u>
Total assets less current liabilities			<u>484,988</u>		<u>474,428</u>
Provision for liabilities					
Deferred tax liabilities	17		-		(18)
Net assets			<u>484,988</u>		<u>474,410</u>
Capital and reserves					
Called up share capital	19		12		12
Share premium account			92,501		92,501
Capital contribution reserve			371,226		371,226
Profit and loss account			21,249		10,671
Shareholder's funds			<u>484,988</u>		<u>474,410</u>

These financial statements were approved by the Board of directors on 2 April 2019 and were signed on its behalf by:



Ian Kellett
Director

Company registered number: 05729719

Statement of changes in equity

	Called up share capital £000	Share premium account £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	12	46,429	-	5,382	51,823
Total comprehensive income for the year					
Profit for the year	-	-	-	5,289	5,289
Transactions with owners, recorded directly in equity					
Issue of shares	-	46,072	-	-	46,072
Capital contribution (note 20)	-	-	371,226	-	371,226
Total transactions with owners, recorded directly in equity	-	46,072	371,226	-	417,298
Balance at 31 December 2017	<u>12</u>	<u>92,501</u>	<u>371,226</u>	<u>10,671</u>	<u>474,410</u>
Balance at 1 January 2018	12	92,501	371,226	10,671	474,410
Total comprehensive income for the year					
Profit for the year	-	-	-	10,578	10,578
Balance at 31 December 2018	<u>12</u>	<u>92,501</u>	<u>371,226</u>	<u>21,249</u>	<u>484,988</u>

Notes

(forming part of the financial statements)

1. Accounting policies

Parkdean Resorts UK Limited (the 'Company') is a private company registered in England and Wales and domiciled in the UK. The registered number is 05729719 and the registered address is 2nd Floor, One Gosforth Park Way, Gosforth Business Park, Newcastle upon Tyne NE12 8ET.

1.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ('FRS 101').

The presentation currency of these financial statements is pounds sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's UK parent undertaking at the balance sheet date, Richmond UK Holdco Limited includes the Company in its consolidated financial statements. The consolidated financial statements are prepared in accordance with adopted IFRSs and are available to the public and may be obtained from 2nd Floor, One Gosforth Park Way, Gosforth Business Park, Newcastle upon Tyne, NE12 8ET.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Richmond UK Holdco Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes (continued)

1. Accounting policies (continued)

1.3 Going concern

The Company forms part of a group of companies engaged in the ownership, management and operation of holiday parks. The Group headed by Richmond UK Holdco Limited is cash generative and has prepared financial forecasts which show that the Group will have sufficient financial resources available for the foreseeable future.

The Group's bank borrowings are held in Richmond UK Bidco Limited. There is a cross guarantee secured across a number of companies in the Group. Various intra-group balances exist between individual Group companies and ultimately most of the Group companies are interdependent and supported by the Group banking facilities. The Group has indicated to the extent that it is lawfully able to do so that it will continue to ensure that sufficient financial support is made available to the Company for at least 12 months from the date of approval of these financial statements and for the foreseeable future.

After reviewing the financial projections, the directors consider that the Company has adequate resources to continue in operational existence for the next 12 months and the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1.4 Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

1.5 Non derivative financial instruments

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

Investments in equity and debt securities

Investments in subsidiaries are carried at cost less impairment.

Trade and other debtors

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

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

Notes (continued)

Accounting policies (continued)

1.6 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee (see note 21).

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Freehold and leasehold buildings	15 – 50 years
Plant and equipment	1 – 25 years
Fixtures and fittings	5 – 15 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.8 Intangible assets and goodwill

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software	3-5 years
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1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition. A provision is made for obsolete, slow moving or defective items where required.

1.10 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

Notes (continued)

1. Accounting policies (continued)

1.11 Impairment excluding stocks and deferred tax assets (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives the recoverable amount is estimated each period at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit'). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ('CGUs'). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.12 Turnover

Turnover represents the amounts derived from the provision of management and other services to other companies in the Group. The turnover from these is recognised as the performance obligation is delivered.

Notes (continued)

Accounting policies (continued)

1.13 Expenses

Other interest receivable and interest payable

Interest payable and similar charges comprise interest payable, finance charges on shares classified as liabilities, unwinding of the discount on provisions that are recognised in the profit and loss account and finance leases recognised in the profit and loss account using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income comprise interest receivable on funds invested and dividend income.

Interest receivable and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established.

Exceptional items

Exceptional items are items of income or expenditure which the directors consider to be unusual in nature and/or size such that their separate presentation assists a reader of the financial statements in understanding the Company's performance.

