

Southerness Holiday Village Limited

Annual report and financial statements

Registered number SC255082

31 December 2020



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Strategic report

The directors present their strategic report for the year ended 31 December 2020.

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 67 award winning holiday parks across the UK.

Business review

The Company's result for the year comprised revenue of £5,094,000 (2019: £7,784,000), earnings before interest, tax, depreciation, amortisation, COVID-19 pitch fee refund and exceptional items ('adjusted EBITDA') of £996,000 (2019: £1,346,000) and a loss after tax of £45,000 (2019: profit of £277,000). The Company had net assets of £5,407,000 as at 31 December 2020 (2019: £5,453,000).

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 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 and advocacy.

Strategic report *(continued)*

Operational risks

- 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.

- Health and safety

The Group employs over 7,000 people during peak season (including those on seasonal contracts) and welcomes over 2m 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.

Strategic report *(continued)*

- Infectious disease, epidemic or pandemic

As demonstrated in 2020, 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 has committed to an investment in information security to deliver ISO27001 compliance by spring 2021. 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.

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. Due to the impact of COVID-19, the Group agreed a waiver and amendment with our lender syndicate in respect of the original terms of the Senior Facilities Agreement, principally moving from a leverage based covenant to a minimum liquidity covenant through to September 2021. Due to the continued uncertainty of the UK restrictions against COVID-19, there remains a risk that in the event of a prolonged closure then a further review of covenant terms may be required.

The Group has invested considerably in its forecasting capability during 2020 and closely monitors liquidity and covenant compliance under varying scenarios to enable mitigating actions to be reviewed by the Board as required. Although the level of continued restrictions remain unclear, we learned a lot during 2020 and the medium-term impact is no longer unprecedented and we are confident that as soon as restrictions are eased the business will bounce back quickly. This means that it is more likely that the business would need to find a short-term liquidity solution in the event of a prolonged closure, which forms part of management's planning scenarios. We still have several months remaining under the amended liquidity covenant and will continue to monitor the position once this period comes to an end.

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 £538.5m first lien loan facility or on the £150.0m second lien facility except for payments of excess cash flow to the first lien facility providers. There is a £100.0m revolving credit facility available up to March 2023 which provides sufficient cash resources to meet the working capital requirements of the business going forward. At the end of the financial year the Group had utilised £90.0m of this facility. 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.

- 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 risk profile of key suppliers is regularly assessed and plans developed to address particular areas of risk.

- 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, though are fixed to September 2021 when the current interest period ends. We monitor interest rate risk to manage the Group's hedging arrangements accordingly.

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

On 12 April 2021, following the relaxation of restrictions across England and Wales, the Group re-opened parks in those regions, and parks in Scotland followed on 26 April. The final step of the lifting of restrictions which removed limits on group numbers indoors and required social distancing to take place lifted on 19 July. Following our successful reopening ahead of expectations and the outlook for the summer trading period, we 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

29 July 2021

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2020.

Proposed dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: *£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 (2019: *£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 Company is a cross guarantor for the Group's banking facility and cash flow is 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 and the Board of the Group has committed to doing so.

The directors have assessed the financial position of the Group at the end of the year. In assessing the going concern of the business they have considered the projected future trading and cash flows of the business and the financing facilities available. The Group recovered strongly from both lockdowns in 2020 and 2021. At the date of approval of these financial statements, holiday bookings are ahead of budget, with a materially higher percentage of full-year budget booked than typically seen by July. Holiday home sales completions also saw an immediate surge on parks re-opening in April and continue to trade at above expected budget levels.

Using the evidence available to them they have 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.

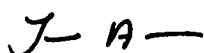
Events since the balance sheet date

On 4 January 2021, in response to the spread of COVID-19, the UK Government announced a nationwide lockdown, resulting in the mandatory closure of all of the Group's holiday parks. On 12 April, following the relaxation of restrictions across England and Wales, the Group re-opened parks in those regions, and parks in Scotland followed on 26 April. The period of closure largely fell within the normal winter closure period for most parks. However, the delayed re-opening did result in the loss of the Easter trading period. Ongoing hospitality restrictions which limited group numbers indoors and social distancing requirements were lifted on 19 July. The financial impact has been considered as part of the Group's forecast sensitivities and going concern assessment as described on page 17 and further details are provided in the post balance sheet events note on page 32.

