

Upperbay Limited

Annual report and financial statements

Registered number 03817280

31 December 2019



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Strategic report

The directors present their strategic report for the year ended 31 December 2019.

Principal activity

The principal activity of Upperbay Limited (the 'Company') is the operation and management of a holiday park in South Wales. 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 turnover of £32,039,000 (2018: £30,434,000), earnings before interest, tax, depreciation, amortisation and exceptional items ('EBITDA') of £4,692,000 (2018: £4,269,000) and a profit after tax of £3,034,000 (2018: £3,112,000). The Company had net assets of £56,753,000 as at 31 December 2019 (2018: £53,736,000).

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 Richmond UK Holdco Limited.

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.

In addition to those risks and uncertainties disclosed in the signed Group financial statements, the Group has highlighted an epidemic/global pandemic risk, identified after the signing of the Group financial statements, in relation to recent events.

Economic and market risks

- **Brexit**

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

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

- **Competition and customer expectation**

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

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

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.

Personal impact plans supported by periodic reviews are in place for all the Group's people. 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 a comprehensive health and safety audit on an annual basis. The Group has now established a separate Board committee for health, safety, and security which is chaired by Simon Perry, one of the Group's 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. In addition, the business continuity planning for its central support offices has been reviewed and enhancements are in progress.

- Technology and cyber security

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

The Group's critical IT infrastructure is held in Tier one data centres, with live replication. All critical network lines have back-up paths in place. The Group regularly upgrades hardware and software to improve network and application performance. The Group has committed to an 18 month investment in information security to deliver ISO27001 compliance by early 2021. The Group is also investing heavily in enhancing the IT platform and improving and integrating systems. The Group performs regular risk reviews and tests for network performance and has increased both data and cyber security for internal purposes and as required under the Payment Card Industry Data Security Standards

- Regulatory compliance

The Group is subject to regulation across a number of areas including credit broking and the sale of insurance under FCA authorisations, gaming activities pursuant to an operating licence issued by the Gambling Commission and holding and processing personal information under the Data Protection Act 2018 and associated regulations. There is an increasing compliance burden around payroll compliance including the Working Time Directive, 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*)

Financial risks

- Supply chain

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

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

- Liquidity

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

The Group has no requirements until 3 March 2024 to make any repayment on either the £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. Current forecasts and projections, taking into account reasonable changes in trading performance, are reviewed regularly to ensure that the Group is able to operate within its working capital facilities and banking covenants for the foreseeable future.

- Credit

The Group's operations mean that there is a relatively low credit risk. The vast majority of holidays cannot be taken and holiday homes are not released, until payment is received in full. Annual pitch licence fees are paid in advance by holiday home owners or via an agreed direct debit payment plan. Almost all of on-park spend 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 which 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 Group has hedged £500.0m of debt with interest rate swaps that run to May 2021. This provides coverage on 73% of the floating rate debt held by the Group.

Strategic report *(continued)*

Additional epidemic/global pandemic risk

- Future lockdowns

As demonstrated in 2020, there is a risk that an epidemic or global pandemic can impact the travel and leisure industry, with the possibility of full park closure.

Although we cannot control the risk, we have shown that holiday parks can provide a safe, clean environment and our caravans and lodges offer a naturally social distanced experience. Should a similar situation arise in the future we would again take an active stance in promoting the inherent social distancing on the holiday parks and ensuring safety measures are in place on park, campaigning to ensure our parks could re-open as early as possible, in a safe way and following government guidelines and regulations closely to ensure full adherence for customer and team members' safety.

Through experience, we are able to adequately plan for closure, minimising costs while being able to work remotely if required, utilising the business continuity plan, ensuring customers are at the forefront of decision making, and managing and maintaining available liquidity. The Group's normal trading cycle includes the requirement to close and re-open parks at the end and beginning of the holiday seasons, so we have operational plans in place to conduct this in an orderly and efficient manner.

- COVID outbreak on park

There is a risk that a COVID-19 or other outbreak could take place on our parks, which would lead to financial impact due to closure and could cause reputational damage.

