



Southerness Holiday Village Limited

Annual report and financial statements

Registered number SC255082

31 December 2021



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Strategic report

The directors present their strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of the Southerness Holiday Village Limited (the 'Company') is the ownership and operation of Southerness Holiday Village, a holiday park in Dumfries and Galloway. The Company is one of a group of companies all owned by Richmond UK Holdco Limited (the 'Group'). The Group operates award winning holiday parks across the UK.

Business review

The Company's result for the year comprised revenue of £8,849,000 (2020: £5,094,000), earnings before interest, tax, depreciation, amortisation, COVID-19 pitch fee refund and exceptional items ('adjusted EBITDA') of £1,561,000 (2020: £996,000) and a profit after tax of £1,846,000 (2020: loss of £45,000). The Company had net assets of £7,253,000 as at 31 December 2021 (2020: £5,407,000).

Section 172(1) statement

The directors confirm their adherence to s172(1) of the Companies Act 2006. Given the inter-dependence of the entities within the Group, compliance was achieved by the Group as a whole and full details are set out in the consolidated financial statements of the Group.

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 of the Group are also applicable to the Company.

Market risks

- Brexit

Risk of consumer uncertainty and adverse economic outcomes as a result of Brexit, especially in holiday home sales. While the negotiation of a Brexit deal has resolved some areas of Brexit risk, the limited understanding of the longer-term impact of the deal on the UK continues to foster consumer uncertainty. The Group has experienced input price increases above the Retail Price Index, particularly foods and build costs for holiday homes.

We can flexibly 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 has shifted reliance on external procurement consultants to an in-house procurement function. The Group continues to closely monitor the impact of Brexit and adapt its supply strategy accordingly.

- People availability and expertise

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

We are continuing to invest in our employer branding to assist in reaching high performing people from outside our industry and recruiting those with the potential to grow in our business. The availability of multiple succession channels (internal and external candidates) is helping to future proof the business and prevent operational gaps. All line managers are encouraged to undertake periodic reviews with their team members and to develop plans to maximise their personal impact. The Group utilises various tools to monitor employee engagement and uses the results to guide the development of HR policies. Training programmes are continually under review and development. The Group constantly reviews remuneration levels in the market to ensure that we remain competitive. The Group takes full advantage of all available sources of suitable seasonal employees, also participating extensively in the UK Government's Kickstart programme to provide additional resource.

Strategic report *(continued)*

Operational risks

- 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 and advocacy.

- Health and safety

The Group employs over 8,000 people during peak season (including those on seasonal contracts) and welcomes over 3.5m holiday guests to our parks every year. There is therefore an ongoing risk of health and safety incidents. This includes risks relating specifically to food safety, intolerances and allergens. We understand our duty of care to protect the safety and security of our people, customers and other visitors to our 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 comprehensive health and safety audits on an annual basis. The Group has a separate committee for health, safety, and security which is chaired by Simon Perry, one of our Non-Executive Directors.

- 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. An audit has been undertaken to assess the Group's response to COVID-19 and the associated park and office closures, the results of which are informing a wider review and enhancement of the business continuity planning for the Group's central support offices and park operations.

- 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. There is an increasing compliance burden around payroll compliance including the Working Time Directive, Right to Work, National Living Wage and Auto-Enrolment Pension requirements.

The Group employs a dedicated compliance team and has a comprehensive FCA and Gambling Commission compliance programme as well as a dedicated resource in respect of data protection. This includes training to all of the Group's sales and on-park management teams and monitoring ongoing compliance. The HR team is responsible for the establishment of policy in these areas and delivery of training to the operational teams. The Compliance and Payroll teams assist with the monitoring of the application of and compliance with these policies. The Richmond UK Top Holdco Group also uses third-party experts when required to assist internal teams.

Strategic report *(continued)*

- Infectious disease, epidemic or pandemic

As demonstrated in 2020 and 2021, in addition to the risk of local outbreaks of infectious disease, there is a risk that an epidemic or global pandemic can impact the travel and leisure industry, including the possibility of full park closures. There is a risk that an outbreak of COVID-19 (or another infectious disease) could take place on one or more of our parks. This could cause reputational damage in addition to the financial impact of a park closure.