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

29 July 2021

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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and a directors' report that comply with that law and those regulations.

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 2020 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 2020 and of its loss 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 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.
- 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.

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.

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 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.

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.

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



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

30 July 2021

Profit and loss account and other comprehensive income
for the year ended 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Revenue	2	5,094	7,784
Cost of sales		<u>(1,795)</u>	<u>(2,860)</u>
Gross profit		3,299	4,924
Administrative expenses		(3,595)	(4,634)
Other operating income	3	<u>279</u>	<u>-</u>
Operating (loss)/profit	5	(17)	290
<i>Analysed as:</i>			
Adjusted EBITDA*		996	1,346
Depreciation	5	(879)	(1,056)
Exceptional items	4	(26)	-
COVID-19 pitch fee refund	4	(108)	-
Operating (loss)/profit		<u>(17)</u>	<u>290</u>
Interest payable and similar charges	8	<u>(25)</u>	<u>(23)</u>
(Loss)/profit before tax		(42)	267
Tax	9	<u>(3)</u>	<u>10</u>
(Loss)/profit for the financial year		<u><u>(45)</u></u>	<u><u>277</u></u>

*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 2020

	<i>Note</i>	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Property, plant and equipment	10		5,649		5,698
Right-of-use assets	11		907		831
			<u>6,556</u>		<u>6,529</u>
Current assets					
Stocks	12	750		712	
Debtors	13	5,290		5,826	
Cash		-		25	
		<u>6,040</u>		<u>6,563</u>	
Creditors: amounts falling due within one year	14	(6,023)		(6,613)	
Net current liabilities			<u>17</u>		<u>(50)</u>
Total assets less current liabilities			<u>6,573</u>		<u>6,479</u>
Creditors: amounts falling due after more than one year	15		(962)		(826)
Provision for liabilities					
Deferred tax liabilities	17		(204)		(200)
Net assets			<u>5,407</u>		<u>5,453</u>
Capital and reserves					
Called up share capital	19		-		-
Profit and loss account			5,407		5,453
Shareholder's funds			<u>5,407</u>		<u>5,453</u>

These financial statements were approved by the Board on 29 July 2021 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 2019	-	5,180	5,180
Opening balance sheet adjustment due to IFRS 16 implementation	-	(4)	(4)
Total comprehensive income for the year			
Profit for the year	-	277	277
Balance at 31 December 2019	-	5,453	5,453
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	-	5,407	5,407

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.

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 is a cross guarantor for the Richmond UK Holdco Limited group's (the 'Group') banking facility and cash flow is managed on a Group basis. As such the going concern status of the Company is reliant on both the going concern status of the Group and the continued support of Richmond UK Holdco Limited ("the Parent"). 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 and the Group Board has committed to doing so.

The Group's business activities and the factors likely to affect its future development, performance and position are set out in the strategic report. The Group is subject to a number of principal risks and uncertainties which arise as a result of the current economic environment. In determining that the Group is a going concern these risks, which are described in the Principal Risks and Uncertainties section, have been considered by the directors.

The Group has no requirements until 3 March 2024 to make any repayment on either the £538.5m first lien loan facility or on the £150.0m second lien facility except for payments of excess cash flow to the first lien facility providers. There is a £100.0m revolving credit facility available up to March 2023, of which £90.0m was utilised at the reporting date. The Group also had £144.6m of cash at the reporting date which provides sufficient cash resources to meet the working capital requirements of the business going forward.

The Group recovered strongly from both lockdowns in 2020 and 2021. At the date of approval of these financial statements, holiday bookings are ahead of budget, with a materially higher percentage of full-year budget booked than typically seen by July. Holiday home sales completions also saw an immediate surge on parks re-opening in April and continue to trade at above expected budget levels.

The Group continues to receive support from its lenders who agreed to waive and amend its financial covenant to reflect trading challenges brought on by the pandemic. The Group's leverage-based covenant through to September 2021 were waived and replaced with a revised monthly financial covenant that is based on a minimum liquidity level up to and including the quarter ending 30 September 2021, reverting to the leverage based financial covenant for the quarter ending 31 December 2021 and thereafter.