1.14 Tax

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2. Changes in significant accounting policies

The Company has initially applied IFRS 15 from 1 January 2018 and as described in note 1 there is no change in revenue recognition as a result of implementing IFRS 15. A number of other new standards, including IFRS 9, are also effective from 1 January 2018 but they do not have a material effect on the Company's financial statements. Due to the transition methods chosen by the Company in applying these standards, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Trade and other payables	Amounts without adoption of IFRS 15	Adjustments	As reported
	£000	£000	£000
Deferred income	3,629	3,629	-
Contract liabilities	-	(3,629)	3,629
	<u> </u>	<u> </u>	<u> </u>

As a result of the transition to IFRS 15 amounts which were previously described as deferred income in the financial statements are now described as contract liabilities. There has been no change in the nature of these amounts, which represent cash received from holiday guests in advance of services being provided by other companies within the Group.

Notes (continued)

3. Turnover

All turnover was derived from the Company's principal activity, which is acting as an agent for and providing services to the trading companies within the Group. All operations occurred within the UK. All services are transferred over time and turnover is recognised in line with this.

4. Exceptional items

Included in the profit and loss account are the following:

	2018 £000	2017 £000
Restructuring costs	1,610	1,078
Acquisition costs	-	1,263
Other costs	41	1,116
	<u>1,651</u>	<u>3,457</u>

Restructuring costs

On 7 November 2017 the Group announced plans to close the Group's office at Hemel Hempstead and certain related costs have been treated as exceptional items. These include redundancy costs, lease costs for the period where the office will no longer be used and dilapidations costs on the office.

Acquisition costs

Acquisition costs are items of one-off expenditure incurred in connection with the acquisition of the Parkdean Resorts Topco group by Onex.

Other

Exceptional costs relate to other one-off costs incurred in the year.

5. Expenses and auditor's remuneration

Included in the profit and loss account are the following:

	2018 £000	2017 £000
Depreciation of property, plant and equipment:- owned assets	957	304
Amortisation of intangible assets	402	-
	<u>1,359</u>	<u>304</u>

The audit fee was borne by another Group undertaking and was not recharged to the Company in the current or prior years.

Amounts receivable by the Company's auditor and its associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent undertaking at the balance sheet date, Richmond UK Holdco Limited.

Notes (continued)

6. Employee Disclosure

The average number of people employed by the Company (including directors) during the year, analysed by category, was as follows:

	2018 Number	2017 Number
Established	478	453
Seasonal	41	47
	<u>519</u>	<u>500</u>

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	18,784	18,607
Social security costs	1,690	1,589
Contributions to defined contribution plans (note 18)	333	293
	<u>20,807</u>	<u>20,489</u>

7. Directors' remuneration

Remuneration was paid to the directors in respect of their services to the Company and its subsidiaries in the current year as follows:

	2018 £000	2017 £000
Directors' remuneration (paid by other Group companies)	1,455	1,004
Company contributions to defined contribution plans	25	10
Payment in lieu of notice	70	-
	<u>1,550</u>	<u>1,014</u>

The aggregate amount of remuneration and amounts receivable under long-term incentive schemes of the highest paid director was £458,932 (2017: £459,000) and no pension contributions (2017: £nil) were made by the Group on their behalf.

Retirement benefits are accruing to 1 director (2017: 1) under a defined contribution personal pension plan.

8. Other interest receivable and similar income

	2018 £000	2017 £000
Bank interest receivable	<u>135</u>	<u>33</u>

Notes (continued)

9. Interest payable and similar charges

	2018 £000	2017 £000
Bank interest payable	-	24

10. Tax

Recognised in the profit and loss account

	2018 £000	2017 £000
Current tax		
Current year	-	1,191
Adjustments in respect of prior periods	(1,191)	-
Current tax (credit)/expense	(1,191)	1,191
Deferred tax		
Origination and reversal of temporary differences	(58)	18
Reduction in tax rate	6	-
Adjustments in respect of prior periods	(18)	-
Deferred tax (credit)/expense (note 17)	(70)	18
Total tax (credit)/expense	(1,261)	1,209

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	10,578	5,289
Total tax (credit)/expense	(1,261)	1,209
Profit excluding tax	9,317	6,498
Effects of:		
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	1,770	1,251
Non-deductible expenses	22	684
Transfer pricing adjustments	(3,842)	(1,640)
Group relief surrendered	1,992	916
Adjustments to tax charge in respect of previous periods	(1,191)	-
Adjustments to deferred tax in respect of previous periods	(18)	-
Adjust closing deferred tax to average rate	6	(2)
Total tax (credit)/expense	(1,261)	1,209

Factors affecting current and future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2018 have been calculated based on these rates.