Although we cannot control the risk of an epidemic or pandemic, we have demonstrated that holiday parks can provide a safe, clean environment and our caravans and lodges offer an inherently socially distanced experience. In the event of any future local or national lockdowns, we would again maintain an active stance to promote social distancing and other safety measures in place on park, campaigning to ensure that our parks re-open as early as possible, whilst demonstrating our full adherence to Government regulation and guidance to ensure customer and team member safety. We have demonstrated an ability to react rapidly and appropriately to changing Government requirements, acting to minimise costs and instigating remote working to ensure business continuity, continued customer service and liquidity management. The Group's normal business cycle includes the requirement to close and re-open the parks on an annual basis and so we have operational plans in place to conduct this in an orderly and efficient manner. In the context of COVID-19, the Group has implemented all measures required to meet Government regulation to provide a safe holiday environment for our customers and a safe working environment for our employees. This includes social distancing, enhanced cleaning, personal protective equipment for employees, a contactless check-in and check-out system as well as complying with track and trace requirements.

- 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. The Group achieved ISO27001 compliance in the year. The Group is also investing heavily in enhancing its IT platform and improving and integrating systems. The Group performs regular risk reviews and tests for network performance and has enhanced both data and cyber security for internal purposes and as required under the Payment Card Industry Data Security Standards. The Group has a separate cyber security committee chaired by the CFO to provide direction and strategy to its cyber security programme and oversee compliance.

- 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 Richmond UK Top Holdco Group relies on the in-house procurement function, a team of experienced category experts who have strong knowledge of the supply chain in their area of expertise. Category plans have been developed and supplier partnerships formed based on strategic importance. A risk mapping exercise has been conducted and risk management plans developed, with back up alternatives for critical spend areas where feasible.

Financial risks

- Financial covenant compliance

The Group is highly leveraged and is required to comply with financial covenants as part of the Senior Facilities Agreements. The Group complies with a net leverage financial covenant which was reinstated in September 2021 for a first test date of 31 December 2021, following a waiver and amendment in respect of the original terms of the Senior Facilities Agreement in 2020 to agree a minimum liquidity covenant due to the impact of COVID-19.

The Group assesses its liquidity level and compliance with the leverage covenant regularly through short and long-term forecasting, reviewed by the Board each month, the audit committee at each meeting and the senior finance team on a weekly basis. Following a successful trading period, there is significant headroom on the covenant position.

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 received fully documented, irrevocable and underwritten commitments for new borrowing facilities which are sufficient to repay in full the existing facilities in advance of their maturity dates, providing security over the Group's ongoing liquidity. Further details can be found in the going concern basis of preparation in note 1.3.

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 (including those associated with the new borrowing facilities) 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 a third-party direct debit payment plan. Almost all of on-park spend revenue 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. The Group has a central credit control team that supports the on-park teams with their collection of amounts from holiday home owners. There is a clear debt management process. This can result in removal of an owner from park when the debt remains unpaid. 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.

- Interest rate

The first lien and second lien facilities are subject to floating rates of interest. The Richmond UK Top Holdco Group has hedged £425.0m of debt with an interest rate cap that runs to September 2023. This provides coverage on 62% of the floating rate debt held by the Richmond UK Top Holdco Group, which covers the majority of the first lien loan balance which has a 0% floor hence is deemed cost effective to hedge; The second lien loan has a 1% floor and therefore is not hedged for the 2 year period.

Sustainability and climate change

- Environmental and social governance

The Group has a responsibility to assess the social and environmental sustainability of its direct operations as well as those of its supply chain. The principal risk is that the impacts of climate change such as extreme weather events cause damage to or disrupt the operations of the Group's holiday parks. There is an additional risk of damage to the Group's reputation and inability to deliver its long-term strategy if this responsibility is not met.

In the year the Group has established an Environmental and Social Governance ('ESG') steering group to lead the development and implementation of the Group's ESG strategy. This includes a commitment to have a positive social and environmental impact, and robust governance to ensure long-term sustainability of the business. We have initiated the alignment of our environmental reporting to the requirements of the TCFD framework to demonstrate the importance to the Board of identifying and assessing climate-related risks to the Holdco Group.

