

Registered number: 12254895

PRIESTHOLM MIDCO LTD

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2023

Registered number: 12254895

PRIESTHOLM MIDCO LTD

Company Information

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PRIESTHOLM MIDCO LTD

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PRIESTHOLM MIDCO LTD

Strategic Report

Introduction

The Directors present their Strategic Report for the year ended 30th September 2023.

The Directors consider that the financial statements comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

Business Model

Following the significant strategic acquisitions of Forest Holidays and UKCaravans4hire in the latter half of the previous financial year, the Group has undertaken a re-branding exercise to bring all entities under one common umbrella, The Forge Holiday Group, whilst retaining the individual character of each division.

There are four main trading divisions: UK Core Cottage Agency (Sykes Cottages Group inclusive of Sykes Cottages Ltd and trading brands listed in Subsidiaries note 20), International (Bachcare), Specialist Operator (Forest Holidays) and Caravans (UKCaravans4Hire Ltd).

The UK Core Cottage Agency division is dedicated to providing a holiday letting agency service in the UK and Ireland, with the international division providing a comparable agency service in New Zealand.

Through an environmentally sensitive development process, the Specialist Operator provides short-term holiday lets of eco-cabin sites in the UK's stunning forests, providing highly differentiated and memorable experiences intended to connect people with each other and with nature for their mutual wellbeing.

The Caravans division provides a caravan letting agency service in the UK.

UK Core Cottage Agency & International Division

For Cottage guests, the Group provides a booking service and access to a portfolio of quality holiday properties, enabling the introduction of customers to our property owner business partners. The group also provides guest support services during and after travel.

For our portfolio of Cottage owners, the Group provides marketing, booking and payment services, alongside the provision of fully managed services when required.

From a Group Head office in Chester, combined with an international office in Auckland, and dedicated regional teams, the business secures contracts to book and market properties across our geographical target areas, which is the life blood of the business. Properties are strategically targeted throughout the UK and Ireland to align to key areas of demand.

In addition to the organic property growth, the Agency divisions have a proven buy-and-build platform having completed and integrated 18 acquisitions to date. Acquisitions are targeted to deliver synergies, via targeting areas with lower existing stock densities to meet demand and to provide further variety to our existing and potential customers bases. The Group's ability to integrate acquisitions successfully on to its platforms means owners receive access to international marketing platforms and yield managed prices and the guests receive more choice at competitive rates.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Business Model (Continued)

UK Core Cottage Agency & International Division (continued)

The holiday letting market is very competitive with regards to price, holiday options and stock acquisition. To ensure the agency divisions remains competitive, the prices of holiday cottages and other products are dynamically managed, and the Group ensures it maintains strong relationships with its property owners.

The Agency divisions utilise its technology, digital marketing expertise and portfolio brands to deliver a market leading proposition to both owners and customers alike. For owners, Sykes Cottages Regional offices deliver a full-service proposition, maintaining a local presence and community ties, and for guests it provides them with local access to a wide range of properties to suit all budgets.

The UK Core Cottage Agency (and international division) has 4 main revenue streams: booking fees, commission, Insurance and managed services income.

Booking fees

Variable Booking fees are charged per booking to guests, increasing in increments with the property rental, the income being recorded on the confirmation of the booking. The booking fee is charged as the Agency divisions act as a booking agent by arranging the holiday let and providing property details to guests.

Commission

A commission fee is charged to property owners for the sales and marketing services provided. Commission is earned and recognised at the point of booking confirmation through arranging and facilitating letting of holiday cottages for the property owners.

Insurance

The company acts as an appointed representative of a regulated insurance provider (Currently Towergate, Underwritten by Ergo) and commission is earned for the sale of travel insurance and damage protection products.

Managed Service income

Managed service income is earned mainly in New Zealand and in the regional UK brands. It provides owners with a full in-house offering with local cleaning, maintenance and property management. For other owners, Sykes Cottages Group leverages its outsourced network of approved suppliers to provide services to owners independently and in a cost-effective manner.

Specialist Operator Division

Forge Holiday Group acquired the Forest Holiday Group during the prior year as it is a complimentary business to the group.

Previously, Forest Holidays was partially owned by a partnership (FHPSH LLP) comprising the three devolved bodies previously part of the Forestry Commission: Forestry England, Forestry & Land Scotland and Natural Resources Wales. This long-standing relationship delivered value to the taxpayer whilst supporting their commitment to biodiversity in, and public access to, Britain's public forest estate, this will continue under the Forge Holiday Group ownership. Forestry England, Forestry & Land Scotland and Natural Resources Wales continue their relationship with Forest Holidays in the capacity of landlord.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Business Model (Continued)

Specialist Operator Division (continued)

For Specialist Operator guests, the Group provides high quality cabin breaks in stunning forest locations across the UK which enables our guests to experience and reconnect with forests, each other, and rural communities.

The specialist operator division has 2 main revenue streams: cabin rental and ancillary services.

Cabin rental

Cabin rentals are charged per booking to guests, the income is recorded on delivery of the holiday, with Forest Holidays acting as a principal, as it provides the holiday.

Ancillary services

Ancillary services are charged to guests at the point of purchase. Forest Holidays provides in cabin entertainment, activities and food and beverages at its sites. The income is recognised at the point the good or service is provided.

Caravan Division

For Caravan guests, the Group provides a booking service and access to a portfolio of quality holiday caravans, enabling the introduction of customers to our caravan owner business partners. The group also provides guest support services during and after travel.

For our portfolio of Caravan owners, the Group provides marketing, booking and payment services.

The caravan division has 4 main revenue streams: booking fees, annual membership, commission and insurance. Commission and insurance are new revenue streams in the year.

Booking fees

Booking fees are charged per booking to guests, the income being recorded on the confirmation of the booking. The booking fee is charged as UKCaravans4Hire acts as a booking agent by arranging the holiday let and providing accommodation details to guests.

Annual membership fee

Annual membership fees are charged to caravan owners and recognised evenly over the year. The annual membership fee is charged as UKCaravans4Hire advertises the caravans on its website.

Commission

A commission fee is charged to property owners for the sales and marketing services provided. Commission is earned and recognised at the point of booking confirmation through arranging and facilitating letting of caravans for their owners.

Insurance

The company acts as an appointed representative of a regulated insurance provider (Currently Towergate, Underwritten by Ergo) and commission is earned for the sale of travel insurance and damage protection products.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Our Business

Forge Holiday Group is a fast growing and diverse provider of self-catering holiday services in the UK and New Zealand.

The group is bringing together four divisions with shared values and a mission to take five million people on holiday annually by 2026.

The foundations of our group are built around our core values: Be one team, Own it, Communicate honestly and Learn, grow & innovate.

These values represent the core of our business philosophy encouraging our employees to act ethically and with integrity when dealing with colleagues and third parties with whom we do business.

The divisions within the group have a long history of creating memories and delivering exceptional service. This, together with a focus on our environmental and social impact will lead the group to stand tall and help deliver its purpose. The Forge Holiday Group wants to bring people together as a leading holiday group to create lasting memories with a positive impact on people and planet.

As Forge Holiday Group continues to expand, it is important that everyone echoes our values, and we ensure that our policies and procedures are followed from the outset.

Company Strategy

The core business strategy is to continue to drive organic growth in revenue in all our Group brands. UK Core Cottage Agency, International and Caravans division organic growth is through the acquisition of property stock with competitive, market leading propositions. The return to our owners and the group is then maximised through technology-based yield managed pricing resulting in competitive prices for our consumers.

The Specialist Operator divisions organic growth will continue with the valued partnerships with the Forestry commissions, to locate and develop new and existing sites with an environmentally “forest-centred” approach to development. In addition, private site opportunities are also being sought.

Organic growth is complemented by the strategic acquisition of smaller agencies and holiday lodge sites. The business continuously looks to expand its reach, actively researching opportunities for expansion into markets where we can leverage the use of our technology and expertise.

The Forge Holiday Group has consistently invested in people, product and infrastructure to create a leading platform in the vacation rental sector, capable of driving material long term international growth.

The Forge Holiday Group strategy is transparently set out for all staff and stakeholders in its “house model”, which provides guidance and alignment for all our stakeholders.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Company Strategy (Continued)

There are various keyways which underpin the Group purpose and mission. These are:

People – Growing together and recognising success

The Forge Holiday Group acknowledges that its employees are key to the success and growth of the business. Employees play an important role in creating and maintaining consumer platforms, generating new products and delivering great services to both guests and property owners. The Forge Holiday Group plans to continue to invest in its employees to ensure they are happy and engaged and provide them with the tools to drive excellence and a culture of continuous improvement. The Forge Holiday Group and its brands strive to be an employer of choice.

Customers – Making it easy to plan, book and enjoy your perfect holiday

The Forge Holiday Group acknowledges that customers drive our revenue, therefore we want to ensure our guests are happy and have holidays to remember. The group invests in numerous initiatives to facilitate efficient booking journeys through the web, app and the call centre, while also collecting and monitoring feedback on all bookings to enable positive change.

Impact – Committed to making a positive impact for our people, community and planet

The Forge Holiday Group acknowledges that businesses should no longer just focus on creating profits for its shareholders and property owners, but should also focus on having a positive impact on the world around us. The Group pledged to become carbon neutral by 2050, work with at least 20 biodiversity projects during 2023 so help to protect landscapes and local wildlife, make 100% of the team available for 2 days volunteering each year, and take 100 disadvantaged families on holiday during 2023.

Owners – Creating more bookings with less hassle

Forge Holiday Group acknowledges for its agency divisions, that it would not have a business without its partnerships with property owners and therefore strives to ensure owners are happy, through market leading propositions and returns. The Forge Holiday Group aims to provide an excellent service which will enable it to retain its highly valuable property portfolio.

The foundations to the Forge Holiday Group are underpinned by its technical platforms and operational efficiencies. This includes a scalable multi product and regional business, built to last, with virtual networks and workspaces on demand, controlled by a robust and efficient financial operation.

To enable Forge Holiday Group to continue to provide a superior proposition to Property owners and guests it drives a culture of continuous improvement and provides employees with the tools to drive excellence. To scale its operation effectively and efficiently Forge Holiday Group leverages its people, technology and data.

Business Review

The profit and loss account is set out on page 42, showing an operating loss for the year ended 30th September 2023 of £135,961,000 (2022: operating profit of £13,162,000) (inclusive of £142,420,000 (2022: £8,098,000) of exceptionals and asset/goodwill impairment).

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Business Review (Continued)

The asset/goodwill impairment totalled £141,314,000 in the year and relates to the Specialist Operator division. The goodwill impairment is due to a combination of forecasted profits and a higher discount rate in the year, increasing from 10.5% to 12.2%, reflecting a higher UK interest rate environment. Despite the impairment, the division continues to generate strong levels of EBITDA for the group and continues to grow through the addition of new sites and cabins.

The metric used by stakeholders for assessment of performance is Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). The EBITDA before exceptional costs and asset impairments for the year ended 30th September 2023 is £60,799,000 (2022: £61,538,000). The loss before tax is £229,457,000 (2022: £26,003,000).

UK Core Agency Division

The UK Core Agency division has performed well in the year, with occupancy levels for departures on or above pre Covid levels. There has been a level of normalisation in demand due to international travel being fully open and increased cost of living concerns meaning occupancy is not reaching prior year levels, but the fundamental business model remains strong and is consistent with pre-covid performance levels.

