Manor Park Holiday Park Limited

Annual report and financial statements

Registered number 05935553

31 December 2017

Contents

Strategic report

The directors present their strategic report for the year ended 31 December 2017.

Principal activity

The principal activity of Manor Park Holiday Park Limited (the 'Company') is the ownership and operation of Manor Park Holiday Park in Hunstanton, Norfolk.

Business review

The Company's result for the year comprised turnover of £8,772,000 (*2016: £8,958,000*), earnings before interest, tax, depreciation, amortisation and exceptional items ('EBITDA') of £2,454,000 (*2016: £2,094,000*) and a profit after tax of £2,972,000 (*2016: £1,880,000*). The Company had net assets of £492,000 as at 31 December 2017 (*2016: net liabilities of £2,480,000*).

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 Richmond UK Top Holdco Limited group ('the Group').

As part of the sale of the Parkdean Resorts group to Onex the Company entered into a sale and leaseback transaction to sell the freehold of one park for a total of £12,764,000. This was then leased back to the Company for a period of 175 years.

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.

<u>Economic and market risks</u>

- Brexit

There is a risk of consumer uncertainty and adverse economic outcomes as a result of Brexit.

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 food and build costs for holiday homes. Alternative sourcing arrangements have been put in place to help mitigate these 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.

<u>Operational risks</u>

- 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.

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.

Strategic report *(continued)*

- 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. Employees 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 propriety 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 three 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 single 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 in accordance with FCA authorisations, gaming activities pursuant to an operating licence issued by the Gambling Commission and holding and processing personal information under registrations with the Information Commissioners Office.

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. A detailed project plan has been developed and is in the process of deployment to take into account the Data Protection Act 2018 and General Data Protection Regulation which came into force on 25 May 2018.

<u>Financial risks</u>

- 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.

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.

Strategic report *(continued)*

- 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 £575.0m 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 and pursuant to this a repayment of £16.5m of the first lien loan facility made on 31 January 2018. 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 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 taken 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 £500m of debt with interest rate swaps that run to May 2021. This provides coverage over 69% 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 Company 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 2018.

By order of the Board

John Waterworth
Director

3 Bunhill Row
London
EC1Y 8YZ
26 June 2018

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

Proposed dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017 *(2016: £nil)*.

Directors

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

Ian Bull	
Michael Clark	Resigned 13 March 2017
John Waterworth	

John Waterworth and Ian Bull are 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 and Group.

Employees

The Company recognises that the contribution made by its employees is crucial to its success. Substantial investment is therefore made in the training, development and motivation of staff with particular attention on ensuring customer satisfaction and the achievement of high standards of service. The Company endorses the application of equal opportunities policies to provide fair and equitable conditions for all employees regardless of sex, family status, religion, creed, colour, ethnic origin, age, disability or sexual orientation. The Company gives full consideration to applications for employment from disabled persons where the requirements of the role can be adequately fulfilled by a handicapped or disabled person. Where an existing employee becomes disabled, the Company's policy is to provide continuing employment under normal terms and conditions wherever possible. Wherever practicable the employee will continue to be employed in the same job or, if this is not practicable, every effort will be made to find an alternative job and provide appropriate training.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (*2016: £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 above and in the strategic report.

Directors' report *(continued)*

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

3 Bunhill Row
London
EC1Y 8YZ
26 June 2018

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

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.

KPMG

KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to the members of Manor Park Holiday Park Limited

Opinion

We have audited the financial statements of Manor Park Holiday Park Limited for the year ended 31 December 2017 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 2017 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.

Independent auditor's report to the members of Manor Park Holiday Park Limited
(continued)

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.