The Group has implemented all measures required to meet government guidelines to provide a safe holiday for customers and working environment for employees. This includes social distancing measures, deep cleans, PPE for employees, a contactless check-in and check-out system, as well as track and trace methodology on park.

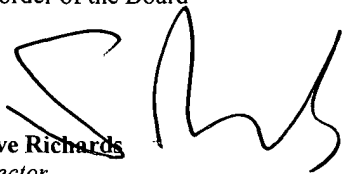
Key performance indicators

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

Future developments

On 24 March 2020 all of the Group's holiday parks were closed as a result of the Government and devolved Governments ordered lockdown and remained closed until the re-opening of the parks in England on 6 July 2020 followed by re-opening of parks in Wales and Scotland. Following park re-opening, the Group has recovered with strength, showing a promising future bookings position and cash holding at the date of signing these financial statements. Looking ahead, there remains uncertainty regarding the ongoing impact of COVID-19, the wider economic repercussions and the potential for further lockdown measures. Despite the huge challenges faced, particularly in the travel and hospitality sectors, as a UK short stay holiday operator the Group is well-placed to benefit from the reluctance people may have to travel overseas at the moment.

By order of the Board


Steve Richards
Director

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

23 December 2020

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Proposed dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019 (2018: *£nil*).

Directors

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

Ian Kellett	
John Waterworth	Resigned 31 March 2019
Steve Richards	Appointed 24 May 2019

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 (2018: *£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 have formally adopted the Wates Principles as their Corporate Governance Code in the year. In line with adherence to s172(2) of Companies Act 2006, the Group have continued to actively engage with employees and consider their interests in the year, have 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.

Going concern and the impact of COVID-19 on the business

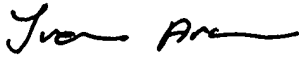
The COVID-19 global pandemic is a non-adjusting post balance sheet event. The financial impact on the Group and future expectations of the market and associated risks and opportunities are discussed within the strategic report under future developments. The Directors are satisfied at the date of signing that the company is a going concern and further details are provided in the going concern note on page 14.

Director's report *(continued)*

Auditor

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

By order of the Board



Judith Archibold
Secretary

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

23 December 2020

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 he 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 Upperbay Limited

Opinion

We have audited the financial statements of Upperbay Limited ("the company") for the year ended 31 December 2019 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 2019 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").

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

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

Strategic report and directors' report

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

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

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

Independent auditor's report to the members of Upperbay Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

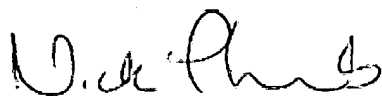
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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



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

23 December 2020

Profit and loss account and other comprehensive income
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	3	32,039	30,434
Cost of sales		(8,743)	(8,003)
Gross profit		23,296	22,431
Administrative expenses		(19,858)	(19,247)
Operating profit	4	3,438	3,184
<i>Analysed as:</i>			
EBITDA*		4,692	4,269
Depreciation	4	(1,254)	(1,085)
Operating profit		3,438	3,184
Interest payable and similar charges	7	(74)	(77)
Profit before tax		3,364	3,107
Tax (expense)/credit	8	(330)	5
Profit for the financial year		3,034	3,112

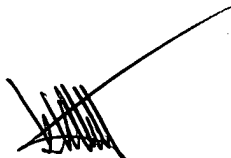
*EBITDA refers to earnings before interest, tax, depreciation, amortisation, impairment and exceptional items.

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

Balance sheet
at 31 December 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Property, plant and equipment	9		2,275		4,374
Right-of-use assets	10		2,172		-
Investments	11		12,214		12,214
Deferred tax asset	17		-		192
			<u>16,661</u>		<u>16,780</u>
Current assets					
Stocks	12	1,259		1,465	
Debtors	13	77,868		69,032	
Cash		52		92	
		<u>79,179</u>		<u>70,589</u>	
Creditors: amounts falling due within one year	14	(36,299)		(31,246)	
Net current assets			<u>42,880</u>		<u>39,343</u>
Total assets less current liabilities			<u>59,541</u>		<u>56,123</u>
Creditors: amounts falling due after more than one year	15		(2,654)		(2,387)
Provision for liabilities					
Deferred tax liabilities	17		(134)		-
Net assets			<u><u>56,753</u></u>		<u><u>53,736</u></u>
Capital and reserves					
Called up share capital	19		1,226		1,226
Share premium account			11,988		11,988
Profit and loss account			43,539		40,522
Shareholder's funds			<u><u>56,753</u></u>		<u><u>53,736</u></u>