International Division

The International division has traded positively in the year, despite the significant damage to the North Island caused by the cyclone and widespread flooding in February. The adverse conditions meant travel to certain areas of the North Island were limited, restricting properties available in those areas. However, this was compensated by the demand for holidays in the South Island especially from international guests, as the South Island did not experience the same extreme weather conditions.

Specialist Operator Division

The Specialist Operator Division has followed a similar trend to the UK Core Agency division, with strong booking levels, albeit below the levels achieved during and immediately following the Covid-19 pandemic. The division, in line with the rest of the market is experiencing shorter-term booking demand, but occupancy rates compare favourably to pre-Covid norms. During the year, the division has successfully opened a new site in the Brecon Beacons and expanded its Keldy site by adding new cabins. The division has begun construction on a new site in Scotland and has initiated an expansion project in Strathyre to increase cabin capacity. Due to the inflationary pressures on utility costs, the division has had to absorb the increases in energy costs, but sensible hedging strategies have been undertaken, such as fixing contract prices over longer periods while also tightly controlling costs in other areas.

Caravan Division

The Caravan division, which was a new addition to the group last year, is performing in line with expectations and is building momentum. In the year the division has rolled out a successful commission model similar to the UK Agency and International divisions, which will enable the division to offer a wider variety of options to the consumer, whilst also increasing booking volumes for owners via an expanded marketing program.

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Strategic Report (Continued)

Financial Review of the Group's Position

On 30th September 2023, the Forge Holiday Group had cash of £73,360,000 (2022: £110,652,000) and loans and borrowings (excluding preference shares) at fair value of £579,303,000 (2022: £578,354,000). The reduction in cash in the year is mainly due to a continuation of the investment strategy in the Specialist operator division, with a new development completed in the Breacon Beacons in April 2023 and additional cabins added to its Keldy site during the year being funded with internal cash.

Forge Holiday Group is funded through a combination of borrowing facilities via carefully selected preferred partners, preference shares and ordinary shares.

Borrowing facilities

The key terms of the Forge Holiday Group borrowing facilities are summarised as follows:

	Nominal Interest rate	Year of maturity	Facility Limit		Fair Value	
			2023	2022	2023	2022
			£000	£000	£000	£000
Ares Facility B	Sonia+7.25%	2028	432,000	432,000	432,000	432,000
Ares PIK Facility	Sonia+10.75%	2029	118,000	118,000	118,000	118,000
NatWest RCF	Sonia+3%	2027	30,000	30,000	29,303	28,354
			<u>580,000</u>	<u>580,000</u>	<u>579,303</u>	<u>578,354</u>

Reconciliation of net debt

Facility	2022	Drawdown	2023
	£000	£000	£000
Ares Facility B	£432,000	-	£432,000
Ares PIK Facility	£118,000	-	£118,000
NatWest RCF	£28,354	949	£29,303

For changes in liabilities arising from financing activities refer to Note 26.

Preference shares

The Forge Holiday Group is also funded by preference shares which were issued on the 28th October 2019, Priestholm TopCo Ltd as part of the acquisition of Sykes Cottages Holdings Limited. Additional preference shares were issued on 18th December 2019 to fund the acquisition of Potter TopCo Limited (Pure Cottages Group) and on 27th April 2022 as management of Canopy HoldCo Limited (Forest Holidays Group) invested in the Forge Holiday Group.

The split of preference shares are summarised as follows:

Preference Shares Type	2023	2022
	£000	£000
A shares	£254,290	£254,290
B shares	£20,829	£20,829

The preference share interest is accrued monthly and rolls annually. The accrued interest outstanding at 30th September 2023 is £137,075,000 (2022: £96,326,000).

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Strategic Report (Continued)

Financial Review of the Group's Position (Continued)

Share capital

The Forge Holiday Group is also funded by Share Capital and Share Premium in Priestholm TopCo Ltd which totals £9,769,000 (2022: £9,769,000). For the split between types of shares and the split between Capital and Premium please see Priestholm TopCo Ltd statutory accounts.

Trends and Factors Affecting Future Performance

The Group envisages the following challenges and opportunities to continue into the following year:

Cost-of-living increases

During FY23 the United Kingdom and New Zealand continued to experience inflationary pressures and increasing interest rates. Cost increases and interest rate rises impact the Forge group in a number of ways.

Interest rates increased significantly over the first 6 months of the year as the Bank of England attempted to curb inflation. This has resulted in an increased cost of capital for the group, but we have executed interest rate hedging strategies to cap the rates payable to acceptable levels and retain healthy cash reserves to facilitate strategic initiatives and developments in the short term.

Forge Holiday Group expects these challenges to remain throughout 2024, although we do not foresee a significant effect on demand. As experienced during the Covid crisis, holidays are still seen as an "essential" spend in the modern economy, rather than a luxury. The group also feels that the current property portfolio offers a wide variety of holidays, at varying price levels to meet the changes in customer behaviour and demand.

Leisure & travel competition

The leisure & travel market is highly competitive with numerous players and a variety of options. Combined with the cost-of-living crisis, this undoubtedly brings pressure on prices. The group has a diversified portfolio, allowing it to provide its guests with a wide variety of options. This variety, and the groups digital technology base and dynamic pricing capabilities means that the group remains well placed and competitive in the market to drive growth.

Agency sector competition

The agency market is highly competitive with 3 larger players in the UK market being Sykes Cottages Group, Cottages.com and Holidaycottages.co.uk, all of which are private equity owned, with broadly similar growth strategies. Despite this competition, research indicates that the addressable market has significant headroom for growth, particularly for properties rented/managed by individual Owners. This provides a clear target market for expansion in the future.

Sykes Cottages Group digital technology base, dynamic pricing capabilities and proven track record in acquisition integration, means that the business remains well placed and competitive in the market to drive growth. To ensure the Sykes Cottages Group remains competitive in the future, it is investigating further growth opportunities.

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Strategic Report (Continued)

Trends and Factors Affecting Future Performance (Continued)

Site development

Following the acquisition by Forge Holiday Group investment last year, Forest Holidays have utilised the expertise's in corporate development and the wider group to assist with acceleration of site development. This will allow Forest Holidays to support more rural communities, people and wildlife while also providing a greater choice of areas for guests. Forest Holidays are currently developing a new site in Glentress and are expanding the Strathyre location with adding additional cabins.

Financial Key Performance Indicators

Revenue

Definition

Revenue is predominately generated through booking fees and commission for UK Agency, International and Caravan division, recognised when a booking is confirmed. Revenue for the Specialist operator division is predominantly Cabin rentals recognised when the holiday takes place.

Year	£000
2023	208,328
2022	170,490
2021	103,994
2020	79,999

Performance

Revenue has increased by 22% year on year, mainly due to the inclusion of a full year's results for the Specialist Operator and Caravan divisions in 2023. The prior year revenue was included from the point of acquisition, being 27th April 2022 for the Specialist Operator division and 8th June 2022 for the Caravan division. On a like for like basis, a full year's revenue for 2022, extracted from internal management accounts, is circa £202 million. On this basis revenue has increased by 3% in 2023, mainly relating to the UK Core Agency division. All divisions experienced pressure on price due to the cost-of-living crisis and also a normalisation of capacity utilisation which has trended towards pre-covid levels, partly due the ability of customers to travel abroad for the full financial year.

Gross Profit Margin

Definition

This represents gross profit divided by revenue. It measures the Group's underlying profitability before administrative expenses.

Year	%
2023	60
2022	68
2021	75
2020	69

Performance

The reduction in Gross Profit Margin in 2023 principally relates to increased costs driven by inflation in costs across the group.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Financial Key Performance Indicators (Continued)

EBITDA Margin

Definition

This represents earnings before interest, tax, depreciation, amortisation and exceptional items divided by revenue. This is a key metric for the Group as the core profitability measure.

Year	%
2023	29
2022	36
2021	34
2020	27

Performance

EBITDA margin reduced year-on-year in 2023. The main factor behind this is that 2022 and 2021 were abnormally high, due to the Covid impact on “staycation trend”. The margin has moved towards pre-covid norms.

As noted above, the gross margin delivery decreased in 2023 and this flows down into the EBITDA margin. Investment in staff across the group to drive future growth, particularly in the early phase of new ownership in the Caravan division, has reduced the operating margin year on year.

Non-financial Key Performance Indicators

Guest and Owner satisfaction

All guests who stay at a Forest Holidays site or a cottage where the Sykes Cottages Group or Bachcare have acted as an agent are asked to complete a Guest Satisfaction Survey, the survey covers all areas of the guest experience, the aim being to attain a generally accepted benchmark metric of NPS (Net promoter Score). This allows the company to compare its service levels over time and across the travel industry.

Guest Net promotor score (NPS)	2023	2022	2021
Sykes Cottages	73.66	72.16	67.44
Forest Holidays	59	50	*
Bachcare	45	37	58**

* Canopy HoldCo Limited (Forest Holidays Group) acquired in April 2022

** Guest NPS Calculation based on previous system method. Bachcare transferred to Group booking system in June 2022.

Although NPS at an owner level is inherently statistically less reliable we do have a very strong focus on owner performance and satisfaction.

Stock numbers

Growth in stock numbers underpins the Groups trading capability, ensuring we can provide a credible selection of quality cottages and caravans (standard and location) across the United Kingdom, Ireland and New Zealand.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Non-financial Key Performance Indicators (Continued)

Stock numbers (continued)

The number of Cottages, Caravans and Cabins at the current year end and previous are noted below.

	2023	2022	2021
UK Core Agency	23,122	21,941	19,420
International	2,166	2,293	2,413
Specialist Operator	705	654	*
Caravans	6,928	6,142	**
Total	32,921	31,030	21,833

* Canopy HoldCo Limited (Forest Holidays Group) acquired in April 2022

** UKCaravans4Hire.Com Limited acquired in June 2022

Cottage stock levels in New Zealand have reduced over the past two years, initially due to the prolonged covid restrictions in the region followed by disruption in the North Island caused by a cyclone that caused significant structural damage in the North Island.

Growth levels in UK Core Cottage Agency division have returned to pre-Covid levels.

Cabins at the Specialist operator division have increased by 7.8% during the year due to the new site in Brecon Beacons and the additional cabins at Keldy.

Employee turnover and engagement

The Forge Holiday Group values its employees and actively engages with them on a regular basis as they are key to the Group's growth and future success. Key measures of this are Employee Attrition Rates and Employee response rate from our regular employee surveys. The Forge Holiday Group are confident the views expressed in the surveys represent the work force as a whole and therefore are used to drive follow up actions.

	2023	2022	2021
Employee Attrition Rate	45.28%	32.69%	30.51%
Employee response rates	77%	89%	65%

Financial Risks

The Group's activities expose it to a number of financial risks including price risk, liquidity risk, cash flow risk, credit risk, interest rate risk, foreign currency risk and taxation risk.