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
27 June 2018

Profit and loss account and other comprehensive income
for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Turnover	2	**8,772**	8,958
Cost of sales		**(2,870)**	(2,826)
Gross profit		**5,902**	6,132
Administrative expenses		**(3,834)**	(4,273)
Operating profit	4	**2,068**	1,859
Analysed as:			
EBITDA*		**2,454**	2,094
Depreciation	4	**(386)**	(390)
Exceptional items	3	**-**	155
Operating profit		**2,068**	1,859
Interest payable and similar expenses	7	**(341)**	-
Profit before tax		**1,727**	1,859
Tax	8	**1,245**	21
Profit for the financial year		**2,972**	1,880

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

The Company has no items of comprehensive income other than the results for the current 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 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Property, plant and equipment	9		**9,656**		9,239
Current assets					
Stocks	10	**590**		474	
Debtors	11	**16,599**		2,684	
Cash		**96**		2,482	
		17,285		5,640	
Creditors: amounts falling due within one year	12	**(13,689)**		(17,359)	
Net current assets / (liabilities)			**3,596**		(11,719)
Total assets less current liabilities			**13,252**		(2,480)
Creditors: amounts falling due after more than one year	13		**(12,760)**		-
Net liabilities			**492**		(2,480)
Capital and reserves					
Called up share capital	17		**-**		-
Share premium account			**6,112**		6,112
Profit and loss account			**(5,620)**		(8,592)
Shareholder's funds			**492**		(2,480)

These financial statements were approved by the Board of directors on 26 June 2018 and were signed on its behalf by:

Ian Bull
Director

Company registered number: 05935553

Statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	-	6,112	(10,472)	(4,360)
Total comprehensive income for the year				
Profit for the year	-	-	1,880	1,880
Balance at 31 December 2016	-	6,112	(8,592)	(2,480)
Balance at 1 January 2017	-	**6,112**	**(8,592)**	**(2,480)**
Total comprehensive income for the year				
Profit for the year	-	-	**2,972**	**2,972**
Balance at 31 December 2017	-	**6,112**	**(5,620)**	**492**

Notes

(forming part of the financial statements)

1. Accounting policies

Manor Park Holiday Park Limited (the 'Company') is a private company registered in England and Wales and domiciled in the UK. The registered number is 05935553 and the registered address is 3 Bunhill Row, London EC1Y 8YZ.

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.

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 ultimate UK parent undertaking at the balance sheet date, Richmond UK Top 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 Top 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 21.

Notes *(continued)*

1. Accounting policies *(continued)*

1.2 *Measurement convention*

The financial statements are prepared on the historical cost basis.

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 Top 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 stated 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.

Notes *(continued)*

1. Accounting policies *(continued)*

1.5 *Non-derivative financial instruments* (continued)

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.

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 19).

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. Land is not depreciated. The estimated useful lives are as follows:

Freehold 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 *Stocks*

Stocks are stated at the lower of cost and net realisable value. The cost of caravan, lodge and chalet holiday home stock is valued by using specific identification of their individual costs as the items are not ordinarily interchangeable. For other stock items the cost is based on the first-in first-out principle. Cost includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition. Net realisable value of used caravan stock is determined with reference to trade published guides. A provision is made for obsolete, slow moving or defective items where required.

Notes *(continued)*

1. Accounting policies *(continued)*

1.9 *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.

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.

1.10 *Employee benefits*

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes *(continued)*

1. Accounting policies *(continued)*

1.11 *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Holiday home sales are recognised at the point of sale subject to either full cash or receipt of a signed agreement with an approved finance provider.

On park spend, which encompasses retail, catering and other income, is recognised at the point of sale.

Holiday sales turnover is recognised when holidays are taken. Deferred income represents advance holiday bookings.

Owners' pitch fees are recognised on a straight line basis over the 12 month period to which invoiced amounts relate. Deferred income represents cash received in respect of owners' pitch fees.

1.12 *Expenses*

Operating lease payments
Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

1.13 *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.

Notes *(continued)*

1. Accounting policies *(continued)*

1.13 ***Tax (continued)***

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. Turnover

All turnover was derived from the Company's principal activity, which is owning and operating a holiday park in the UK. All operations occurred within the UK.