Key performance indicators

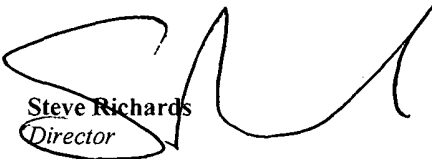
The key performance indicators used by the Group are revenue and adjusted EBITDA. A reconciliation of adjusted EBITDA to operating loss is included on the face of the profit and loss account.

Strategic report *(continued)*

Future developments

The directors are confident in the growing UK staycation market which remains an extremely attractive option for UK holidaymakers, and represents a great opportunity for those who are interested in owning a holiday home.

By order of the Board


Steve Richards
Director

C/O Womble Bond Dickinson (UK) LLP
2 Semple Street
Edinburgh
Scotland
EH3 8BL

26 April 2023

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

Proposed dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2021 (2020: £nil).

Directors

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

Ian Kellett
Steve Richards

Steve Richards 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.

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 employees 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 nor incurred any political expenditure during the year (2020: £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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Corporate governance

The Group continues to operate under the Wates Corporate Governance Principles for large private companies. In line with adherence to s172(2) of Companies Act 2006, the Group has continued to actively engage with employees and consider their interests in the year, has had regard to the Company's business relationships with suppliers, customers and others, and made key decisions in the year with these stakeholders' interests in mind. All information regarding the Wates Principles and further information regarding s172(2) is available in the consolidated financial statements of the Group.

Streamlined energy and carbon reporting

Under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, the Company is exempt from reporting under these regulations as the Company's figures have been included in the report disclosed in the consolidated financial statements of the Group.

Directors' report *(continued)*

Going concern

The principal activity of the Company is the ownership and operation of Southerness Holiday Village, a holiday park in Dumfries and Galloway, it is also a cross guarantor for the Group's banking facility and cash flow forecasts are managed on a Group basis. The Company meets its day to day working capital requirements through the Group banking facilities. The Company is reliant on the Group to provide cash to meet its obligations as they fall due.

In order to conclude on the appropriateness of adopting the going concern basis of accounting in preparing these financial statements, the directors have assessed the financial position of the Group and Company at the end of the year, and they have also considered the projected future trading and cash flows of the business and the financing facilities available, alongside the principal risks facing the Group that could threaten its business model, trading performance, solvency or liquidity.

As at the date of approving these financial statements, certain of the Group's borrowing facilities are due to mature within 12 months – the £538.5m first lien facility is set to mature in March 2024, with the revolving credit facility due to expire three months before the first lien maturity date.

Subsequent to the balance sheet date, the Group has received fully documented, irrevocable and underwritten commitments for new borrowing facilities that principally comprise a new senior term loan, a revolving credit facility and additional facilities including support from the Company's ultimate parent undertaking by way of loan notes, which are sufficient to repay in full the first and second lien loans and the current revolving credit facilities in advance of their maturity dates. These facilities each will have maturity dates of more than five years from their respective closing dates and as at the date of approval of these financial statements these fully committed facilities can be drawn at the discretion of the company.

The directors have assessed the risks and performance of the Group and, using the evidence available to them, including these documented commitments and the financial standing of the counterparties underwriting them. Forecasts and projections have been prepared against the various covenants required to be met within the new borrowing facilities together with a range of sensitivities modelled to allow for reasonable changes in trading performance, and these show that the Group has comfortable headroom over the outlook period. The Company will require ongoing additional funds, through funding from its ultimate parent and fellow subsidiary companies to meet its liabilities as they fall due during the period of at least 12 months from the date of signing of the financial statements, the going concern assessment period.

Richmond UK Holdco Limited has indicated its intention to continue to make available such funds as are needed by the Company during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The directors have therefore concluded that it is appropriate to present the financial statements on a going concern basis, as they consider that the Group and Company will continue as a going concern for a period of at least 12 months from the date of signing the financial statements.

Further details on the Group's forecast sensitivities and going concern assessment are set out in the basis of preparation in note 1.3.

Events since the balance sheet date


Following the balance sheet date, the Group extended the Revolving Credit Facility with an expiry date of the earlier of March 2024 and 3 months before the maturity of the first lien secured syndicated facility.