Price risk

The travel industry is highly competitive and is comprised of a large number of companies specialising in providing short-term holiday rental. Competition may reduce fee structures, which may adversely impact profits. New competitor business models may put pressure on the Group to change existing business models in order to remain competitive. To mitigate the risk, the prices of the Group's products are dynamically managed, and the Group continues to invest in R&D to ensure its technology platform remains market leading.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Financial Risks (Continued)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current and future financial obligations as they fall due or is only able to do so at excessive cost. Therefore, the Group's cash balances and deposits are managed to provide a balance between maximising interest rate returns and maintaining access to working capital. We ensure our short-term deposits are flexible and accessible if required. Working capital requirements are monitored on an ongoing basis, so the Directors do not consider there to be a significant risk in this area.

Cash flow risk

Cash flow risk is the risk to which future cash flows fall short of expectations as a consequence of changes in market variables. The Directors consider that the main risk concerning cash flow relates to unexpected reductions in demand, unpaid credit balances and change in interest rates. The Group maintains a flexible cost structure that the Directors believe would mitigate the demand risk and unpaid credit balances and interest rate risk are constantly monitored. The group also employs a continuous forecasting and monitoring process to manage risk and ensures the Group complies with its financial and covenant obligations.

Credit risk

Credit risk is the possibility of default on a debt that may arise from a borrower failing to make required payments. The Group's principal financial assets are cash balances and deposits and Trade debtors.

The Group's credit risk is mainly attributable to its Trade Debtors who are made up of a large number of small customers balances. Customer finance review on a daily basis any outstanding debtors and will chase where required. If the customer does not pay in a timely manner, then the holiday is cancelled as full payment is required before the holiday is taken mitigating the Group's credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

Interest rate risk

Interest rate risk is the risk that an unexpected change in interest rates increases the Group's cost of borrowing significantly. Preference share interest is fixed and charged at the rate per the Articles of Association. NatWest and Ares Management interest is currently charged at variable rates above base rate depending on leverage. The interest rate risk is monitored regularly, and an interest rate cap has been put in place in relation to part of the third-party debt.

Foreign currency risk

Foreign currency risk is the risk losses could be incurred on international financial transactions due to the fluctuation in currency. The Group makes purchases and receives monies from sales denominated in foreign currency, but the amounts involved do not generally present a significant risk. In order to mitigate the risk of movements in foreign currency rates, the Group enters into foreign currency derivative contracts based on the forecast for the year ahead.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Financial Risks (Continued)

Taxation risk

Given the nature of our business with high organic growth and growth through acquisition, risks will inevitably arise from time to time in relation to the interpretation of tax law and the nature of our compliance arrangements.

As a group with volume-based transactions both income and cost related, the group seeks to minimise its exposure to tax risk – the incorrect interpretation or tax treatment of transactions - through the use of a cross functional team with representations from financial reporting and payroll working together with our external advisors.

We will seek to identify, evaluate, manage and monitor these risks to ensure they remain in line with the Group's risk appetite. When there is significant uncertainty or complexity in relation to a risk, external advice will be sought. Areas of significant or complex tax risk will be passed to the Board for approval and ongoing review. The level of risk the group accepts in relation to UK taxation is consistent with its objective to achieve certainty in its tax affairs.

Principal Risks and Uncertainties

The Group regularly reviews its operational risks via the maintenance of a group wide risk register, based on the probability and impact of each risk. Risks are assessed via management and reviewed by the internal risk committee, comprising of senior managers representing all business functions. Where required, the business will implement changes to reduce the risk to manageable levels and to ensure it aligns to the Directors appetite for risk.

The principal risks and uncertainties facing the company are:

Competition and Guest and Owner expectation

The Forge Holiday Group faces competition from other holiday letting agencies and holiday operators both in the UK and NZ as well as a broad range of other holiday options. The Group's business and growth potential could be impacted if the quality of properties and services it provides does not meet the guest expectations. The Group also faces competition from other holiday letting companies when recruiting owners in the UK and NZ, as if the services and products the Group provides are not competitive or meet owner expectations then business growth could be impacted.

Whilst we are one of the UK's leading independent holiday companies, this sector is highly fragmented, and the Group is exposed to local competition. The Group adopts both local and national marketing and pricing strategies to ensure it remains competitive. The Group continuously reviews service standards to both guest and owners, with the aim of increasing retention.

Technology, Artificial Intelligence and cyber security

Like most technology-based companies, the Forge Holiday Group is exposed to security threats whereby illegal access could be gained to our systems and ultimately to the personal data we hold. In order to mitigate this risk, the Directors ensure that robust and reliable IT systems are utilised and monitored, with considerable emphasis on security and safeguarding. The Group actively conducts frequent penetration testing of its infrastructure and updates its hardware to ensure its security remains as robust as possible against potential attack.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Principal Risks and Uncertainties (Continued)

Technology, Artificial Intelligence and cyber security (continued)

The Forge Holiday Group relies on up-to-date hardware and software to run all areas of its business i.e. booking system, financial systems etc. Contingency plans are in place to ensure that the impact of any potential system failures on the day-to-day operations of the business are minimised as far as possible.

Training on cyber security is provided internally and is mandatory for all staff.

AI presents a two-way risk to the Group. Current and potential regulations impacting AI use could create an exposure for the Group if it chooses to use AI at scale. If AI becomes a key competitive differentiator in the sectors in which the Group operates then underuse of AI could lead to a commercial disadvantage for the Group. The Group is considering the use of AI in a measured way, starting with user cases and testing out proofs of concept before scaling adoption. Policy frameworks are updated in line with lessons learned in testing and to take into account the regulatory environment.

Regulatory environment

Forge Holiday Group is exposed to regulatory pressures primarily in the UK but also in Ireland (the EU) and New Zealand. Continued uncertainty exists around the extent to which the UK Government will seek to diverge from EU regulatory standards and (particularly in the area of Data Protection) this could lead to the need for increased flexibility in technology systems and governance standards. Regulatory expectations continue to increase in the UK with interest in the travel and leisure sector being shown by the CMA and with continued resourcing increases at the FCA and ICO leading to a generally larger UK regulatory sector.

The Forge Holiday Group employs an in-house legal function, data protection professionals and cyber security experts to ensure current processes meet industry standards, and a dynamic horizon planning approach is in place to ensure the company pro-actively approaches future potential changes.

People availability and expertise

The Forge Holiday Group faces competition, especially in the UK, to attract and retain ambitious, motivated and experienced staff. A combination of Brexit and the effect of Covid-19 on the UK labour market has resulted in high demand for roles in many key areas. To ensure the Forge Holiday Group remains competitive, it constantly reviews and benchmarks remuneration levels against the rest of the market.

Changes in macroeconomic conditions

Like most companies within the UK, the Forge Holiday Group is exposed to changes in macroeconomic conditions caused by the political instability within the UK. This instability has led to an increase in market volatility and as a result an increase in interest rates and reduced predictability of regulatory and legislative matters. These changes have a direct impact on the Group's cost of debt and could lead to problems for people accessing credit which has a direct knock-on effect on the property market and subsequent property values and running costs.

These changes, coupled with the increase in oil prices caused by the ongoing war in Ukraine, have resulted in an increase in the cost of living which has a direct impact on people's disposable income and behaviour when booking a holiday. Despite this, holidays are still seen as an "essential" rather than a "want" by most people, and therefore the impact on demand is not expected to be significant.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Principal Risks and Uncertainties (Continued)

Changes in macroeconomic conditions (continued)

To mitigate against the risks identified, the Forge Holiday Group employs an in-house legal function, market experts and finance professionals to monitor the performance of the Group and any changes in legislation. This allows the Group to react quickly to change and adapt the strategies and processes accordingly. The group also offers a wide range of holidays at varying price levels to service any change in behaviour and demand.

Climate change

Extreme weather events or more gradual climate alterations could cause honeypot areas in any division to become less tourist friendly and could increase force majeure events to an unsustainable level. Therefore, the Group monitors the standard of all properties on offer to identify any which could be at risk. In addition, the Group is working with its stakeholders to reduce its environmental impact through a number of initiatives centred around its B Corp membership status.

Directors' Statement of Compliance with Duty to Promote the Success of the Group and the Company

The Directors believe they have acted at all times to promote the success of the Group and Company for the benefit of its members as a whole.

The Board is responsible for leading stakeholder engagement. Considering stakeholders when making decisions of strategic importance is fundamental to the execution of our strategy and critical in achieving long-term sustainable success.

The Board understands the needs of our different stakeholders to ensure that the long-term consequences of any decisions are well considered. It is not always possible to provide positive outcomes for all stakeholders and the Board is mindful when making decisions based on the competing priorities of stakeholders.

The Board considers its key stakeholders to be its employees, guests, suppliers, property owners, local communities in which it operates, the environment, Governments and industry bodies and its shareholders.

The Board has considered the interest of a range of stakeholders impacted by the Group, as well as having regard for the matters set out in section 172(1) of the UK Companies Act 2006, namely:

- the likely consequences of any decisions in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for the high standards of business conduct; and
- the need to act fairly between members of the Group

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Directors' Statement of Compliance with Duty to Promote the Success of the Group and the Company (Continued)

Board and decision-making process

The Group operates under four fundamental values, that are considered in all decision-making processes at Board, strategic and operational levels

- Be one team
- Own it
- Communicate honestly
- Learn, grow and innovate

Board meetings are held every month (excluding August and December) and the monthly reports include:

- Summary of key initiatives and their progress
- Topical strategic topic(s)
- Operations and marketing updates
- IT update, including operational and strategic objectives
- Monthly Financials including budgets/forecasts

Executive Board members meet on a weekly basis, alongside key senior management to provide day to day oversight on strategic and operational objectives, with significant changes and decisions referred to the formal Board of Directors.

Key Stakeholders

Directors utilise a full range of communication channels to engage with stakeholders; these include face to face meetings, events, reports and other written materials, as well as through public relations activity, targeted digital content and social media.

The Directors have identified the following as key stakeholders of the Group, as they are either directly affected or benefit from the success of the Group.

- **Guests** – The Group provides a diverse range of quality holiday properties to over 1 million guests each year in the United Kingdom, Ireland and New Zealand. Guests are engaged initially through targeted marketing initiatives and via contact to our UK and New Zealand based call centres. During and post travel, customers have access to our customer services support, online, via social media and telephone. Feedback is gathered through satisfaction surveys.
- **Property Owners** – The Group provides property management, marketing and booking services to approximately 25,000 owners who have c.30,000 holiday properties. A dedicated Owners team with the assistance of a nationwide network of Property Consultants service the needs of property Owners in the UK and New Zealand.
- **Workforce** – The Group employs approximately 1,800 people across the UK and New Zealand. The Group places considerable value on the involvement of its employees, therefore it ensures information on matters of concern is provided and where appropriate the employees are consulted so their views are taken into account when making decisions. This is achieved through monthly briefings, intranet and e-mails to employees' work addresses. Employee involvement in the Group is encouraged through regular employee surveys.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Directors' Statement of Compliance with Duty to Promote the Success of the Group and the Company (Continued)

Key Stakeholders (continued)

- **Suppliers** – The Group engages with key suppliers and settles invoices in a timely manner and within the agreed credit terms. Forest Holidays Ltd has a working partnership with Forestry England, Forestry Land Scotland and National Resources Wales to deliver environmental, social and economic benefits for multiple stakeholders.
- **Community and Environment** – The Group participates in several community-based initiatives through fund raising events and commitment of resources. The Group supports various charities as it enables the local offices to choose who they raise funds for. During the year the Group has raised money for Hospice of The Good Shepherd, Cancer Campaign In Suffolk, The Wave Project, The Trussell Trust and Lake District Search and Mountain Rescue to name a few. The Group looks to minimise its carbon footprint where possible, reducing the use of paper through technical developments and maximising recycling of paper/plastics/metals via numerous in-office recycling collection points. In the specialist operator division, a Forest Ranger is employed at each location to both protect, enhance and educate our customers about the local forest environment with each location having a long-term biodiversity enhancement strategy and active woodland management plan. It also has a five-year partnership with the UK's National Parks that will connect over 20,000 young people with nature and a three-year commitment to fund a rural business start-up every year with the Prince's Countryside Fund.
- **Shareholders and Lenders** – The ultimate parent company of the Forge Holiday Group and the Company is Priestholm TopCo Ltd. The ultimate controlling party of Priestholm TopCo Ltd and the Forge Holiday Group is Vitruvian Partners LLP, which is a private equity investment company. The Group has also entered into a Loan Facility and Revolving Credit Facility with external lenders. Both Vitruvian Partners LLP and lenders receive monthly financial updates as standard, with ad hoc initiatives and key developments reported as required.
- **Governments (and tax authorities) and Industry Bodies** - The Group has processes in place to monitor new regulations and compliance requirements that may impact the business – including for example, product regulations, financial accounting and reporting updates and tax accounting and reporting compliance.