These financial statements were approved by the Board on ~~23 December 2020~~ and were signed on its behalf by:



Ian Kellett
Director

Company registered number: 03817280

Statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	1,226	11,988	37,410	50,624
Total comprehensive income for the year				
Profit for the year	-	-	3,112	3,112
Balance at 31 December 2018	<u>1,226</u>	<u>11,988</u>	<u>40,522</u>	<u>53,736</u>
Balance at 1 January 2019	1,226	11,988	40,522	53,736
Opening balance sheet adjustment due to IFRS 16 implementation (note 2)	-	-	(17)	(17)
Total comprehensive income for the year				
Profit for the year	-	-	3,034	3,034
Balance at 31 December 2019	<u>1,226</u>	<u>11,988</u>	<u>43,539</u>	<u>56,753</u>

Notes

(forming part of the financial statements)

1. Accounting policies

Upperbay Limited (the 'Company') is a private company registered in England and Wales and domiciled in the UK. The registered number is 03817280 and the registered office is 2nd Floor, One Gosforth Park Way, Gosforth Business Park, Newcastle upon Tyne NE12 8ET.

1.1 Basis of preparation

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

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

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

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

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

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

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

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

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

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

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 Group's 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").

As explained in the strategic report on page 4 the Group has recovered strongly from the lockdown, cash at the end of November 2020 was £71.0m and bookings for 2021 indicate that trading will continue to be strong when parks re-open. The Group's bankers have revised the Group financial covenant such that it is based on minimum liquidity levels up to and including the quarter ended 30 September 2021, reverting to a financial covenant based on a rolling 12-month trading performance from the quarter ending 31 December 2021. The Group has also benefited from a £25.0m investment from the Group's principal shareholder subsequent to the year end. The directors have prepared Group cash flow forecasts for a period of 15 months to 31 March 2022, incorporating management's latest assumptions on trading performance and capital expenditure, and taking account of the revised banking covenant arrangements. These forecasts indicate that the Group will be able to operate within its banking facilities and accordingly the directors have prepared the financial statements on the going concern basis

The Group has sensitised the forecasts to take account of the continued uncertainty in respect of COVID-19 and has modelled a full UK lockdown lasting 4 weeks within the period ending 31 March 2021. In this severe but plausible scenario the cash flow forecasts indicate that the Group would still have sufficient liquidity to meet its liabilities as they fall due for that period and the Group would also have sufficient headroom on its banking covenants.

In addition the Parent has indicated that it will provide such support as is needed by the Company to meet its debts as they fall due for a period of at least 12 months from the date of approval of these financial statements. Having made enquiries of the directors of the Parent and assessed the financial position of the Parent, the directors are satisfied the Parent has the ability, intent and economic rationale to continue to support the Company. 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.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have 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.

Notes (continued)

1. Accounting policies (continued)

1.5 Non-derivative financial instruments

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

Investments in equity and debt securities

Investments in subsidiaries are carried at cost less impairment.

Trade and other debtors

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest bearing borrowings

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

Trade and other creditors

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

1.6 Intra-group financial instruments

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

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

As of 1 January 2019 the Group adopted IFRS 16 *Leases* and as a result of the transition, any leases previously recognised within property, plant and equipment are now described as right-of-use assets. Further information on IFRS 16 *Leases* is disclosed in note 2.

Depreciation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. The estimated useful lives are as follows:

Leasehold land	Unexpired lease period
Leasehold buildings	Shorter of the unexpired period of the lease or 50 years
Plant and equipment	3-20 years
Fixtures and fittings	4-15 years

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

1.8 Right-of-use assets

As of 1 January 2019 the Group adopted IFRS 16 *Leases* and as a result of the transition, any leases previously recognised within property, plant and equipment are now described as right-of-use assets. Further information on IFRS 16 *Leases* is disclosed in note 2.