Notes (continued)

11. Property, plant and equipment

	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost			
At 1 January 2018	2,121	188	2,309
Additions	4,454	148	4,602
Transfers from other Group undertakings	363	-	363
Disposals	(1,910)	-	(1,910)
At 31 December 2018	5,028	336	5,364
Depreciation			
At 1 January 2018	291	13	304
Charge for year	917	40	957
Transfers from other Group undertakings	233	-	233
Disposals	(14)	-	(14)
At 31 December 2018	1,427	53	1,480
Net book value			
At 1 January 2018	1,830	175	2,005
At 31 December 2018	3,601	283	3,884

At 31 December 2018 there were no assets under construction (2017: £565,000) included within plant and equipment. Assets under construction relate to improvements to properties, caravans, lodges and site facilities not completed at the reporting date. These amounts are not depreciated. No borrowing costs are included in respect of these assets.

12. Intangible assets

Group	Software £000
Cost	
Balance at 1 January 2018	-
Additions	1,882
Balance at 31 December 2018	1,882
Amortisation and impairment	
Balance at 1 January 2018	-
Amortisation charge	402
Balance at 31 December 2018	402
Net book value	
At 31 December 2018	1,480
At 1 January 2018	-

Software

Software represents licences to use third party programmes and spending on software internally to improve productivity of the business.

Notes (continued)

13. Investments

Shares in Group
undertakings
2018
£000

Cost and net book value at 1 January 2018 and 31 December 2018

798,790

The Company has the following investments in subsidiaries:

	Country of incorporation	Class of shares held	Ownership 2018 and 2017
Bryson Group Limited ^{^*}	England and Wales ¹	Ordinary	100%
Church Point (Leisure) Limited*	England and Wales ¹	Ordinary	100%
Hayling Island Holiday Park Limited*	England and Wales ¹	Ordinary	100%
GB Holiday Parks Limited*	England and Wales ¹	Ordinary	100%
Lake District Leisure Pursuits Limited*	England and Wales ¹	Ordinary	100%
Manor Park Holiday Park Limited*	England and Wales ¹	Ordinary	100%
Midland Road Finance Limited*	England and Wales ¹	Ordinary	100%
Newquay Holiday Parks Limited*	England and Wales ¹	Ordinary	100%
Pactrem Limited ^{^*}	England and Wales ¹	Ordinary	100%
Park Resorts Limited*	England and Wales ¹	Ordinary	100%
Park Resorts Transport Limited*	England and Wales ¹	Ordinary	100%
Park Resorts UK Limited ^{^*}	England and Wales ¹	Ordinary	100%
Parkdean Caravan Parks Limited*	England and Wales ¹	Ordinary	100%
Parkdean Holidays Limited*	England and Wales ¹	Ordinary	100%
Parkdean Holiday Parks Limited*	England and Wales ¹	Ordinary and pref	100%
Parkdean Holidays (South West) Limited ^{^*}	England and Wales ¹	Ordinary	100%
Parkdean Leisure Limited ^{^*}	England and Wales ¹	Ordinary	100%
Parkdean Limited ^{^*}	England and Wales ¹	Ordinary	100%
Parkdean Properties Limited*	England and Wales ¹	Ordinary	100%
PD Parks Limited	England and Wales ¹	Ordinary	100%
Premier Dawn (EBT) Limited ^{^*}	England and Wales ¹	Ordinary	100%
Premier Dawn Properties Limited*	England and Wales ¹	Ordinary	100%
Ruda Holiday Park Limited ^{^*}	England and Wales ¹	Ordinary	100%
Southerness Holiday Village (Holdings) Limited ^{^*}	Scotland ²	Ordinary	100%
Southerness Holiday Village Limited*	Scotland ²	Ordinary	100%
South Lakeland Parks Limited*	England and Wales ¹	Ordinary	100%
Southview Leisure Park Limited*	England and Wales ¹	Ordinary	100%
South Lakeland Caravans Limited ^{^*}	England and Wales ¹	Ordinary	100%
South Lakeland Holidays Limited ^{^*}	England and Wales ¹	Ordinary	100%
South Lakeland Group Limited*	England and Wales ¹	Ordinary	100%
South Lakeland Leisure Estates Limited ^{^*}	England and Wales ¹	Ordinary	100%
The Generations Group Limited ^{^*}	England and Wales ¹	Ordinary	100%
Upperbay Limited*	England and Wales ¹	Ordinary	100%
Valley Farm Camping Ground Limited ^{^*}	England and Wales ¹	Ordinary	100%
Wemyss Bay Caravan Park Limited*	England and Wales ¹	Ordinary	100%
Weststar Acquisitions Limited ^{^*}	England and Wales ¹	Ordinary	100%
Weststar Holdings Limited ^{^*}	England and Wales ¹	Ordinary	100%
Weststar Holidays Limited*	England and Wales ¹	Ordinary	100%