Key decisions

The Directors have identified the below as the key decisions made in the year. Key decisions have been determined as anything with strategic importance to the Group or that have taken a significant amount of management and Board time.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Directors' Statement of Compliance with Duty to Promote the Success of the Group and the Company (Continued)

Key Decisions (continued)

Decision 1

Retain Strict Acquisition Criteria

Historically the Group has made acquisitions of a number of smaller agencies to help to grow the property base in strategically important locations, whilst driving value through access to the groups software and marketing capabilities.

During the Financial year, 3 potential acquisitions were reviewed, 2 based in the UK and one in New Zealand.

In each case, an investigatory phase including thorough due diligence processes were undertaken to assess the value, strategic importance and risks that the group would incur. Due to a number of factors including the relative size, lack of strategic fit and cost of capital, all 3 potential acquisitions were not progressed further.

Outcomes and impact on key stakeholders (where applicable):

- **Guests** - Able to offer a wide variety of property options throughout the UK that align with the groups values and standards.
- **Property Owners** - The group will be able to deliver improved focus on delivering sales levels for each geographical area.
- **Employees** - Clear plans are put into place and communicated through updates and written notices, to the existing staff base. Expected workloads related to the potential acquisitions are reviewed and other work streams are prioritised as appropriate.
- **Shareholders and Lenders** - Notification to both parties explaining the rationale for the acquisition strategy, which forms part of the formal board communication.

Decision 2

Specialist Operator Capacity Growth

As a part of the ongoing business model, a number of potential development sites (and expansion of existing sites), within the UK and Ireland, progress through various stages of negotiations and planning applications with our key partners, including the Forestry Commissions within the UK.

When key authorisations, planning and environmental consents have been achieved, the investment plans are presented to the board for approval:-

In November 2022, the board approved an investment into the build of a new 56 cabin site in Glentress, situated within the Tweed Valley Forest Park in Scotland.

In December 2022, the board approved an investment into the extension of the existing Site in Strathyre, adding 12 additional cabins.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Directors' Statement of Compliance with Duty to Promote the Success of the Group and the Company (Continued)

Key Decisions (continued)

Decision 2 (continued)

Specialist Operator Capacity Growth (continued)

The Forge Holiday Group has a long pipeline of potential future development sites, which it expects to be a significant contributor to growth in the future.

Outcomes and impact on key stakeholders (where applicable):

- **Guests** - Able to offer a wider variety of cabins in highly desirable locations, within settings accommodating mountain biking, walking, tree top adventures and wildlife and nature experiences.
- **Employees** - There is a clear plan to continue the growth and success of the business. More employment opportunities and progression will also be created across the group as employees have a variety of divisions to work in.
- **Community** - Press releases to promote awareness within the local communities, from the planning phase onwards, where we highlight the environmentally sensitive nature of the developments alongside the long-term biodiversity enhancement strategy and active woodland management plans.
- **Shareholders and Lenders** - Notification to both parties explaining the rationale for the investments and expected benefits was made, which is part of the formal board communication.

Decision 3

Managed Service Property Management System Development

In March 2023, the board approved the further development of existing in-house property management software used in the New Zealand division. The development took the existing functionality used in New Zealand and adapted and enhanced this for use in the UK. The system interfaces with booking and accounting systems and the development delivers sophisticated task planning and management functionality, driving operational efficiencies, an improved control environment and cost savings.

Outcomes and impact on key stakeholders (where applicable):

- **Property Owners** – Clearer alignment with in-house and third party service providers, providing more efficient property management solutions and expedient billing.
- **Employees** – The technical solution resulted in a restructuring of the team, reducing the requirement for local representation, but also creating the requirement for a new centralised team to support suppliers and owners.
- **Suppliers** - The creation of an online portal improves communication channels for managed service task distribution, execution, approval and related payments. Suppliers have been engaged via regular communication and ongoing support from the central team.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Directors' Statement of Compliance with Duty to Promote the Success of the Group and the Company (Continued)

Key Decisions (continued)

Decision 3 (continued)

Managed Service Property Management System Development

Outcomes and impact on key stakeholders (where applicable):

- **Community and Environment** – Enhanced task and logistical management capabilities enables the business to group tasks and improve the distribution of tasks to our supplier base. This reduces travel time, mileage and fuel consumption. The online nature of the solution reduces the paper trail and associated costs, improving the Group's carbon footprint and environmental impact.
- **Shareholders and Lenders** - Notification to both parties explaining the rationale for the investment and expected benefits was made, which is part of the formal board communication.

Decision 4

B Corp Certification Finalisation

In 2021, a more structured response to the climate crisis and social inequality was introduced in the business to kick-start a step-change in the way the group carries out business. Stakeholder expectations and factors that impact the decision-making process, along with expected changes to legislation around sustainability and ethical business practices. The escalating Climate Crisis and Social Inequalities has been the catalyst to taking steps to future proof our business so that ESG is not purely about compliance but is integrated into every investment decision.

In May 2023, the board agreed the finalisation of the B Corp Certification process. B Corp is one of the most demanding, internationally recognised certifications, that evaluates companies' social and environmental impacts. Certified B Corps meet a high standard of social and environmental performance, transparency and accountability.

The Board considers that businesses that attain high standards of social and environment performance are more profitable, have faster growth, higher levels of employee retention, have a more diverse and engaged workforce and are more innovative.

Achievement of B Corp certification during the year demonstrates that the Group has a structured framework to capture these strategic goals.

Outcomes and impact on key stakeholders (where applicable):

- **Guests** – Can be confident they are purchasing from a business that is committed to making a positive social and environmental impact.
- **Property owners** - Can be confident that they are working with a business that takes its responsibility to the climate crisis and social inequality seriously and will support them to improve their own impact.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Directors' Statement of Compliance with Duty to Promote the Success of the Group and the Company (Continued)

Key Decisions (continued)

Decision 4 (continued)

B Corp Certification Finalisation (continued)

Outcomes and impact on key stakeholders (where applicable):

- **Employees** – Our clear purpose, mission and measurable commitments along with transparent reporting will show our commitment to making a difference and supporting colleagues to be the best they can be. This will improve retention rates and make us a more attractive proposition to future recruits.
- **Shareholders and Lenders** - The Forge Holiday Group will be a more attractive investment opportunity.

Decision 5

Group Wide Restructuring Program

In line with the ongoing rebranding exercise, in September 2023 the board made the decision to re-structure the Group, formalising the provision of central services for Legal, Finance, HR, IT and Marketing, alongside a redundancy program that aligned the Group's salary costs to current demand and sales levels.

A formal consultation process was announced from late September and through October with a target completion date of December 2023.

Outcomes and impact on key stakeholders (where applicable):

- **Guests/Property Owners** – Maintenance of service levels to consumers and property owners is a key requirement of the group, so operational service departments were reviewed, and resources were retained to ensure that service levels could be delivered and measured via an improving NPS score.
- **Employees** – All affected employees have been engaged and communicated with, through a process involving group and individual consultations. The group clearly explained the rationale for the re-structuring process and counter proposals were reviewed and considered as appropriate.
- **Shareholders and Lenders** - Notification to both parties explaining the rationale for the re-structuring and expected benefits was made, which is part of the formal board communication.

PRIESTHOLM MIDCO LTD

Strategic Report (Continued)

Directors' Statement of Compliance with Duty to Promote the Success of the Group and the Company (Continued)

Key Decisions (continued)

Decision 6

Investment in Technology


The strength of the underlying technology is key to the future growth of the business. An investment was made in the year of £8,465,000 in software development across all four trading divisions. The highlights include the previously mentioned managed service system, a new telecommunications integration, an expansion of consumer payment functionality and a new owner application.

Outcomes and impact on key stakeholders (where applicable):

- **Guests** – The new telecommunications system improves call routing and reduces wait times, positively impacting the consumer experience. More payment options including Paypal provide improved choice and financing options to consumers.
- **Property Owners** – A new owner application enables property owners to have booking information at their fingertips, aligning real time booking management with improved access to reporting.
- **Employees** – Improvements across key systems makes day-to-day tasks more efficient freeing up time for improved management and value-added activities.
- **Shareholders and Lenders** - Notification to both parties explaining the rationale for the investment and expected benefits was made, which is part of the formal board communication.

This report was approved by the board on 20th February 2024 and signed on its behalf.

DocuSigned by:


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Michael Steven Graham

Director

PRIESTHOLM MIDCO LTD

Directors' Report

Principal Activity

The Group's principal activity is the provision of short-term holiday lets through its eco-cabin sites or through its holiday letting agency and marketing service, which are located in the UK, Ireland and New Zealand.

Results and Dividends

The loss for the year, after taxation, amounted to £195,782,000 (2022: £20,617,000).

The Directors do not recommend the payment of a dividend.

Directors

The Directors who served during the period were:

Graham Donoghue
Michael Steven Graham

Board Composition

The board of Priestholm TopCo Ltd the Governing Company and Parent Company of Priestholm MidCo Ltd consists of two Non-Executive Statutory Directors appointed following the acquisition by Vitruvian Partners LLP and two Statutory Executive Directors.

The Forge Holiday Group board is comprised of the Priestholm TopCo Ltd statutory board members and an additional Non-Executive Director of a group subsidiary company – Forge Holiday Group Ltd.

Graham Donoghue | *Chief Executive Officer*

- Graham joined the Sykes Cottages Group in 2016 as Chief Executive Officer. Graham was appointed to the board of Priestholm TopCo Ltd on 28th October 2019 as part of the acquisition of Sykes Cottages Holdings Limited (Sykes Cottages Group) by Vitruvian LLP. Graham has no external appointments or directorships.
- Graham's previous roles consist of Chief Product Officer at Moneysupermarket Group plc and Managing Director and board roles at Moneysupermarket and TUI. This has provided Graham with over 20 years' experience in digital transformation, covering product innovation, technology, general management, digital marketing and operations.