The Group then initiated the process of refinancing the First Lien and Revolving credit facilities – see note 25 Post balance sheet events for more details.

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

C/O Womble Bond Dickinson (UK) LLP
2 Semple Street
Edinburgh
United Kingdom
EH3 8BL

26 April 2023

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

The directors are responsible for preparing the strategic report, the director's 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 intends 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 enables 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 Southerness Holiday Village Limited

Opinion

We have audited the financial statements of Southerness Holiday Village Limited ("the Company") for the year ended 31 December 2021 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 2021 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

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

Independent auditor's report to the members of Southerness Holiday Village Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect *(continued)*

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that holiday home sales throughout the period are overstated through recording revenues in the wrong period and the risk that Company management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts linked to holiday home revenue and unusual accounts linked to cash.
- Substantive testing of holiday home sales throughout the period.
- Substantive testing of holiday home sales around the period end.
- Substantive testing of post year end credit notes for holiday home sales.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, employment law and company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

Independent auditor's report to the members of Southerness Holiday Village Limited *(continued)*

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 8, 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 Southerness Holiday Village 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.



Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

26 April 2023

Profit and loss account and other comprehensive income
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Revenue	2	8,849	5,094
Cost of sales		(2,968)	(1,795)
Gross profit		5,881	3,299
Administrative expenses		(5,184)	(3,595)
Other operating income	3	1,213	279
Operating profit/(loss)	5	1,910	(17)
<i>Analysed as:</i>			
Adjusted EBITDA*		1,561	996
Depreciation	5	(831)	(879)
Exceptional items	4	-	(26)
Business interruption insurance proceeds	3	1,176	-
COVID-19 pitch fee refund	4	4	(108)
Operating profit/(loss)		1,910	(17)
Interest payable and similar charges	8	(16)	(25)
Profit/(loss) before tax		1,894	(42)
Tax	9	(48)	(3)
Profit/(loss) for the financial year		1,846	(45)

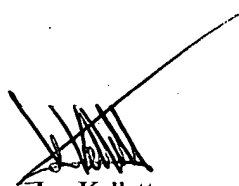
*Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation, COVID-19 pitch fee refund and exceptional items.

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 2021

	<i>Note</i>	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Property, plant and equipment	10		5,671		5,649
Right-of-use assets	11		679		907
			<u>6,350</u>		<u>6,556</u>
Current assets					
Stocks	12	672		750	
Debtors	13	7,666		5,290	
Cash		32		-	
		<u>8,370</u>		<u>6,040</u>	
Creditors: amounts falling due within one year	14	(6,513)		(6,023)	
Net current assets			<u>1,857</u>		<u>17</u>
Total assets less current liabilities			<u>8,207</u>		<u>6,573</u>
Creditors: amounts falling due after more than one year	15		(702)		(962)
Provision for liabilities					
Deferred tax liabilities	17		(252)		(204)
Net assets			<u>7,253</u>		<u>5,407</u>
Capital and reserves					
Called up share capital	19		-		-
Retained earnings			7,253		5,407
Shareholder's funds			<u>7,253</u>		<u>5,407</u>

These financial statements were approved by the Board on 26 April 2023 and were signed on its behalf by:


Ian Kellett
Director

Company registered number: SC255082

Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	-	5,453	5,453
IFRS 16 deferred tax transitional adjustment (note 17)	-	(1)	(1)
Total comprehensive loss for the year			
Loss for the year	-	(45)	(45)
Balance at 31 December 2020	<u>-</u>	<u>5,407</u>	<u>5,407</u>
Balance at 1 January 2021	-	5,407	5,407
Total comprehensive income for the year			
Income for the year	-	1,846	1,846
Balance at 31 December 2021	<u>-</u>	<u>7,253</u>	<u>7,253</u>

Notes

(forming part of the financial statements)

1. Accounting policies

Southerness Holiday Village Limited (the 'Company') is a private company registered in Scotland and domiciled in the UK. The registered number is SC255082 and the registered office is C/O Womble Bond Dickinson (UK) LLP, 2 Semple Street, Edinburgh, United Kingdom, EH3 8BL.