The directors have prepared Group cash flow forecasts for the period to 30 September 2022, incorporating management's latest assumptions on trading performance and capital expenditure, the latest UK Government announcements on COVID-19 restrictions and taking account of the revised banking covenant arrangements. A severe but plausible sensitivity, based on the latest available information, has also been performed, assuming a one-month extension to all lockdown restrictions against the roadmap set out by the UK Government, with a further two-month UK lockdown across December 2021 and January 2022. In this severe but plausible scenario, forecasts show the Group is able to operate within its working capital facilities and banking covenants throughout the review period. In this severe but plausible scenario, the Q4 2021 covenant test shows the lowest headroom during the forecast period. However, the Group is already trading ahead of that scenario following the re-opening of parks on 12 April. A worse outcome could occur due to the uncertainty around COVID-19, such as a new variant or ineffectiveness of vaccination, which could impact on the Group's financial covenant. However, management don't believe these to be plausible scenarios at the current stage and as such have not modelled them.

With the exception of any potential repayment of the £25.0m loan from the Company's shareholder as described in note 8 of the Group financial statements (should the necessary and relevant conditions be satisfied and management are comfortable with the Group's liquidity position), the forecasts assume no distributions or repayments of loans or accrued interest are made to the Company's parent undertaking or the ultimate controlling party in the forecast period. In the event that the terms of the Group's senior facilities agreement allow for any payments, the amounts involved would not materially impact management's going concern assessment.

Notes (continued)

1. Accounting policies (continued)

1.3 Going Concern (continued)

After considering the above issues in detail, the directors are confident that the Group will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and will be able to continue to provide the support and facilities required by the Company. The directors of the Company have therefore prepared the financial statements on a going concern basis.

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. 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.

1.11 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.

Notes (continued)

1. Accounting policies (continued)

1.12 Revenue (continued)

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.

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.

Notes (continued)

1.16 Government grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and the Group will comply with the attached conditions. Government grants are deferred and recognised in the statement of profit and loss over the period necessary to match them with the costs that they are intended to compensate. The Group and Company received UK government grants and assistance in relation to the Coronavirus Job Retention Scheme and the Eat Out to Help Out scheme. There are no unfulfilled contingencies attaching to the government assistance that has been recognised. Amounts recognised in the profit and loss are presented under the heading 'Other operating income'.

2. Revenue

	2020 £000	2019 £000
Revenue from UK holiday parks	<u>5,094</u>	<u>7,784</u>
Reconciliation of revenue		
Revenue excluding COVID-19 pitch fee refund	5,202	7,784
COVID-19 pitch fee refund (note 4)	<u>(108)</u>	<u>-</u>
	<u>5,094</u>	<u>7,784</u>
Timing of revenue recognition		
Products transferred at a point in time	2,616	4,665
Products and services transferred over time	<u>2,478</u>	<u>3,119</u>
	<u>5,094</u>	<u>7,784</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 is an exceptional reduction in revenue of £108,000 relating to the pitch fee refund granted due to park closure (2019: £nil). 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

	2020 £000	2019 £000
Government grants	<u>279</u>	<u>-</u>

Amounts in other operating income relate to government grant income claimed by the Group as part of the Coronavirus Job Retention Scheme of £249,000 (2019: £nil) and the Eat Out to Help Out scheme of £30,000 (2019: £nil).

Notes (continued)

4. Exceptional items

Included in the profit and loss account are the following:

	2020 £000	2019 £000
<i>COVID-19 costs:</i>		
Stock write-offs	26	-
Total exceptional items included in administrative expenses	<u>26</u>	<u>-</u>
Exceptional reduction in revenue	108	-
Total exceptional items included in revenue	<u>108</u>	<u>-</u>

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

Part of the package of support offered to holiday home owners, resulted in recognising an exceptional reduction in revenue of £108,000 (2019: £nil). 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.