PRIESTHOLM MIDCO LTD

Directors' Report

Board Composition (Continued)

Michael Graham | *Chief Financial Officer*

- Michael joined the Sykes Cottages Group in 2015 as Chief Financial Officer. Michael was appointed to the board of Priestholm TopCo Ltd on 28th October 2019 as part of the acquisition of Sykes Cottages Group by Vitruvian LLP. In addition to the Group, he currently serves as a Non-Executive Statutory Director for Travel Counsellors.
- Michael is a seasoned chartered accountant and business leader, with a strong background in Private Equity investments and a record of consistently driving positive change and growth. Michael's previous roles include Managing Director at Budget Car Rental EMEA and Chief Financial Officer of Acromas Travel.

Ben Johnson | *Non-Executive Director – Partner at Vitruvian Partners*

- Ben is a Partner and a member of the founding team of Vitruvian Partners LLP. Ben has served on the Board of Priestholm TopCo Ltd since 18th October 2019, following the acquisition of Sykes Cottages Group by Vitruvian Partners LLP. In addition to the Group, he currently serves on the boards of OAG, Travel Counsellors and Trustpilot plc.
- Ben leads the Consumer Technology and Data and Analytics teams at Vitruvian. Prior to joining Vitruvian Partners LLP in 2007, Ben was at Cinven and Goldman Sachs International. Prior investments include Skyscanner, Trustpilot, JacTravel and Tinopolis. Ben read Philosophy, Politics and Economics at Magdalen College, Oxford University. He is a member of the Future Fifty, TechNation Advisory Panel.

Charles Hardwick | *Non-Executive Director – Principal at Vitruvian Partners*

- Charles is a Managing Director at Vitruvian Partners LLP. Charles has served on the Board of Priestholm TopCo Ltd since 28th April 2021. He also serves on the Board of MPB, Twinkl and Sciensus.
- Charles focuses on the Consumer Internet and Technology sectors at Vitruvian. Prior to Vitruvian, Charles was at UBS Investment Bank in the EMEA Technology, Media and Telecoms Investment Banking team. Prior investments include Global-e, Skyscanner and Trustpilot. He holds an MEng in Engineering Science from St Catherine's College, Oxford University and an MBA from the Wharton School of the University of Pennsylvania.

Shane Corstorphine | *Non-Executive Director – Founder, Scale Up Consulting Limited*

- Shane has worked with high growth and scale up technology companies for more than a decade. He is a Non-Executive Director for Simple Online Healthcare Limited and a Scale Up Coach to a number of CEOs within high growth organisations.
- Shane is a former CFO and SVP Growth for travel search technology company Skyscanner, playing a key role in helping it scale from c.80 people to 1,500 people and an eventual sale to Ctrip for \$1.8bn in 2016. Prior to Skyscanner and Scale Up Consulting, Shane was with Barclays and RBS Leveraged Finance. He is a Qualified Accountant (PWC) and has a Masters in Engineering from Durham University.

PRIESTHOLM MIDCO LTD

Directors' Report (Continued)

Ultimate Controlling Party

On 18th October 2019, Priestholm TopCo Ltd was incorporated and majority funded by Vitruvian Partners LLP through its investment fund Vitruvian Investment Partnership III. Vitruvian Partners LLP is an international investment firm that supports the most ambitious and talented entrepreneurs and companies to achieve their goals.

Vitruvian provide strategic guidance and value-added operational services to the Forge Holiday Group, through a combination of monthly board meetings, strategic reviews and via Vitruvian Partners' international network of contacts, advisors and preferred partners.

Incorporated on 10th October 2019, Priestholm BidCo Ltd was used as the vehicle to acquire 100% share capital of Sykes Cottages Holdings Limited on 28th October 2019, as the company's Ultimate Parent Company is Priestholm TopCo Ltd. The acquisition of Sykes Cottages Holdings Limited (Sykes Cottages Group) by Priestholm BidCo Ltd resulted in the Ultimate Controlling Party changing to Vitruvian Partners LLP from the previous private equity firm LivingBridge LLP. The Sykes Cottages Group secured its first private equity investment from LivingBridge LLP in 2015. LivingBridge LLP continues to retain a minority shareholding in the Group.

Under the Vitruvian ownership the Forge Holiday Group has continued on its trajectory as a fast-growing technology-driven service business, hosting more than a million holidaymakers in 2023 and supporting the growth of the group into other complementary markets.

Political Contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Future Developments

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

Financial Instruments

Objectives and policies

The group does not use derivative financial instruments for speculative purposes. The group enters into financial derivative contracts to mitigate financial risk and details are included above in the Strategic Report under the relevant risk heading.

Going Concern

To conclude on going concern for the company, the Directors have considered going concern at the group level.

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report. The group closely monitors its funding position throughout the year including monitoring continued compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations.

PRIESTHOLM MIDCO LTD

Directors' Report (Continued)

Going Concern (Continued)

Forecasts are produced at least once a quarter, to include latest known trends or environment changes, along with any related sensitivity analysis to allow proactive management of any business risks including liquidity risk. Using these forecasts and sensitivities management have performed severe stress testing, which includes adjusting the key levers to the model as follows:

- A 20% reduction in property stock acquisition (Agency divisions)
- An average fall of 15% in booking volumes up to 31st March 2025
- A 5% reduction in average income per booking
- A 10% increase in marketing costs to acquire bookings (Agency divisions)
- A 20% increase in site operating costs (Specialist Operator division)

The Directors are confident that that they have a reasonable basis upon which to conclude that the group is able to continue as a going concern to 31st March 2025.

The key factor supporting this is:

- With cash at the end of September of 2023 of £73,360,000 the group had sufficient liquidity headroom at the start of 2023 for the year ahead. This has been reviewed during December 2023 and liquidity headroom remains sufficient for the period up to 31st March 2025. In addition Forge Holiday Group has flexible financing arrangements in place with its external lenders, to support strategy growth.

The Directors of the Company during their going concern assessment have confirmed the ability of its parent company to provide continued support and access to cash to ensure the day to day running of the Company. The board has obtained a written confirmation of financial support from its parent undertaking Priestholm TopCo Ltd who has confirmed it will provide financial support to assist the Company to meet its liabilities as and when they fall due but only to the extent that money is not otherwise available to the Company to meet such liabilities for the period to 31st March 2025.

Environmental Matters

Our approach

At Forge Holiday Group, creating lasting holiday memories whilst making a positive social and environmental impact is at the heart of what we do. We're fully committed to improving our overall environmental stewardship and our impact on air, climate, water, land, and biodiversity.

Each of our divisions are unique and at different stages of their business maturity and sustainability journeys. That's why we assess the impact of each individually, allowing us to set meaningful KPIs and wherever possible, we go beyond applicable environmental legislation and obligations. This flexible approach ensures that the Group makes a significant positive impact on the planet.

B Corp framework and certification

In 2023, Sykes Holiday Cottages and Forest Holidays became B Corp certified. Certified B Corporations, or B Corps, are businesses verified by B Lab to meet high standards of social and environmental performance, transparency and accountability. The assessment evaluates companies across five 'impact areas', including environment. Both businesses scored higher than the average in both our sector and in the UK generally for overall environmental management practices.

PRIESTHOLM MIDCO LTD

Directors' Report (Continued)

Environmental Matters (Continued)

B Corp framework and certification (continued)

Nature conservation is a critical component of the Forest Holidays business model and the B Corp assessment recognised this. Achieving the highest Land and Wildlife Impact Business Model score within the UK, B Corp acknowledged just how much of a positive impact the business makes on the natural environment.

The B Corp framework and best practice forms the basis of our approach to building environmental strategies and KPIs for the Group.

Environmental goals

Our UK-based divisions have set ambitious targets to limit their impact on and create positive change for the planet. Each division contributes to three core environmental goals:

- Achieve Net Zero across our operations
- Actively contribute to a Nature Positive UK
- Educate, engage and enable all of our stakeholders to have a positive environmental impact

Greenhouse gas emissions

The Forge Holiday Group principal activity is short term holiday lets through its eco-cabin sites or through its holiday letting agency and marketing service, which are located in the UK, Ireland and New Zealand.

Forge Holiday Group agency divisions (UK Core Cottage Agency, International and Caravans) have a number of local offices across the UK and New Zealand, which assist in providing managed services to Owners. As the Group's agency division business is primarily online, with a few retail footprints, our carbon emissions from these divisions is relatively small.

The specialist operator within the Forge Holiday Group currently has twelve forest locations where guests can take short holiday breaks. Forest Holidays takes a forest-centred approach to development, design and integration which uses extremely low impact and ecological sensitive methods and techniques.

Our GHG reporting approach

Our GHG emissions are reported in tonnes of carbon dioxide equivalent (tCO₂e) for the year ending 30th September 2023 and the comparative is reported for the year ending 30th September 2022 (includes acquisitions made in financial year 2022 from the date of acquisition).

Our approach to reporting is based on the GHG Protocol Corporate Accounting and Reporting Standard. In line with the guidance on SECR, we have included the energy consumption and emissions from lease facilities we operate from but are outside our financial control.

We have calculated our Scope 1 and 2 greenhouse gas emissions in accordance with the reporting requirements set out in Companies Act 2006 (Strategic Report and Director's Reports) Regulation 2013.

We have used the latest Defra emissions factors and our gross emissions total in the table applies the 'location based' accounting methodology for grid electricity emissions.

We have chosen the intensity measure in tCO₂e per full time equivalent employee as our activity is predominately office based.

PRIESTHOLM MIDCO LTD

Directors' Report (Continued)

Environmental Matters (Continued)

Our GHG reporting approach (continued)

Forge Holiday Groups emissions have increased year on year due to the growth through acquisitions, especially Forest Holidays. Forest Holidays is a principal holiday provider who is primarily responsible for heating, lighting and power of its eco-cabins and Forest locations. The diversification into providing eco-cabin holidays has fundamentally changed the groups energy usage. All divisions within the Forge Holiday Group are dedicated to reducing carbon emissions.

Forge Holiday Group Energy Consumption and associated greenhouse gas emissions

Consumption	Unit	2023	2022
Total energy consumption (electricity)	kWh	13,536,094	11,912,358
Total energy consumption (gas)	kWh	8,352,953	8,119,074
Total vehicle fuel consumption	kWh	2,271,892	1,476,176
Total other heating oil consumption	kWh	83,047	69,177
Total biomass consumption	kWh	1,069,533	724,999

Emissions	Unit	2023	2022
Electricity consumption	Tonnes CO ₂ e	2,803	2,304
Gas consumption	Tonnes CO ₂ e	1,535	1,538
Vehicle fuel consumption	Tonnes CO ₂ e	582	345
Total other heating oil consumption	Tonnes CO ₂ e	21	17
Total biomass consumption	Tonnes CO ₂ e	10	7
Total sewage sludge emissions	Tonnes CO ₂ e	11	8
Relative intensity by full time equivalent (FTE)*	Tonnes CO ₂ e	3.15	2.91

*Full time equivalent calculation assumes Part time employees are 0.5 FTE.

Forge Holiday Group has provided an energy consumption and associated greenhouse gas emissions analysis for the UK Core Cottage Agency and Specialist Operator divisions to provides a more meaningful year on year comparison.