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 accounting standards in conformity with the requirements of 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 have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 director 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 principal activity of the Company is the ownership and operation of Southerness Holiday Village, a holiday park in Dumfries and Galloway, it is also a cross guarantor for the Group's banking facility and cash flow forecasts are managed on a Group basis. The Company meets its day to day working capital requirements through the Group banking facilities. The Company is reliant on the Group to provide cash to meet its obligations as they fall due.

In order to conclude on the appropriateness of adopting the going concern basis of accounting in preparing these financial statements, the directors have assessed the financial position of the Group and Company at the end of the year, and they have also considered the projected future trading and cash flows of the business and the financing facilities available, alongside the principal risks facing the Group that could threaten its business model, trading performance, solvency or liquidity.

As at the date of approving these financial statements, certain of the Group's borrowing facilities are due to mature within 12 months – the £538.5m first lien facility is set to mature in March 2024, with the revolving credit facility due to expire three months before the first lien maturity date.

Subsequent to the balance sheet date, the Group has received fully documented, irrevocable and underwritten commitment for new borrowing facilities that principally comprise a new senior term loan, a revolving credit facility and additional facilities including support from the Company's ultimate parent undertaking by way of loan notes, which are sufficient to repay in full the first and second lien loans and the current revolving credit facilities in advance of their maturity dates. These facilities each will have maturity dates of more than five years from their respective closing dates and as at the date of approval of these financial statements these fully committed facilities can be drawn at the discretion of the company.

The directors have assessed the risks and performance of the Group and, using the evidence available to them, including these documented commitments and the financial standing of the counterparties underwriting them. Forecasts and projections have been prepared against the various covenants required to be met within the new borrowing facilities together with a range of sensitivities modelled to allow for reasonable changes in trading performance, and these show that the Group has comfortable headroom over the outlook period. The Company will require ongoing additional funds, through funding from its ultimate parent and fellow subsidiary companies to meet its liabilities as they fall due during the period of at least 12 months from the date of signing of the financial statements, the going concern assessment period.

Richmond UK Holdco Limited has indicated its intention to continue to make available such funds as are needed by the Company during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The directors have therefore concluded that it is appropriate to present the financial statements on a going concern basis, as they consider that the Group and Company will continue as a going concern for a period of at least 12 months from the date of signing the financial statements.

Notes (continued)

1. Accounting policies (continued)

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.

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 statements

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).

Notes (continued)

1. Accounting policies (continued)

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.

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
Leasehold land	Unexpired lease period
Leasehold buildings	Shorter of the unexpired period of the lease or 50 years
Plant and equipment	3-25 years
Fixtures and fittings	5-15 years

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

1.8 Right-of-use assets

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of right-of-use asset. The estimated useful lives are as follows:

Right-of-use assets	The period of the lease contract unless ownership is transferred at the end of the lease period, whereby the estimated useful life would be determined in accordance with property, plant and equipment (see note 1.7)
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1.9 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.

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.

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.

Notes (continued)

1. Accounting policies (continued)

1.10 Impairment excluding stocks and deferred tax assets (continued)

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.

1.11 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.

1.12 Revenue

Revenue represents the amounts (excluding VAT) received from the provision of goods and services to customers.

A holiday home sales contract has one performance obligation, the provision of the holiday home and associated accessories ready for use. The transaction price is based on the amounts agreed with the customer, and revenue is recognised at the point of full cash receipt or an approved signed finance provider agreement. Most holiday home sales are also required to pay pitch licence fees and these are accounted for as described below.

On-park spend, which encompasses retail, catering and other income, is recognised at the point of sale. Items sold, such as food and beverages, are generally separable and the performance obligation is recognised immediately at the point of sale.

Holiday sales revenue performance obligation is satisfied as the holiday is taken. Ancillaries such as pet fees and furniture hire are considered as bundled goods and therefore all revenue is recognised as the holiday is taken. Contract liabilities represent cash received from holiday guests in advance of services being provided.

Owners pay their pitch licence fees in exchange for the use of the holiday park and facilities where the pitch is located and therefore the performance obligation is delivered over the life of the contract. Revenue is recognised on a straight-line basis over the contract period. Contract liabilities represent cash received in advance from owners for pitch licence fees.