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	Shorter of their estimated useful lives or the lease term
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Notes (continued)

1. Accounting policies (continued)

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.

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.

Notes (continued)

1. Accounting policies (continued)

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 Turnover

Turnover 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 turnover 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 turnover 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 turnover 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. Turnover 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

Following the adoption of IFRS 16 *Leases* from 1 January 2019, almost all leases where the Group is the lessee are recognised in the balance sheet, with the exception of short-term leases, low-value leases and leases of intangible assets. These leases 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.

Finance expenses

Finance expenses comprise interest payable, finance charges on shares classified as liabilities and leases under IFRS 16 *Leases* (see note 2) 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. Finance income comprises interest receivable on funds invested and dividend income.

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

Notes (continued)

1. Accounting policies (continued)

1.13 Expenses (continued)

Other interest receivable and interest payable

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

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.

2. Changes in significant accounting policies

Leases

IFRS 16 *Leases* became effective from 1 January 2019 and replaced IAS 17 *Leases* and related interpretations. It results in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, right-of-use asset and financial liabilities for future lease payments have been recognised. The only exceptions are short-term leases and low-value leases.

The Company has applied the modified retrospective transition approach and has not restated comparative amounts for the year ended 31 December 2018. For all leases the Group has elected to measure the right-of-use asset as if IFRS 16 *Leases* had been applied since the start of the lease, but using the incremental borrowing rate at 1 January 2019, with the difference between the right-of-use asset and the lease liability taken to retained losses.

The Company has elected to adopt the following practical expedients on transition:

- not to capitalise a right-of-use lease asset or related lease liability where the lease expires before 31 December 2019 (unless the lease contains a purchase option within that period);
- not to reassess contracts to determine if the contract contains a lease and not to separate lease and non-lease elements;
- not to capitalise a right-of-use lease asset or related lease liability where the value of the asset when new is considered low; and
- to apply the portfolio approach where a group of leases has similar characteristics.

Notes (continued)

2. Changes in significant accounting policies (continued)

Leases (continued)

Balance sheet impact on adoption

Upon transition on 1 January 2019, The Company recognised right-of-use lease assets of £2,052,000 and lease liabilities of £3,578,000, of which £969,000 was current and £2,609,000 was non-current, along with a deferred tax asset of £4,000. A transition adjustment of £17,000 was recognised as a reduction in retained earnings. The Company has not capitalised low-value leases on transition, or those which expire before 31 December 2019, and has opted not to apply IFRS 16 *Leases* to leases relating to intangible assets. The right-of-use lease asset principally consists of property and vehicle leases. The weighted average incremental borrowing rate applied to lease liabilities was 7.51%.

	£000
Operating lease commitment at 31 December 2018 as disclosed in the Group's financial statements	1,009
Effects of discounting using the incremental borrowing rate at 1 January 2019	(687)
Operating lease commitment discounted using the incremental borrowing rate at 1 January 2019	322
Recognition exemption for:	
Short term leases and long term leases expiring before 31 December 2019	(13)
Leases of low value but not short term assets	(6)
Lease liabilities recognised at 1 January in respect of previous operating leases	303
Finance lease liabilities recognised as at 31 December 2018	3,275
Lease liabilities recognised at 1 January 2019	3,578

Sensitivity analysis

For the lease liabilities under IFRS 16 *Leases* as at 1 January 2019, a 100 basis point increase in the incremental borrowing rate would decrease lease liabilities by £1,000. If the incremental borrowing rate decreased by 100 basis points, lease liabilities would increase by £1,000.