*Shares not held directly by Parkdean Resorts UK Limited.

[^] In members' voluntary liquidation as part of a corporate simplification exercise undertaken in the year.

The registered offices of the subsidiary undertakings disclosed above are as follows:

¹ 2nd Floor, One Gosforth Park Way, Gosforth Business Park, Newcastle upon Tyne NE12 8ET;

² 1 Exchange Crescent, Conference Square, Edinburgh, Midlothian EH3 8AN.

Notes (continued)

14. Stocks

	2018 £000	2017 £000
Other stock	10	-

15. Debtors

	2018 £000	2017 £000
Trade debtors	1,292	854
Amounts owed by Group undertakings	76,706	44,034
Prepayments and accrued income	6,224	3,688
Other debtors	654	2
Other taxes and social security costs	-	4,008
Corporation tax receivable	1,939	-
	<u>86,815</u>	<u>52,586</u>

All trade and other debtors are expected to be received within 12 months. Amounts owed by Group undertakings are repayable on demand.

16. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	8,762	6,989
Amounts owed to Group undertakings	432,311	379,856
Other creditors	2,950	3,896
Accruals and deferred income	4,575	6,913
Contract liabilities	3,629	-
Other taxes and social security costs	718	-
	<u>452,945</u>	<u>397,654</u>

Amounts owed to Group undertakings are interest free and repayable on demand.

Notes (continued)

17. Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax (assets)/liabilities are attributable to the following:

	2018 £000	2017 £000
Property, plant and equipment	(52)	18

Movement in deferred tax during the current year

	1 January 2018 £000	Recognised in profit or loss £000	31 December 2018 £000
Property, plant and equipment	18	(70)	(52)

Movement in deferred tax during the prior year

	1 January 2017 £000	Recognised in profit or loss £000	31 December 2017 £000
Property, plant and equipment	-	18	18

18. Employee benefits

Defined contribution pension plans

The Company contributes to a number of defined contribution personal pension plans.

The total expense relating to these plans in the current year was £333,000 (2017: £293,000).

19. Share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid</i>		
1,221,031,657 Ordinary shares (2017: 1,221,031,657) of £0.00001 each	12	12
Shares classified in shareholder's funds	12	12

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

20. Capital contribution reserve

During the prior year, the Group undertook a corporate restructuring to simplify the corporate structure. As a result of this exercise, Parkdean Resorts Limited contributed the receivable of £371,226,000 owed by PD Parks Limited to the Company and this was recognised as a capital contribution.

Notes (continued)

21. Guarantees and contingent liabilities

The Company is a party to a cross guarantee in respect of the bank borrowings of certain members of the Group. The aggregate unprovided potential liability of the Company at the balance sheet date was £708,500,000 (2017: £725,000,000). The borrowings of certain members of the Group are secured on substantially all of the assets of Richmond UK Holdco Limited and its direct and indirect subsidiaries, including those of the Company.

22. Ultimate parent undertaking

The Company's immediate parent undertaking is Parkdean Resorts Limited, whose ultimate UK parent undertaking is Richmond UK Top Holdco Limited. Richmond UK Top Holdco Limited is indirectly controlled by Onex Partners IV, a private equity fund which is indirectly controlled by Onex Corporation. Onex Corporation is a Canadian headquartered private equity investment firm listed on the Toronto Stock Exchange.

23. Accounting estimates and judgements

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment if there are any indicators to suggest that the carrying amount may not be recoverable. Recoverable amounts are determined based on estimated market values. Actual outcomes could vary from these estimates.

Impairment of trade and other debtors

A full review of aged debtors is completed and all irrecoverable amounts are fully provided for.

Impairment of investments

Investments are reviewed for impairment if there are any indicators to suggest that the carrying amount may not be recoverable. Recoverable amounts are determined based on the estimated market value of the entities held as investments. Actual outcomes could vary from these estimates.