Notes (continued)

1. Accounting policies (continued)

1.13 Expenses

Operating lease payments

Short-term leases, low-value leases and leases of intangible assets continue to be accounted for as operating leases and are recognised in the statement of profit and loss on a straight-line basis over the term of the lease. Lease incentives received for such short term leases are recognised in profit or loss as an integral part of the total lease expense.

Other interest receivable and interest payable

Interest payable and other charges comprise interest payable, finance charges on shares classified as liabilities and leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions that are recognised in profit or loss. 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 considers 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 profit 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.

Notes (continued)

1. Accounting policies (continued)

1.15 Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee accounting

The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the re-measurement being recorded in profit or loss.

1.16 Government grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and the Company will comply with the attached conditions. Government grants are deferred and recognised in the profit and loss account over the period necessary to match them with the costs that they are intended to compensate. Amounts recognised in the profit and loss account are presented under the heading 'Other operating income'. There are no unfulfilled contingencies attaching to the government assistance that has been recognised.

Notes (continued)

2. Revenue

	2021 £000	2020 £000
Revenue from UK holiday parks	8,849	5,094
Reconciliation of revenue		
Revenue excluding COVID-19 pitch fee refund	8,845	5,202
COVID-19 pitch fee refund (note 4)	4	(108)
	<u>8,849</u>	<u>5,094</u>
Timing of revenue recognition		
Products transferred at a point in time	4,803	2,616
Products and services transferred over time	4,046	2,478
	<u>8,849</u>	<u>5,094</u>

Holiday home sales and on-park spend revenue is transferred at a point in time, the performance obligation for these revenue streams is satisfied on delivery of the product to the holiday home owner or holiday guest.

Holiday sales revenue and owner pitch licence fees are delivered over time, over the period of the holiday or the life of the pitch licence fee agreement respectively.

Included in products and services transferred over time are forfeited pitch fee refunds of £4,000 (2020: *refunds granted of £108,000*). For further details see note 4.

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

3. Other operating income

	2021 £000	2020 £000
Government grants	37	279
Business interruption insurance claim proceeds	1,176	-
	<u>1,213</u>	<u>279</u>

Amounts in other operating income relate to government grant income claimed by the Group as part of the Coronavirus Job Retention Scheme of £37,000 (2020: £249,000) and the Eat Out to Help Out scheme of £nil (2020: £30,000).

The Company received payment of £1,176,000 (2020: £nil) from the Group's business interruption insurers in relation to losses sustained in the prior year during the first lockdown due to the coronavirus pandemic.

Notes (continued)

4. Exceptional items

Included in the profit and loss account are the following:

	2021 £000	2020 £000
<i>COVID-19 costs:</i>		
Stock write-offs	-	26
Total exceptional items included in administrative expenses	-	26
Exceptional adjustment in revenue	(4)	108
Total exceptional items included in revenue	(4)	108

COVID-19 costs

As the lockdown occurred during the build-up to Easter, the Group's first main trading period of the year, the Company suffered stock write-offs in respect of perishable items.

Exceptional reduction in revenue

In the prior year, part of the package of support offered to holiday home owners, resulted in recognising an exceptional reduction in revenue of £108,000. This was a non-contractual refund equating to 50% of the pitch licence fees for the period covered by the initial Government-mandated lockdown, when holiday home owners were unable to access parks.

In the current year, in line with the terms of the refund, £4,000 of pitch fee refunds were forfeited by holiday home owner leavers.

5. Expenses and auditor's remuneration

Included in the profit and loss account are the following:

	2021 £000	2020 £000
Depreciation of property, plant and equipment	677	681
Depreciation of right-of-use assets	154	198
Loss on disposal of property, plant and equipment	-	4
Operating lease rentals relating to short term leases and low value assets (note 11)	8	2

Auditor's remuneration:

	2021 £000	2020 £000
Audit of these financial statements	5	4

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:

	2021 Number	2020 Number
Established	26	27
Seasonal	57	68
	<u>83</u>	<u>95</u>

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	1,772	1,558
Social security costs	109	73
Contributions to defined contribution plans (note 18)	20	19
	<u>1,901</u>	<u>1,650</u>

7. Directors' remuneration

The directors received no emoluments from the Company in respect of their services during the current or prior year.