Forest Holidays Energy Consumption and associated greenhouse gas emissions

Consumption	Unit	2023	2022
Total energy consumption (electricity)	kWh	12,746,072	11,197,784
Total energy consumption (natural gas & gaseous fuels)	kWh	7,743,474	7,559,845
Total vehicle fuel consumption	kWh	713,602	158,814
Total other heating oil consumption	kWh	23,878	17,562
Total biomass consumption	kWh	1,069,533	724,999

Emissions	Unit	2023	2022
Total energy consumption (electricity – Location based)	Tonnes CO ₂ e	2,639.4	2,165.4
Total energy consumption (natural gas & gaseous fuels)	Tonnes CO ₂ e	1,423.3	1,435.5
Total vehicle fuel consumption	Tonnes CO ₂ e	171.0	38.5
Total other heating oil consumption	Tonnes CO ₂ e	5.9	4.6
Total biomass consumption	Tonnes CO ₂ e	10.4	7.0
Total sewage sludge emissions	Tonnes CO ₂ e	11.0	8.0
Relative intensity by full time equivalent (FTE)*	Tonnes CO ₂ e/FTE	6.89	6.41

PRIESTHOLM MIDCO LTD

Directors' Report (Continued)

Environmental Matters (Continued)

Our GHG reporting approach (continued)

Forest Holidays Energy Consumption and associated greenhouse gas emissions (continued)

Forest Holidays' 2023 Scope 1 and Scope 2 footprint has increased compared to 2022. This is due to a combination of increases in electricity consumption as a new site at Garwnant opened, and the 7% increase in the electricity emission factor for 2023 (provided in the UK Government GHG Conversion Factors for Company Reporting) due to an increase in natural gas use in electricity generation and a decrease in renewable generation.

Forest Holidays has completed a series of initiatives over the last two years to drive a focus on environmental sustainability, including:

1. Developing a long-term environmental strategy, overseen by the CEO
2. Establishing an Environmental Strategy Group, lead by the Director of Sustainable Growth
3. Setting Net Zero targets covering all three scopes, aligned to the requirements of the Science Based Targets initiative, and extending the measurement of Scope 3 impacts to include purchased goods and services, and construction impacts
4. Delivering detailed workstream targets and plans covering carbon, water, waste, and biodiversity

UK Core Cottage Agency Energy Consumption and associated greenhouse gas emissions

Consumption	Unit	2023	2022
Total energy consumption (electricity)	kWh	790,022	714,574
Total energy consumption (gas)	kWh	609,479	559,229
Total vehicle fuel consumption	kWh	1,558,290	1,317,362
Total other heating oil consumption		59,169	51,615
Total biomass consumption		-	-

Emissions	Unit	2023	2022
Electricity consumption	Tonnes CO2e	164	138
Gas consumption	Tonnes CO2e	112	102
Vehicle fuel consumption	Tonnes CO2e	411	307
Total other heating oil consumption	Tonnes CO2e	15	13
Total biomass consumption	Tonnes CO2e	-	-
Total sewage sludge emissions ³	Tonnes CO2e	-	-
Relative intensity by full time equivalent (FTE)*	Tonnes CO2e	0.73	0.64

The energy consumption of the UK Core Cottage Agency has increased partly due to the inclusion of a full year's results in 2023 for agency acquisitions made in 2022, along with an increase in vehicle fuel consumption, due to the normalisation of property visits in the post covid environment.

As with the Specialist Operator division the 7% increase in the electricity emission factor for 2023 (provided in the UK Government GHG Conversion Factors for Company Reporting) due to an increase in natural gas use in electricity generation and a decrease in renewable generation, has also impacted the year on year emissions.

Despite this, the relative intensity ratio has reduced year on year aligning with the groups strategic goal to reduce carbon emissions.

PRIESTHOLM MIDCO LTD

Directors' Report (Continued)

Environmental Matters (Continued)

Supporting biodiversity in the UK and overseas

The Group is committed to protecting and enhancing our natural environment and landscapes. We support regional habitat protection projects across the country through funding and volunteering, including work with Wildlife Trusts and a number of community projects to restore and protect habitats.

Forest Holidays are also stewards of 244.5 hectares of the nation's forests. We lease the land our locations occupy from Forestry England, Forestry and Land Scotland and Natural Resources Wales. We're a trusted partner to manage the land for conservation and create lasting holiday memories for all. We also support the Global Goals for Nature by continuing to commit to nature positive growth and to become Nature Net Positive at all cabin locations by 2025.

Employee Matters

Our employees are woven into our purpose, mission, and everything we do. Therefore, our commitment to the employee experience and ensuring we attract and retain the very best talent can be seen throughout our employee journey; from recruitment to development and engagement. We believe that a positive employee experience directly influences the customer, guest and owner experience and makes our people intrinsic to business success.

Below we have set out how our People Journey ensures we recruit the most qualified employees, regardless of age, sex, race or disability, and how we develop, engage and communicate with colleagues to create organisational success based on a unique consumer first approach, which can only be created by our people.

Recruitment

The Forge Holiday Group continues to invest in market leading talent, and in the last 12 months we have taken steps to ensure this process is one that is fair to all. We have;

Registered as a disability confident committed employer, level 1. Which means we are committed to;

- Making sure the recruitment process is inclusive and accessible by ensuring against discrimination. We have included an in-depth review of this within a recruitment and interviewing module in our "Management Essentials" development programme.
- Offering reasonable adjustments when inviting candidates to interview
- Advertising vacancies through a range of channels and using the Disability confident badge to ensure potential applicants know that we are an inclusive employer.
- The continuous review of the recruitment process to ensure it is accessible. Work continues on providing adverts in accessible formats.
- Running all adverts through a gender-neutral advert decoder, which will be in place by September 2023.

PRIESTHOLM MIDCO LTD

Directors' Report (Continued)

Employee Matters (Continued)

Recruitment (continued)

Engaged with several different groups to increase diversity. This includes;

- Girls in Tech, who encourage and help connect employers with women in tech roles, to help build a richer, more diverse workforce in this area of the business.
- North Coders and Code Nation who run code camps and provide intensive courses for candidates who want to get into a career in coding/development. This gives an opportunity for emerging talent to show *potential* as opposed to having the necessary work experience, which may usually exclude candidates from more diverse backgrounds.
- Career Transition Programme (CTP), helping to place military personnel on civvy street.
- Supported Employment Service, and local colleges whose aim is to support candidates with autism and/or a learning disability in finding good jobs or work placements. Individuals with disabilities have skills and knowledge that are valuable to our organisation and being part of this service will help us bridge the gap between these individuals and employment with the Forge Holiday Group.

Communication & Engagement

The Forge Holiday Group is committed to communicating with colleagues in a meaningful way. We have recently launched an intranet within the agency division and invested time in the HRIS as a communication tool in our specialist operator division. This is to ensure that all colleagues have a central hub to be able to gain information about policies, benefits, people news and recognition.

There are also dedicated Wellbeing, Impact and People areas which feeds into our “happy employee” strategy which puts importance on happy, healthy and engaged colleagues, who mean best in class service for our customers, guests & owners.

Our employee forum, the Change & Communication Squad, continues to thrive, with representatives from across the organisation coming together regularly to discuss topics ranging from benefits to learning & development, and anything that has an impact on life at the Forge Holiday Group.

We encourage colleagues to give feedback via a quarterly engagement survey which we regularly have positive response rates. Results of these surveys are reviewed from executive level to team level, with action plans created and communicated to ensure we are always taking positive action to create the most positive workplace experience possible. We are currently working through implementing a new engagement survey platform which will serve as a whole Group solution, allowing us to align our employee experience throughout the Group, and make providing feedback a more positive experience. We hold regular awareness and wellbeing days/weeks throughout the year, sharing resources, involving colleagues in activities and raising awareness of topics which impact our colleagues and their families. This year we created activity around Menopause Awareness, International Women's and Men's days, stress awareness and financial wellbeing to name a few.

Our shared values underpin the “how” we do things at the Forge Holiday Group. These values are a focus for our recognition programme which includes peer nominated monthly awards based on each of our values, public peer to peer recognition and annual awards ceremonies with awards based on Values, performance and outstanding achievement, amongst others.

PRIESTHOLM MIDCO LTD

Directors' Report (Continued)

Employee Matters (Continued)

Benefits & Discounts

The Forge Holiday Group continues to offer a competitive benefits package and are committed to reviewing our offering to ensure it is not only in line with the market but represents a true value to our colleagues *and* their loved ones.

In the last 12 months, we have introduced a virtual GP service in which colleagues and their loved ones can access free telephone and video doctors appointments 24/7, 364 days a year. Engagement with this benefit has been positive, and anonymous feedback from colleagues tells us this is benefitting not only them but their children and loved ones.

We have given access to two new retail discount portals which colleagues and their family can benefit from. As well as continuing to offer local discounts in areas we operate in, we engage with the Retail Trust across the Group to provide Wellbeing support including financial support, access to counselling and a wealth of resources to help all areas of mental and physical wellness.

Policies & Procedures

In the last twelve months we have begun to undertake a review of all of our policies to ensure existing policies are fit for purpose and create new policies where appropriate and beneficial for our People and the business.

This year we have introduced a new menopause policy, breastfeeding policy, cyber security and data protection policies, along with new probation and sickness absence policies and procedures all designed to benefit our colleagues and managers and create fair and simple processes for all.

To further protect our people we have formed a new Health and Safety (H&S) forum to ensure the safety of our colleagues is a top priority and there is a rigorous procedure in place to escalate and review H&S issues.

Learning & Development

This year we have put a focus on management development, corporate induction, coaching and ensuring all colleagues understand our culture, values and support available to them.

In our newly revamped Corporate Induction we look at the benefits of Equality, Diversity and Inclusion (EDI), how it links to our values and how we can support it (as well as mentioning our recently formed EDI Steering Group, the steps we've taken so far, and how people can get involved). We also discuss how people can get involved in Impact activities and wellbeing benefits such as The Retail Trust, our wellbeing platform, Virtual GP and private health insurance.

We hosted a range of activities during Learning at Work Week, which we combined with Mental Health Awareness Week which included; talks on How to Be An Ally, developing new skills, learning about a variety of topics and different departments and Menopause and Neurodiversity watch parties.

Our Leaders programmes include modules on recruitment and interviewing, where we look at the benefits of a diverse workforce, the Equality Act 2010, and unconscious bias. The Sickness & Absence module looks at the support and adjustments we can provide to help people back to work, and we talk about mental health and the support available via The Retail Trust, as well as looking at how to manage Sickness & Absence connected to protected characteristics (in particular, disability and pregnancy).

PRIESTHOLM MIDCO LTD

Directors' Report (Continued)

Employee Matters (Continued)

Learning & Development (continued)

Another focus of our Leaders programmes is managing performance, where we focus on having regular, consistent conversations around performance with all team members to praise, stretch, develop and support (not just those who are under-performing). We also look at the causes of underperformance and the types of support we can offer. We consider bias when measuring performance - in particular, the "halo and horns effect" (unconscious bias), and how to use both objective and subjective performance indicators to get a full and reliable picture.

The L&D team have also undertaken department specific coaching training to help managers support and develop their team members, as well as fostering autonomy and independence. A full coaching module will also be included in our Management Essentials programme later this year.