Notes (continued)

2. Changes in significant accounting policies (continued)

Leases (continued)

The following amounts were reclassified on transition:

	Amounts without adoption of IFRS 16 £m	Adjustments £m	As reported £m
Property, plant and equipment			
Plant and equipment	3,469	(1,937)	1,532
Fixtures and fittings	905	(137)	768
Right-of-use assets	-	2,339	2,339
Trade and other receivables			
Prepayments and accrued income	586	17	603
Trade and other payables			
Lease liabilities	(3,275)	(303)	(3,578)
Deferred tax assets	192	4	196
Retained earnings	<u>40,522</u>	<u>(17)</u>	<u>40,505</u>

As a result of the transition to IFRS 16 amounts which were previously described as property, plant & equipment in the financial statements are now described as right-of-use assets. There has been no change in the nature of these amounts. Property, plant and equipment balances represent the carrying value of such items falling under the ground rent sale and leaseback transactions. The remaining £281k of right-of-use asset on transition were created from recognising leases on the balance sheet which had been previously accounted for as operating leases, and from adjusting the ground rent liability to comply with IFRS 16 *Leases*.

Lessee accounting

Previously, under IAS 17 Leases, the Company held leases which were classified as operating leases and payments made (net of any incentives received from the lessor) were charged to the profit and loss account on a straight-line basis over the lease term.

From 1 January 2019, leases are recognised as right-of-use assets and corresponding lease liabilities at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between repayment of the lease liability and finance cost. The finance cost is charged to the profit and loss account over the lease term to produce a constant periodic rate of interest on the outstanding lease liability balance. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

A lease liability is initially measured as the present value of future lease payments, discounted using the interest rate implicit in the lease. Where this rate is not determinable, the Company's incremental borrowing rate is used, which is the interest rate the Company would have to pay to borrow the amount necessary to obtain an asset of similar value, in a similar economic environment with similar terms and conditions.

A right-of-use asset is initially measured at cost, comprising the initial value of the lease liability, any lease payments made (net of any incentives received from the lessor) before the commencement of the lease, any initial direct costs and any restoration costs.

Payments in respect of short-term leases, low-value assets and leases of intangible assets continue to be charged to the profit and loss account on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mostly IT-equipment, storage units and hand-held radios.

Notes (continued)

3. Turnover

	2019 £000	2018 £000
Turnover from UK holiday parks	<u>32,039</u>	<u>30,434</u>
Timing of turnover recognition		
Products transferred at a point in time	17,041	15,993
Products and services transferred over time	<u>14,998</u>	<u>14,441</u>
	<u>32,039</u>	<u>30,434</u>

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

Holiday sales turnover 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.

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

4. Expenses and auditor's remuneration

Included in the profit and loss account are the following:

	2019 £000	2018 £000
Depreciation of property, plant and equipment:- owned assets	692	869
Deoreciation of property, plant and equipment:- leased assets	-	216
Depreciation of right-of-use assets	562	-
Loss on disposal of property, plant and equipment	<u>3</u>	<u>-</u>

Auditor's remuneration:

	2019 £000	2018 £000
Audit of these financial statements	<u>25</u>	<u>20</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)

5. Employee disclosure

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

	2019 Number	2018 Number
Established	96	85
Seasonal	225	228
	<u>321</u>	<u>313</u>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	6,328	5,916
Social security costs	298	282
Contributions to defined contribution plans (note 18)	80	62
	<u>6,706</u>	<u>6,260</u>

6. Directors' remuneration

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

7. Interest payable and similar charges

	2019 £000	2018 £000
Finance charges payable in respect of Group lease liabilities (2018: <i>finance leases</i>)	46	77
Finance charges payable in respect of third-party lease liabilities (2018: <i>finance leases</i>)	28	-
	<u>74</u>	<u>77</u>

Notes (continued)

8. Tax

Recognised in the profit and loss account

	2019 £000	2018 £000
Current tax		
Current tax expense	-	-
Deferred tax		
Origination and reversal of temporary differences	18	(3)
Adjustments in respect of prior periods	314	(2)
Reduction in tax rate	(2)	-
Deferred tax expense/(credit) (note 17)	330	(5)
Total tax expense/(credit)	330	(5)

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit for the year	3,034	3,112
Total tax expense/(credit)	330	(5)
Profit excluding tax	3,364	3,107
Effects of:		
Tax using the UK corporation tax rate of 19% (2018: 19%)	633	590
Adjust closing and opening deferred tax to average rate	(2)	-
Transfer pricing adjustments	453	469
Group relief claimed	(1,072)	(1,062)
Adjustments to deferred tax charge in respect of previous periods	314	(2)
IFRS 16 transitional adjustment	4	-
Total tax expense/(credit)	330	(5)