5. Expenses and auditor's remuneration

Included in the profit and loss account are the following:

	2020 £000	2019 £000
Depreciation of property, plant and equipment	681	892
Depreciation of right-of-use assets	198	164
Loss on disposal of property, plant and equipment	4	3
Operating lease rentals relating to short term leases and low value assets (note 11)	<u>2</u>	<u>5</u>

Auditor's remuneration:

	2020 £000	2019 £000
Audit of these financial statements	<u>4</u>	<u>4</u>

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:

	2020 Number	2019 Number
Established	27	23
Seasonal	68	63
	<u>95</u>	<u>86</u>

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	1,558	1,664
Social security costs	73	92
Contributions to defined contribution plans (note 18)	19	20
	<u>1,650</u>	<u>1,776</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

	2020 £000	2019 £000
Finance charges payable in respect of Group lease liabilities	18	15
Finance charges payable in respect of third-party lease liabilities	7	8
	<u>25</u>	<u>23</u>

Notes (continued)

9. Tax

Recognised in the profit and loss account

	2020 £000	2019 £000
Current tax		
Current tax expense	-	-
Deferred tax		
Origination and reversal of temporary differences	(58)	(41)
Effect of changes in tax rates	27	4
Adjustments in respect of prior periods	34	27
Deferred tax expense/(credit) (note 17)	3	(10)
Total tax expense/(credit)	3	(10)

Reconciliation of effective tax rate

	2020 £000	2019 £000
(Loss)/profit for the year	(45)	277
Total tax expense/(credit)	3	(10)
(Loss)/profit excluding tax	(42)	267
Effects of:		
Tax using the UK corporation tax rate of 19% (2019: 19%)	(8)	51
Non-deductible expenses	-	15
Non-taxable income	(3)	-
Transfer pricing adjustment	2	2
Adjustments to deferred tax charge in respect of previous periods	34	27
Effect of changes in tax rates	27	4
Group relief claimed	(49)	(110)
IFRS 16 transitional adjustment	-	1
Total tax expense/(credit)	3	(10)

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. The deferred tax assets and liabilities provided for as at 31 December 2020 have been calculated at 19% (2019: 17%).

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 2020	3,083	8,187	2,022	13,292
Transferred from right-of-use assets ⁽¹⁾	-	220	9	229
Additions	-	482	79	561
Transfers from other Group undertakings	-	62	-	62
Disposals	-	(206)	-	(206)
At 31 December 2020	3,083	8,745	2,110	13,938
Depreciation				
At 1 January 2020	695	5,132	1,767	7,594
Transferred from right-of-use assets ⁽¹⁾	-	127	9	136
Charge for the year	56	504	121	681
Transfers from other Group undertakings	-	59	-	59
Disposals	-	(181)	-	(181)
At 31 December 2020	751	5,641	1,897	8,289
Net book value				
At 31 December 2020	2,332	3,104	213	5,649
At 31 December 2019	2,388	3,055	255	5,698

At 31 December 2020 the value of assets under construction was £50,000 (2019: £38,000) 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 2020	-	1,087	80	1,167
Additions	-	354	-	354
Transferred to property, plant and equipment ⁽¹⁾	-	(220)	(9)	(229)
Disposals	-	(58)	-	(58)
Re-measurement	-	13	-	13
Balance at 31 December 2020	-	1,176	71	1,247
Depreciation				
Balance at 1 January 2020	-	307	29	336
Depreciation charge for the year	-	188	10	198
Transferred to property, plant and equipment ⁽¹⁾	-	(127)	(9)	(136)
Disposals	-	(58)	-	(58)
Balance at 31 December 2020	-	310	30	340
Net book value				
At 31 December 2020	-	866	41	907
At 1 January 2020	-	780	51	831

⁽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 Southernness Holiday Village Limited is a lessee:

	2020 £000	2019 £000
Leases under IFRS 16		
Depreciation charge of right-of-use assets	198	164
Interest on lease liabilities	25	23
Expenses relating to short-term leases (included in administrative expenses)	1	1
Expenses relating to low-value assets that are not short-term leases (included in administrative expenses)	1	4

Notes (continued)

12. Stocks

	2020 £000	2019 £000
Caravan, lodge and chalet holiday home stock	720	668
Other stock	30	44
	<u>750</u>	<u>712</u>

The write-down of stocks to net realisable value amounted to £96,000 (2019: £33,000), which was included in cost of sales. The total amount of stocks included in cost of sales is £1,312,000 (2019: £2,300,000). The write-off of perishable stock as a result of park closures in the year amounted to £26,000 (2019: £nil).