Gender Diversity Information

At Forge Holiday Group we are fully committed to equal opportunities and equal treatment for all employees. It is part of our strategy to ensure we have an inclusive workplace culture where individuals can reach their full potential.

A commitment to diversity closely links to our core value to "Be one team".

For our People, we understand the benefits a diverse workforce brings - both in diverse ranges of ideas and approaches and in creating a vibrant and welcoming culture. We are committed to inclusivity and have taken an "expert-led" approach to our Equity, Diversity and Inclusion (EDI) strategy, with an intentional focus on the quality and consistency of employee experience, rather than being driven by pure metrics.

For our Social/Environmental Impact, we understand the role Forge Holiday Group can play in visibly championing ways of working that support diversity and how this can impact our employees, wider industry and society. We are conscious and intentional in considering how our changes such as our family friendly policy review will be received by wider industry. Whilst championing equal leave and supporting working parents is the right thing to do for our employees, and will help us with talent recruitment and retention, we are also hopeful to lead a "step change" in wider industry's approach as to what becomes the accepted standard and norm.

The Forge Holiday Group are confident that our gender pay gap does not stem from paying men and women differently for the same or equivalent work. Rather the gender pay gap is the result of the different roles in which men and women work within the organisation and the salaries that these roles attract. Many of our lower paid colleagues are women who have more flexible hours to support family commitments which is part of our commitment to providing an inclusive working culture. Forge Holiday Group has an excellent flexible working policy in place to support colleagues and we have many colleagues, across the company who have applied and have an agreed flexible working pattern. This however does have an impact on our gender pay gap figures.

The Forge Holiday Group does have excellent entry level salaries for team colleagues above national minimum wage the company is looking to further enhance its proposition to employees. At the Forge Holiday Group we also offer our employees an extensive range of family friendly leave provisions and benefits including enhanced maternity leave. Forge Holiday Group regularly performs a benchmarking process of its roles to ensure that our teams are being paid in line with the market we operate in.

PRIESTHOLM MIDCO LTD

Directors’ Report (Continued)

Gender Diversity Information (Continued)

The table below shows the breakdown of roles by gender:

	2023			2022		
	Parent Company Directors*	Senior leadership team	Employees	Parent Company Directors*	Senior leadership team	Employees
Female	-	26	1,266	-	27	1,199
Male	4	37	763	4	33	689
Gender Diverse	-	-	1	-	-	-

* The Parent Company is Priestholm Topco Ltd and had 4 Statutory Directors.

Social, Community and Human Rights Issues

Our approach

The Group is committed to having a positive impact on the communities in which we operate, hire from and source from. Over the last year we’ve grown our support of others; through our volunteering initiatives, fundraising for our charity partners, donating stays to families in need and supporting community initiatives.

In our B Corp certifications, both Sykes Holiday Cottages and Forest Holidays score higher than the average in our sector and the UK for overall community engagement and impact.

The B Corp framework and best practice forms the basis of our approach to building social and community impact strategies and KPIs for the Group.

Social and Community goals

Each division within the Group contributes to three core social and community goals:

- Provide every person within the Group with the opportunity to volunteer
- Donate holidays to families coping with severe challenges
- Increase our support and fundraising each year for charities and community initiatives

PRIESTHOLM MIDCO LTD

Directors' Report (Continued)

Social, Community and Human Rights Issues (Continued)

Social and Community highlights

In 2023 we raised over £200,000 and donated 4,081 hours of our time to our charity and community partners, some of the key activities we delivered were:

- 583 volunteering days supporting over 40 organisations, making a difference to charities and communities across all regions in which we operate in.
- Almost £115,000 was donated to local causes including community groups in Cheshire and Derbyshire Mind.
- As the official sustainability partner of Chester Pride we grew our partnership to include staff workshops and volunteering helping them to reach their goal to halve their carbon footprint by 2025 alongside our shared commitment towards promoting inclusivity and diversity.
- Fundraising including abseiling down our offices, marathons, coastal hikes, bake sales, craft fairs, raft races, donations through hot drinks sales and charity quizzes with our customers; raising almost £44,000 for our charity partners.
- Working with charity partner Time Away, Forge Holiday Group enabled 112 families to go on holiday who wouldn't otherwise have been able to do so, with donations from over 100 Sykes Owners and donated stays at six Forest Holiday locations.
- Through our partnership with the Royal Countryside Fund we support emerging start-ups in rural communities in the UK. In 2023 we helped three new business owners with funding and mentoring workshops to develop strategies to establish their businesses.
- Just over £86,000 was donated to support nature projects, from sponsoring eight beehives, in several locations across Cheshire, to joining Forestry England on a five year journey to improve biodiversity.

Human rights and modern slavery

The Forge Holiday Group conducts its business fairly, ethically and with respect to fundamental human rights. We are fully committed to the prevention of all forms of slavery, forced labour or servitude, child labour and human trafficking, both in our business and in our supply chains. We will not tolerate it. The Group makes appropriate checks on all employees, recruitment agencies and suppliers to know who is working for, or on its behalf.

Forge Holiday Group is committed to providing equal opportunities and to avoiding unlawful discrimination in employment. Our Equality and Diversity policy is intended to assist the Group to put this commitment into practice. We strive to ensure that everyone is treated with dignity and respect and hold a separate Dignity at Work policy, which deals with these issues.

We also operate a Whistleblowing Policy which encourages staff to report any wrongdoing which extends to human rights violations including Modern Slavery and human trafficking. All reports will be fully investigated, and appropriate remedial actions taken.

PRIESTHOLM MIDCO LTD

Directors' Report (Continued)

Disclosure of Information to Auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director are aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post Year End Events

Group

In September 2023, the board made the decision to re-structure the Group, formalising the provision of central services for Legal, Finance, HR, IT and Marketing, alongside a redundancy program that aligned the Groups salary costs to current demand and sales levels.

A formal consultation process was announced from late September and through October and has been concluded in December 2023.

There have been no other significant events affecting the Company and the Group since the year end.

Company

There have been no other significant events affecting the Company since the year end.

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 20th February 2024 and signed on its behalf.

DocuSigned by:

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Michael Steven Graham
Director

PRIESTHOLM MIDCO LTD

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare consolidated financial statements for each financial period. Under that law they have elected to prepare the consolidated financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Under company law the Directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing the consolidated 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 they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Priestholm MidCo Ltd

Opinion

We have audited the financial statements of Priestholm Midco Ltd ('the parent company') and its subsidiaries (the 'group') for the year ended 30 September 2023 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and the Parent Company Statement of Financial Position, the Consolidated and the Parent Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 37, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 30 September 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 March 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independent Auditor's Report to the Members of Priestholm MidCo Ltd (Continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 parent company 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.

Independent Auditor's Report to the Members of Priestholm MidCo Ltd (Continued)

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are regulations related to Companies Act 2006, International Accounting Standards in conformity with the requirements of the Companies Act 2006, FRS 101 and regulations related to tax legislation.
- We understood how Priestholm Midco Ltd is complying with those frameworks by making enquiries of management to understand how the Group maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation and minutes of meetings of those charged with governance. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by internal team conversations and inquiry of management and those charged with governance.

Independent Auditor's Report to the Members of Priestholm MidCo Ltd (Continued)

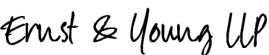
Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We identified a risk that management might override controls including certain key processes in order to achieve a desired financial reporting outcome. We determined that the area most susceptible to any such override was revenue recognition, particularly the manual journal posted to revenue.
- We designed audit procedures to address the identified risk in relation to revenue recognition. These procedures included but were not limited to, obtaining an understanding of the accounting policies and controls relevant to the identified risk and performing tests of detail for a sample of transactions. We incorporated data analytics into our testing of manual journals, including segregation of duties, and into our testing of revenue recognition. We tested specific transactions back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of Legal Counsel and Group management for their awareness of non-compliance with laws and regulations. We enquired about policies that have been established to prevent non-compliance with laws and regulations and about the Company's methods of enforcing and monitoring compliance with such policies. In addition, we completed procedures to conclude on the compliance of the disclosures in financial statements with the requirements of the relevant accounting standards and UK legislation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

DocuSigned by:

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Tehseen Ali
 for and on behalf of Ernst & Young LLP, Statutory Auditor
 Manchester

20 February 2024

PRIESTHOLM MIDCO LTD

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 September 2023

	Note	2023 £000	2022 £000
Revenue	7	208,328	170,490
Cost of sales	8	(83,643)	(54,109)
Gross profit		124,685	116,381
Other operating income	9	25	12
Administrative expenses		(118,251)	(95,133)
Tangible asset impairment and loss on revaluation	17	(11,366)	-
Intangible asset impairment	18	(10,265)	-
Goodwill impairment	19	(119,683)	-
Exceptional items	16	(1,106)	(8,098)
Operating (loss)/profit	10	(135,961)	13,162
Finance income	14	1,798	484
Finance expense	14	(95,294)	(39,649)
Loss before tax		(229,457)	(26,003)
Tax credit	15	33,675	5,386
Loss for the year		(195,782)	(20,617)
Other comprehensive income:			
Exchange differences arising on translation on foreign operations		938	(63)
Total comprehensive loss for the year		(194,844)	(20,680)

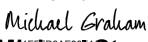
Revenue and operating (loss)/profit are derived wholly from continuing operations.

The financial statements include the notes on pages 48 to 101.

PRIESTHOLM MIDCO LTD**Consolidated Statement of Financial Position
as at 30 September 2023**

	Note	2023 £000	2022 £000
Assets			
Non-current assets			
Investments		12	12
Tangible fixed assets	17	269,478	272,714
Intangible fixed assets	18	164,740	202,354
Goodwill	19	242,863	374,894
		<u>677,093</u>	<u>849,974</u>
Current assets			
Inventories	21	494	504
Trade and other receivables	22	22,754	10,637
Derivative financial assets	23	-	399
Cash and cash equivalents	34	73,360	110,652
		<u>96,608</u>	<u>122,192</u>
Total assets		<u>773,701</u>	<u>972,166</u>
Non-current liabilities			
Loans and borrowings	26	(615,154)	(593,317)
Deferred tax liabilities	15	(42,796)	(85,202)
Derivative financial liabilities	23	(4,592)	-
Contingent consideration	27	-	(721)
		<u>(662,542)</u>	<u>(679,240)</u>
Current liabilities			
Trade and other liabilities	24	(72,152)	(75,039)
Contract liabilities	25	(12,306)	(12,613)
Derivative financial liabilities	23	(4,504)	-
Loans and borrowings	26	(71,225)	(58,946)
Contingent consideration	27	-	(512)
		<u>(160,187)</u>	<u>(147,110)</u>
Total liabilities		<u>(822,729)</u>	<u>(826,350)</u>
Net assets		<u>(49,028)</u>	<u>145,816</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	28	274,605	274,605
Foreign currency translation reserve	29	542	(396)
Retained earnings	29	(324,175)	(128,393)
Total equity		<u>(49,028)</u>	<u>145,816</u>

The financial statements on pages 42 to 101 were approved and authorised for issue by the board of Directors on 20th February 2024 and were signed on its behalf by:

DocuSigned by:

Michael Steven Graham
 Director

PRIESTHOLM MIDCO LTD**Company Statement of Financial Position
as at 30 September 2023**