Factors affecting current and future tax charges

A reduction in the UK corporation tax rate from 19% to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015 and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This was expected to reduce the Company's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2019 have been calculated based on these rates as they remain in force at the balance sheet date. However, it was announced in the Budget on 11 March 2020 that the reduction to 17% will not in fact occur on 1 April 2020 and that the UK corporation tax rate will remain at the rate of 19% but as legislation to enact that change has not yet been presented to Parliament or substantively enacted, no amendment to the rate at which deferred tax is recognised has been made.

Notes (continued)

9. Property, plant and equipment

	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost			
At 1 January 2019	10,580	3,896	14,476
Transfers to right-of-use assets	(3,339)	(225)	(3,564)
Transfers from right-of-use assets ⁽¹⁾	862	15	877
Additions	351	58	409
Disposals	(400)	-	(400)
At 31 December 2019	8,054	3,744	11,798
Depreciation			
At 1 January 2019	7,111	2,991	10,102
Transfers to right-of-use assets	(1,402)	(88)	(1,490)
Transfers from right-of-use assets ⁽¹⁾	852	12	864
Charge for the year	577	115	692
Disposals	(357)	-	(357)
At 31 December 2019	6,781	3,030	9,811
Net book value			
At 31 December 2019	1,273	714	1,987
At 1 January 2019	3,469	905	4,374

At 31 December 2019 the value of assets under construction was £132,000 (2018: £149,000) 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)

10. Right-of-use assets

	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost			
Balance at 1 January 2019	290	-	290
Transferred from property, plant and equipment	3,339	225	3,564
Additions	671	-	671
Transferred to property, plant and equipment ⁽¹⁾	(862)	(15)	(877)
Disposals	(3)	-	(3)
Balance at 31 December 2019	3,435	210	3,645
Depreciation			
Balance at 1 January 2019	-	-	-
Transferred from property, plant and equipment	1,402	88	1,490
Depreciation charge for the year	520	42	562
Transferred to property, plant and equipment ⁽¹⁾	(852)	(12)	(864)
Disposals	(3)	-	(3)
Balance at 31 December 2019	1,067	118	1,185
Net book value			
At 31 December 2019	2,368	92	2,460
At 1 January 2019	290	-	290

⁽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 Upperbay Limited is a lessee:

	2019 £000
Leases under IFRS 16	
Depreciation charge of right-of-use assets	562
Interest on lease liabilities	74
Expenses relating to short-term leases (included in administrative expenses)	10
Expenses relating to low-value assets that are not short-term leases (included in administrative expenses)	14
	<u>2018</u> <u>£000</u>
Operating leases under IAS 17	
Interest on finance lease liabilities	77
Lease expense (included in administrative expenses)	147

Notes (continued)

11. Investments

	2019 £000	2018 £000
Cost and net book value at 1 January and 31 December	<u>12,214</u>	<u>12,214</u>

The Company has the following investment in subsidiaries:

	Class of shares held	Ownership 2019	Ownership 2018
Premier Dawn Properties Limited	Ordinary	100%	100%
The registered office of the subsidiary undertaking disclosed above is 2 nd Floor, One Gosforth Park Way, Gosforth Business Park, Newcastle upon Tyne, NE12 8ET.			

12. Stocks

	2019 £000	2018 £000
Caravan, lodge and chalet holiday home stock	1,165	1,353
Other stock	94	112
	<u>1,259</u>	<u>1,465</u>

The write-down of stocks to net realisable value amounted to £238,000 (2018: £231,000), which was included in cost of sales. The total amount of stocks included in cost of sales is £6,854,000 (2018: £6,295,000).