8. Interest payable and similar charges

	2021 £000	2020 £000
Finance charges payable in respect of Group lease liabilities	11	18
Finance charges payable in respect of third-party lease liabilities	5	7
	<u>16</u>	<u>25</u>

Notes (continued)

9. Tax

Recognised in the profit and loss account

	2021 £000	2020 £000
Current tax		
Current tax expense	-	-
Deferred tax		
Origination and reversal of temporary differences	(3)	(58)
Effect of changes in tax rates	61	27
Adjustments in respect of prior years	(10)	34
Deferred tax expense (note 17)	48	3
Total tax expense	48	3

Reconciliation of effective tax rate

	2021 £000	2020 £000
Profit/(loss) for the year	1,846	(45)
Total tax expense	48	3
Profit/(loss) excluding tax	1,894	(42)
Effects of:		
Tax using the UK corporation tax rate of 19% (2020: 19%)	360	(8)
Non-deductible expenses	-	-
Non-taxable income	10	(3)
Transfer pricing adjustment	12	2
Adjustments in respect of previous years	(10)	34
Super deduction	(15)	-
Effect of changes in tax rates	61	27
Group relief claimed	(415)	(49)
IFRS 16 transitional adjustment	-	-
Non-qualifying depreciation	45	-
Total tax expense	48	3

Factors affecting current and future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was deemed substantively enacted on 17 March 2020. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase from 19% to 25%. This new law was deemed substantively enacted on 24 May 2021. The deferred tax balances at the balance sheet date have been calculated at the tax rate that is expected to apply to the reversal of the related difference.

Notes (continued)

10. Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost				
At 1 January 2021	3,083	8,745	2,110	13,938
Transferred from right-of-use assets ⁽¹⁾	-	123	71	194
Additions	20	595	135	750
Transfers to other Group undertakings	-	(284)	-	(284)
Disposals	-	(260)	-	(260)
At 31 December 2021	3,103	8,919	2,316	14,338
Depreciation				
At 1 January 2021	751	5,641	1,897	8,289
Transferred from right-of-use assets ⁽¹⁾	-	73	37	110
Charge for the year	57	545	75	677
Transfers to other Group undertakings	-	(198)	-	(198)
Disposals	-	(211)	-	(211)
At 31 December 2021	808	5,850	2,009	8,667
Net book value				
At 31 December 2021	2,295	3,069	307	5,671
At 31 December 2020	2,332	3,104	213	5,649

At 31 December 2021 the value of assets under construction was £82,000 (2020: £50,000) 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.

⁽¹⁾ Transferred from right-of-use assets represents leased assets where a purchase option was exercised during the year.

Notes (continued)

11. Right-of-use assets

	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost				
Balance at 1 January 2021	-	1,176	71	1,247
Additions	-	-	-	-
Transferred to property, plant and equipment ⁽¹⁾	-	(123)	(71)	(194)
Disposals	-	-	-	-
Re-measurement	-	10	-	10
Balance at 31 December 2021	-	1,063	-	1,063
Depreciation				
Balance at 1 January 2021	-	310	30	340
Depreciation charge for the year	-	147	7	154
Transferred to property, plant and equipment ⁽¹⁾	-	(73)	(37)	(110)
Disposals	-	-	-	-
Balance at 31 December 2021	-	384	-	384
Net book value				
At 31 December 2021	-	679	-	679
At 1 January 2021	-	866	41	907

⁽¹⁾ Transferred to property, plant & equipment represents leased assets where a purchase option was exercised during the year.

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which Southerness Holiday Village Limited is a lessee:

	2021 £000	2020 £000
Leases under IFRS 16		
Depreciation charge of right-of-use assets	154	198
Interest on lease liabilities	16	25
Expenses relating to short-term leases (included in administrative expenses)	7	1
Expenses relating to low-value assets that are not short-term leases (included in administrative expenses)	1	1

Notes (continued)

12. Stocks

	2021 £000	2020 £000
Caravan, lodge and chalet holiday home stock	627	720
Other stock	45	30
	<u>672</u>	<u>750</u>

The write-down of stocks to net realisable value amounted to £33,000 (2020: £96,000), which was included in cost of sales. The total amount of stocks included in cost of sales is £2,315,000 (2020: £1,312,000). The write-off of perishable stock as a result of park closures in the year amounted to £nil (2020: £26,000).