13. Debtors

	2020 £000	2019 £000
Trade debtors	720	661
Amounts owed by Group undertakings	4,530	4,927
Other debtors	9	16
Prepayments and accrued income	31	222
	<u>5,290</u>	<u>5,826</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

	2020 £000	2019 £000
Trade creditors	155	116
Obligations under Group lease liabilities (note 16)	194	229
Obligations under third-party lease liabilities (note 16)	27	31
Amounts owed to Group undertakings	4,472	4,549
Other tax and social security	36	216
Other creditors	63	159
Accruals	60	155
Contract liabilities	1,016	1,158
	<u>6,023</u>	<u>6,613</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

	2020 £000	2019 £000
Obligations under Group lease liabilities (note 16)	921	761
Obligations under third-party lease liabilities (note 16)	41	65
	<u>962</u>	<u>826</u>

16. Reconciliation of liabilities arising from financing activities

	2020 £000	2019 £000
At 1 January	1,086	1,033
Discounted operating lease commitment as at 1 January	-	84
Restated opening balance at 1 January	1,086	1,117
Cash flows	(295)	(432)
Lease additions	354	379
Lease disposals	-	(1)
Interest payable	25	23
Re-measurement	13	-
At 31 December	<u>1,183</u>	<u>1,086</u>

17. Deferred tax

Recognised deferred tax liabilities

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

	2020 £000	2019 £000
Property, plant and equipment	204	201
Right-of-use assets – IFRS 16 transition	-	(1)
Deferred tax liabilities	<u>204</u>	<u>200</u>

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £64,000.

Notes (continued)

17. Deferred tax (continued)

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

Movement in deferred tax liabilities during the prior year

	1 January 2019 £000	Recognised in profit or loss £000	IFRS 16 transitional adjustment in equity £000	31 December 2019 £000
Property, plant and equipment	211	(10)	-	201
Right-of-use assets – IFRS 16 transition	-	-	(1)	(1)
	<u>211</u>	<u>(10)</u>	<u>(1)</u>	<u>200</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 £19,000 (2019: £20,000).

19. Share capital

	2020 £	2019 £
<i>Allotted, called up and fully paid</i>		
100 (2019: 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 2020 the Company had capital commitments to purchase property, plant and equipment for which no provision had been made at the balance sheet date of £239,000 (2019: £396,000).

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 £778,500,000 (2019: £688,500,000). 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

On 4 January 2021 the UK government and devolved governments announced a UK-wide national lockdown. On 12 April, following the relaxation of restrictions across England and Wales, the Group re-opened parks in those regions, and parks in Scotland followed on 26 April. The period of closure largely fell within the normal winter closure period for most parks. However, the delayed re-opening did result in the loss of the Easter trading period and, for a smaller number of parks which would usually be open, the February half-term holidays. Ongoing hospitality restrictions which limited group numbers indoors and social distancing requirements were lifted on 19 July, a delay from the original date of 21 June. The Group has been flexible throughout the return of trading and staged lifting of restrictions, allowing for an overall smooth and successful re-opening and allowing the Group to maximise the opportunities available under a range of COVID restrictions. The Group is confident in the outlook for the peak summer trading period for the Group due to the current levels of advanced bookings and pipeline for holiday home sales.

Notes *(continued)*

25. Contingent asset

The Group has an ongoing claim on its business interruption insurance policy for losses incurred as a result of the lockdown caused by the coronavirus pandemic during 2020. On 4 March 2021, the Group received an interim payment of £35.0m from its insurers. Discussion with the Group's insurers continues to reach a final settlement for the balance of the claim.

At the year end, discussions with the Group's insurer were ongoing and the directors' deemed receipt of the monies claimed probable but not yet certain due to the ongoing legal action. Therefore it did not meet the threshold to recognise any of the claim amount in the 2020 financial statements.