13. Debtors

	2019 £000	2018 £000
Trade debtors	2,619	2,617
Amounts owed by Group undertakings	74,613	65,829
Other debtors	4	-
Prepayments and accrued income	632	586
	<u>77,868</u>	<u>69,032</u>

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

Notes (continued)

14. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	402	444
Obligations under Group lease liabilities (2018: <i>finance leases</i>) (note 16)	813	888
Obligations under third-party lease liabilities (2018: <i>finance leases</i>) (note 16)	95	-
Amounts owed to Group undertakings	27,088	22,691
Other tax and social security	1,069	1,068
Other creditors	1,026	69
Accruals and deferred income	398	888
Contract liabilities	5,408	5,198
	<u>36,299</u>	<u>31,246</u>

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

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

	2019 £000	2018 £000
Obligations under Group lease liabilities (2018: <i>finance leases</i>) (note 16)	2,466	2,387
Obligations under third-party lease liabilities (2018: <i>finance leases</i>) (note 16)	188	-
	<u>2,654</u>	<u>2,387</u>

16. Reconciliation of liabilities arising from financing activities

	Lease liabilities 2019 £000
At 1 January	3,275
Discounted operating lease commitment as at 1 January	303
Restated opening balance at 1 January	<u>3,578</u>
Cash flows	(1,049)
Lease additions	959
Interest payable	74
At 31 December	<u>3,562</u>

Notes (continued)

17. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2019 £000	2018 £000
Property, plant and equipment	138	(192)
Right-of-use assets – IFRS 16 transition	(4)	-
Deferred tax (assets)/liabilities	<u>134</u>	<u>(192)</u>

Movement in deferred tax during the current 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	(192)	330	-	138
Right-of-use assets	-	-	(4)	(4)
Deferred tax (assets)/liabilities	<u>(192)</u>	<u>330</u>	<u>(4)</u>	<u>134</u>

Movement in deferred tax during the prior year

	1 January 2018 £000	Recognised in profit or loss £000	31 December 2018 £000
Property, plant and equipment	(187)	(5)	(192)
Deferred tax (assets)/liabilities	<u>(187)</u>	<u>(5)</u>	<u>(192)</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 £80,000 (2018: £62,000).

Notes (continued)

19. Share capital

	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>		
1,226,186 (2018: 1,226,186) Ordinary shares of £1 each	<u>1,226</u>	<u>1,226</u>
Shares classified in shareholder's funds	<u>1,226</u>	<u>1,226</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 2019 the Company had capital commitments to purchase property, plant and equipment for which no provision had been made at the balance sheet date of £1,130,000 (2018: £809,000).

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 (2018: £708,500,000). 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 these financial statements are available at 2nd Floor, One Gosforth Park Way, Gosforth Business Park, Newcastle upon Tyne, NE12 8ET.

The smallest group the Company's balances are consolidated in is Richmond UK Holdco Limited, and these financial statements 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.

Notes (continued)

23. Accounting estimates and judgements (continued)

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 24 March 2020 all of the Group's parks were closed as a result of the Government and devolved Governments ordered lockdown and remained closed until the re-opening of the parks in England on 6 July 2020 followed by re-opening of parks in Wales and Scotland.

As a consequence of the financial impact of the Government enforced closure, in June 2020 the Group received £25.0m in cash from its principal shareholder in the form of loan notes, as well as agreement of revised covenants with the Group's bankers as described in note 1.3.

The Group recovered strongly from the initial lockdown, benefitting from the attractiveness of staycations in self-contained spaces in the post lockdown market from July through to September. Further localised park closures in Wales were required by Government in October, before all parks were closed for holiday guests on 5 November 2020. This closure timing is slightly ahead of our usual trading patterns, where all but a small number of parks close for holiday guests for the winter period. The impact of restrictions during the winter months on our normal trading is therefore extremely limited, as we have planned for full closure of our parks to holiday guests until the end of March 2021 which is broadly in-line with our normal trading pattern. Under normal circumstances only a very small number of parks would open for the period between Christmas and New Year, this not being the case will have minimal impact on the Group's results for 2020. We would also expect to open a small number of parks for the February half-term holidays, however we have been cautious in our financial forecasts for 2021 and excluded this activity, albeit if we can open we will. As the Group has demonstrated in 2020, the business model is flexible enough to maximise the opportunities available under a range of COVID restrictions, and operationally we are planning to open where possible subject to the restrictions in place at the time.