13. Debtors

	2021 £000	2020 £000
Trade debtors	667	720
Amounts owed by Group undertakings	6,962	4,530
Other debtors	-	9
Prepayments and accrued income	37	31
	<u>7,666</u>	<u>5,290</u>

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

14. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	133	155
Obligations under Group lease liabilities (note 16)	235	194
Obligations under third-party lease liabilities (note 16)	26	27
Amounts owed to Group undertakings	4,441	4,472
Other tax and social security	30	36
Other creditors	296	63
Accruals	277	60
Contract liabilities	1,075	1,016
	<u>6,513</u>	<u>6,023</u>

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

Notes *(continued)*

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

	2021 £000	2020 £000
Obligations under Group lease liabilities (note 16)	686	921
Obligations under third-party lease liabilities (note 16)	16	41
	<u>702</u>	<u>962</u>

16. Reconciliation of liabilities arising from financing activities

	2021 £000	2020 £000
At 1 January	1,183	1,086
Cash flows	(247)	(295)
Lease additions	-	354
Lease disposals	-	-
Interest payable	16	25
Re-measurement	10	13
At 31 December	<u>962</u>	<u>1,183</u>

17. Deferred tax

Recognised deferred tax liabilities

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

	2021 £000	2020 £000
Property, plant and equipment	254	204
Temporary trading differences	(2)	-
Deferred tax liabilities	<u>252</u>	<u>204</u>

Notes (continued)

17. Deferred tax (continued)

Movement in deferred tax (assets)/liabilities during the current year

	1 January 2021 £000	Recognised in profit or loss £000	31 December 2021 £000
Property, plant and equipment	204	50	254
Temporary trading differences	-	(2)	(2)
	<u>204</u>	<u>48</u>	<u>252</u>

Movement in deferred tax liabilities during the prior year

	1 January 2020 £000	Recognised in profit or loss £000	IFRS 16 transitional adjustment in equity £000	31 December 2020 £000
Property, plant and equipment	201	3		204
Right-of-use assets – IFRS 16 transition	(1)	-	1	-
	<u>200</u>	<u>3</u>	<u>1</u>	<u>204</u>

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 £20,000 (2020: £19,000).

19. Share capital

	2021 £	2020 £
<i>Allotted, called up and fully paid</i>		
100 (2020: 100) Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Shares classified in shareholder's funds	<u>100</u>	<u>100</u>

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 commitments

During the year ended 31 December 2021 the Company had capital commitments to purchase property, plant and equipment for which no provision had been made at the balance sheet date of £461,000 (2020: £239,000).

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 £688,500,000 (2020: £778,500,000). 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 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 LP, 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.

The largest group the Company's balances are consolidated in is Richmond UK Top Holdco Limited, and the smallest group the Company's balances are consolidated in is Richmond UK Holdco Limited. The financial statements of both groups are available at 2nd Floor, One Gosforth Park Way, Gosforth Business Park, Newcastle upon Tyne, NE12 8ET.

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 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.

Present value of lease liabilities

For leases falling under IFRS 16 *Leases*, the lease liability is initially measured as the present value of future lease payments, discounted using the interest rate implicit in the lease where this can be readily determined. However discount rates implicit in the leases cannot be readily determined in most cases and an appropriate discount rate needs to be identified. For portfolios of leases with similar characteristics, discount rates are calculated using observable market inputs if available. Where this is not possible, the discount rates are based on the Group's incremental borrowing rates or interest rates from market transactions as deemed appropriate.

24. Post Balance Sheet Events

Subsequent to the balance sheet date, the Group has received fully documented, irrevocable and underwritten commitments for new borrowing facilities that principally comprise a new senior term loan, a revolving credit facility and additional facilities including support from the Company's ultimate parent undertaking by way of loan notes, which are sufficient to repay in full the first and second lien loans and the current revolving credit facilities in advance of their maturity dates. These facilities each will have maturity dates of more than five years from their respective closing dates and as at the date of approval of these financial statements these fully committed facilities can be drawn at the discretion of the company.