3. Exceptional items

Included in the profit and loss account are the following:

	2017	2016
	£000	£000
Fair value adjustments	-	(155)
Total exceptional items included in administrative expenses	-	(155)

Following the acquisition of the Company's former ultimate parent undertaking, Regent Topco Limited, by Parkdean Resorts Limited in 2015, the Company made one-off adjustments in 2016 to correct sundry working capital balances following the finalisation of management's exercise to assess the fair value of the identifiable assets and liabilities.

4. Expenses and auditor's remuneration

Included in the profit and loss account are the following:

	2017	2016
	£000	£000
Depreciation of property, plant and equipment:- owned assets	**252**	390
Depreciation of property, plant and equipment:- leased assets	**134**	-
Profit on disposal of property, plant and equipment	**(1)**	(1)

Auditor's remuneration:

	2017	2016
	£000	£000
Audit of these financial statements	**6**	15

The current year audit fee was borne by another Group undertaking and was not recharged to the Company.

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 ultimate UK parent undertaking at the balance sheet date, Richmond UK Top Holdco Limited.

Notes *(continued)*

5. Staff numbers and costs

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

	2017 Number	2016 Number
Established	19	20
Seasonal	40	38
	59	58

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	1,073	1,214
Social security costs	60	60
Contributions to defined contribution plans (note 16)	5	7
	1,138	1,281

6. Directors' remuneration

All directors' remuneration was borne by other Group companies. Directors' remuneration is disclosed in the financial statements of those companies. None of the directors received any remuneration in respect of their services to the Company in the current or prior year.

7. Interest payable and similar expenses

	2017 £000	2016 £000
Finance charges payable in respect of finance leases	341	-

8. Tax

Recognised in the profit and loss account

	2017 £000	2016 £000
Current tax		
Adjustments in respect of prior years	-	-
Current tax expense	-	-
Deferred tax		
Origination and reversal of temporary differences	(1,386)	(14)
Reduction in tax rates	162	(9)
Adjustments in respect of prior years	(21)	2
Deferred tax credit (note 15)	(1,245)	(21)
Total tax credit	(1,245)	(21)

Notes *(continued)*

8. Tax *(continued)*

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	**2,972**	1,880
Total tax credit	**(1,245)**	(21)
Profit excluding tax	**1,727**	1,859
Effects of:		
Tax using the UK corporation tax rate of 19.25% *(2016: 20%)*	**332**	372
Capital losses	**(1,434)**	-
Non-deductible expenses	**69**	48
Transfer pricing adjustments	**(45)**	-
Adjustments to deferred tax in respect of prior periods	**(21)**	2
Adjust closing and opening deferred tax to average rate	**162**	(9)
Group relief claimed	**(308)**	(434)
Total tax credit	**(1,245)**	(21)

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 at 31 December 2017 have been calculated based on these rates.

9. Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost				
At 1 January 2017	9,862	1,732	159	11,753
Additions	50	753	-	803
Disposals	-	(64)	-	(64)
Transfers between categories	(34)	136	(102)	-
At 31 December 2017	**9,878**	**2,557**	**57**	**12,492**
Depreciation				
At 1 January 2017	1,273	1,196	45	2,514
Charge for the year	155	220	11	386
Disposals	-	(64)	-	(64)
Transfers between categories	13	25	(38)	-
At 31 December 2017	**1,441**	**1,377**	**18**	**2,836**
Net book value				
At 31 December 2016	8,589	536	114	9,239
At 31 December 2017	**8,437**	**1,180**	**39**	**9,656**

Notes *(continued)*

9. Property, plant and equipment *(continued)*

At 31 December 2017 the value of assets under construction was £14,000 *(2016: £111,000)* 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 were incurred in respect of these assets.

The net book value of property, plant and equipment held under finance leases was as follows:

	2017	2016
	£000	£000
Land and buildings	**8,395**	-
Plant and equipment	**134**	-
Fixtures and fittings	**24**	-
	8,553	-

10. Stocks

	2017	2016
	£000	*£000*
Caravan, lodge and chalet holiday home stock	**567**	455
Other stock	**23**	19
	590	474

The write-down of stocks to net realisable value amounted to £159,000 *(2016: £69,000)*, which was included in cost of sales. The total amount of stocks included in cost of sales is £2,266,000 *(2016: £2,329,000)*.

11. Debtors

	2017	2016
	£000	£000
Trade debtors	**347**	476
Amounts owed by Group undertakings	**14,831**	1,920
Prepayments and accrued income	**159**	59
Other debtors	**-**	7
Other tax and social security recoverable	**-**	40
Corporation tax recoverable	**-**	165
Deferred tax assets (note 15)	**1,262**	17
	16,599	2,684

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

Notes *(continued)*

12. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	**183**	193
Obligations under finance leases (note 14)	**2**	-
Amounts owed to Group undertakings	**10,822**	14,620
Other tax and social security	**365**	-
Other creditors	**42**	18
Accruals and deferred income	**2,275**	2,528
	13,689	17,359

All trade and other creditors are expected to be settled within 12 months. Amounts owed to Group undertakings are interest free and repayable on demand.

13. Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Obligations under finance leases (note 14)	**12,760**	-

14. Finance lease obligations

Finance lease liabilities are payable as follows:

	Minimum lease payments 2017 £000	**Interest 2017 £000**	**Principal 2017 £000**	Minimum lease payments 2016 £000	Interest 2016 £000	Principal 2016 £000
Less than one year	**411**	**409**	**2**	-	-	-
Between one and five years	**71,078**	**58,318**	**12,760**	-	-	-
	71,489	**58,727**	**12,762**	-	-	-

As part of financing the sale of the Parkdean Resorts group to Onex, the Company entered into a sale and leaseback transaction. The freehold of one holiday park was sold for £12,764,000 and leased back to the Company for 175 years.

Notes *(continued)*

15. Deferred tax

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Assets 2017 £000	Liabilities 2017 £000	Net 2017 £000	Assets 2016 £000	Liabilities 2016 £000	Net 2016 £000
Property, plant and equipment	**(1,262)**	**-**	**(1,262)**	(17)	-	(17)
Deferred tax (assets)/liabilities	**(1,262)**	**-**	**(1,262)**	(17)	-	(17)

Movement in deferred tax during the current year

	1 January 2017 £000	Recognised in profit and loss £000	31 December 2017 £000
Property, plant and equipment	**(17)**	**(1,245)**	**(1,262)**
	(17)	**(1,245)**	**(1,262)**

Movement in deferred tax during the prior year

	1 January 2016 £000	Recognised in profit and loss £000	31 December 2016 £000
Property, plant and equipment	4	(21)	(17)
	4	(21)	(17)

16. 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 £5,000 *(2016: £7,000).*

17. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
3 Ordinary shares of £1 each	**3**	3
Shares classified in shareholder's funds	**3**	3

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.

Notes *(continued)*

18. Capital commitments

During the year ended 31 December 2017 the Company had capital commitments to purchase property, plant and equipment for which no provision had been made at the balance sheet date of £308,000 *(2016: £1,542,000).*

19. Guarantees and contingent liabilities

The Company is a party to a cross guarantee in respect of the bank borrowings of certain members of the Richmond UK Holdco Limited group. The aggregate unprovided potential liability of the Company at the balance sheet date was £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.

20. Ultimate parent undertaking

The Company's immediate parent undertaking is PD Parks 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.

21. 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 stocks
Holiday home stock is compared to Glass's Guide which is the industry guide for retail and trade values for holiday home stock. Impairments between carrying value and Glass's Guide 'trade' values are taken to the profit and loss account.

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