	Note	2023 £000	2022 £000
Assets			
Non-current assets			
Investments	20	274,605	274,605
		<u>274,605</u>	<u>274,605</u>
Current assets			
Trade and other receivables	22	4,876	3,101
		<u>4,876</u>	<u>3,101</u>
Total assets		<u>279,481</u>	<u>277,706</u>
Current liabilities			
Trade and other liabilities	24	(4,876)	(3,101)
		<u>(4,876)</u>	<u>(3,101)</u>
Total liabilities		<u>(4,876)</u>	<u>(3,101)</u>
Net assets		<u>274,605</u>	<u>274,605</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	28	274,605	274,605
Retained earnings	29	-	-
Total equity		<u>274,605</u>	<u>274,605</u>

The financial statements on pages 42 to 101 were approved and authorised for issue by the board of Directors on 20th February 2024 and were signed on its behalf by:

DocuSigned by:

Michael Graham

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Michael Steven Graham

Director

PRIESTHOLM MIDCO LTD**Consolidated Statement of Changes in Equity
For the Year Ended 30 September 2022**

	Share capital	Foreign currency translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 October 2021	274,605	(333)	(107,776)	166,496
Loss for the year	-	-	(20,617)	(20,617)
Foreign currency translation reserve	-	(63)	-	(63)
Total comprehensive loss for the year	-	(63)	(20,617)	(20,680)
At 30 September 2022	274,605	(396)	(128,393)	145,816

**Consolidated Statement of Changes in Equity
For the Year Ended 30 September 2023**

	Share capital	Foreign currency translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 October 2022	274,605	(396)	(128,393)	145,816
Loss for the year	-	-	(195,782)	(195,782)
Foreign currency translation reserve	-	938	-	938
Total comprehensive loss for the year	-	938	(195,782)	(194,844)
At 30 September 2023	274,605	542	(324,175)	(49,028)

The financial statements include the notes on pages 48 to 101.

PRIESTHOLM MIDCO LTD**Company Statement of Changes in Equity
For the Year Ended 30 September 2022**

	Share capital £000	Retained earnings £000	Total equity £000
At 1 October 2021	274,605	-	274,605
Loss for the year	-	-	-
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 2022	<u>274,605</u>	<u>-</u>	<u>274,605</u>

**Company Statement of Changes in Equity
For the Year Ended 30 September 2023**

	Share capital £000	Retained earnings £000	Total equity £000
At 1 October 2022	274,605	-	274,605
Loss for the year	-	-	-
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 2023	<u>274,605</u>	<u>-</u>	<u>274,605</u>

The financial statements include the notes on pages 48 to 101.

PRIESTHOLM MIDCO LTD**Consolidated Statement of Cashflows
For the Year Ended 30 September 2023**

		2023 £000	2022 £000
Cash flows from operating activities			
Loss before tax	Notes	(229,457)	(26,003)
Adjustments for:			
Depreciation of tangible fixed assets	17	18,526	7,875
Amortisation of intangible fixed assets	18	35,814	32,403
Loss/(profit) on disposal		5	66
Tangible asset impairment and loss on revaluation	17	11,366	-
Intangible asset impairment	18	10,265	-
Goodwill impairment	19	119,683	-
Finance income	14	(1,798)	(484)
Finance expense	14	95,294	39,649
Net foreign exchange loss/(gain)		1,034	(91)
RDEC credits		(528)	-
		<u>60,204</u>	<u>53,415</u>
Movements in working capital:			
(Increase)/decrease in trade and other receivables		(10,500)	1,021
Decrease/(increase) in inventories		10	(39)
Decrease in trade and other liabilities		<u>(1,454)</u>	<u>(23,738)</u>
Cash generated from operations		<u>48,260</u>	<u>30,659</u>
Income taxes paid		<u>(791)</u>	<u>(2,882)</u>
Net cash from operating activities		<u>47,469</u>	<u>27,777</u>
Cash flows from investing activities			
Acquisition of a subsidiaries, net of cash acquired		-	(337,568)
Purchases of tangible fixed assets	17	(21,154)	(8,400)
Proceeds from disposal of tangible fixed assets		72	17
Capitalised development expenditure	18	(8,465)	(5,489)
Purchases of intangible assets		-	-
Interest received		2,197	534
Net cash used in investing activities		<u>(27,350)</u>	<u>(350,906)</u>
Cash flows from financing activities			
Proceeds from bank borrowings	26	949	558,854
Repayment of debt instruments		(2,252)	(226,884)
Interest paid on bank borrowings		(54,463)	(14,813)
Payment of lease liabilities		<u>(1,942)</u>	<u>(4,195)</u>
Net cash (used in)/from financing activities		<u>(57,708)</u>	<u>312,962</u>
Net cash decrease in cash and cash equivalents		<u>(37,589)</u>	<u>(10,167)</u>
Cash and cash equivalents at the beginning of year	34	110,652	120,788
Exchange gains on cash and cash equivalents		297	31
Cash and cash equivalents at the end of the year	34	<u>73,360</u>	<u>110,652</u>

The financial statements include the notes on pages 48 to 101.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

1. Corporate Information

Priestholm MidCo Ltd ("the Company or the Parent") is a Limited Liability Company incorporated and domiciled in United Kingdom. The registered office is located at 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT.

Priestholm MidCo Ltd and its subsidiaries (collectively, the Group) is principally engaged in providing short term holiday lets through its eco-cabin sites or through its holiday letting agency and marketing service, which are located in the UK, Ireland and New Zealand. Information on other related party relationships of the Group is provided in note 33.

Parent Company Guarantee

Priestholm MidCo Ltd has issued a parent company guarantee pursuant to Section 479 (C) of the UK Companies Act 2006 for the financial year 2023 on behalf of the subsidiary companies registered in England (see list below). The parent company guarantee applies to all outstanding liabilities for the subsidiaries at the balance sheet date until the obligations have been fulfilled. The subsidiaries have applied the exemption from statutory audit provided in Section 479 (A) of the UK Companies Act 2006.

Subsidiaries:

- Maid In the Cotswolds Ltd – 07979374
- Fisherbeck Management Limited – 01672804
- Manor Cottages Property Services Limited – 07675654
- Best of Suffolk Ltd – 06356234
- Abersoch Quality Homes Limited – 11569733
- Northumbria Coast and Country Cottages Limited - 03916403
- Large Holiday Houses Limited – SC257194
- Canopy MidCo Limited – 11070388
- Forest Holidays Group Limited - 08159281
- UKCaravans4Hire.com Limited – 07061010
- Sykes Cottages Holdings Limited – 09346246
- Go-Sykes Limited – 09329266
- Potter TopCo Limited – 11076957
- Character Cottage Holidays Limited – 05519222
- Lyme Bay Holidays Limited – 04528647
- Canopy HoldCo Limited – 11070222
- Canopy BidCo Limited - 11070472

The group financial statements consolidate the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

2. Basis of preparation

The financial reporting framework that has been applied in the preparation of the group consolidated financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice".

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

These consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, debt and equity financial assets and contingent consideration that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

Going Concern

To conclude on going concern for the company, the Directors have considered going concern at the group level.

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report. The group closely monitors its funding position throughout the year including monitoring continued compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations.

Forecasts are produced at least once a quarter, to include latest known trends or environment changes, along with any related sensitivity analysis to allow proactive management of any business risks including liquidity risk. Using these forecasts and sensitivities management have performed severe stress testing, which includes adjusting the key levers to the model as follows:

- A 20% reduction in property stock acquisition (Agency divisions)
- An average fall of 15% in booking volumes up to 31st March 2025
- A 5% reduction in average income per booking
- A 10% increase in marketing costs to acquire bookings (Agency divisions)
- A 20% increase in site operating costs (Specialist Operator division)

The Directors are confident that they have a reasonable basis upon which to conclude that the group is able to continue as a going concern to 31st March 2025.

The key factor supporting this is:

- With cash at the end of September of 2023 of £73,360,000 the group had sufficient liquidity headroom at the start of 2024 for the year ahead. This has been reviewed during December 2024 and liquidity headroom remains sufficient for the period up to 31st March 2025. In addition Forge Holiday Group has flexible financing arrangements in place with its external lenders, to support strategy growth.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

2. Basis of preparation (continued)

Going Concern (continued)

The Directors of the Company during their going concern assessment have confirmed the ability of its parent company to provide continued support and access to cash to ensure the day to day running of the Company. The board has obtained a written confirmation of financial support from its parent undertaking Priestholm TopCo Ltd who has confirmed it will provide financial support to assist the Company to meet its liabilities as and when they fall due but only to the extent that money is not otherwise available to the Company to meet such liabilities for the period to 31st March 2025.

Financial statement approval

The consolidated financial statements of Priestholm MidCo Ltd and its subsidiaries (collectively, the Group) for the year ended 30th September 2023 were authorised for issue in accordance with a resolution of the board of Directors on 20th February 2024.

3. Functional and presentation currency

These consolidated financial statements are presented in pound sterling, which is also the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. Standards issued not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1st January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements as they do not have a material effect on the Company's financial statements.

The following amended standards are not expected to have a significant impact on the Company's financial statements:

- Definition of Accounting Estimates - Amendments to IAS 8;
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12;
- International Tax Reform-Pillar Two Model Rules – Amendments to IAS 12;
- Amendments to IFRS 16: Lease Liability in a Sales and Leaseback;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies

5.1 General

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

5.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30th September 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive income (OCI) attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.3 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

5.4 Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.4 Goodwill (continued)

Where goodwill has been allocated to a cash generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

5.5 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

5.6 Revenue

Revenue represents amounts chargeable, net of value added tax, in respect of the sale of goods and services to customers

IFRS 15 Revenue from Contracts with Customers is a principle-based model of recognising revenue from customer contracts. It has a five-step model that requires revenue to be recognised when control over goods and services are transferred to the customer. The standard requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The following paragraphs describes the types of contracts, when performance obligations are satisfied, and the timing of revenue recognition.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.6 Revenue (continued)

UK Core Cottage Agency

The UK Core Cottage Agency provides arranging and facilitating letting of holiday cottages for its property owners and receives a commission fee for the services provided. The Group remits the gross rental fee received from the guest to the property owner, net of the Group's commission. Commission is recognised when the performance obligation of arranging and facilitating the customer to enter into individual contracts with property owners is satisfied, usually on delivery of the booking confirmation.

Booking fees are earned from the guest as the Group acts as a booking agent by arranging the holiday let and providing owner details. Booking fee is recognised when the performance obligation of arranging and providing the property details to the customer has been satisfied, usually on delivery of the booking confirmation.

Commission on travel insurance products which is taken out by guests is recorded net as the Group acts as an agent. The commission earned is recognised on delivery of the booking confirmation.

Income relating to Annual membership is recognised evenly over the year as this is when the customer has control of the service.

In some cases, the Group also provides additional services to the property owners (e.g. property management); the revenue attributed to these services is recognised when the services are provided.

International

The International division arranges and facilitates letting of holiday cottages for its property owners and receives a commission fee for the services provided. The division remits the gross rental fee received from the guest to the property owner, net of the division's commission. The majority of the commission is recognised when the performance obligation of arranging and facilitating the customer to enter into individual contracts with property owners is satisfied, usually on delivery of the booking confirmation. The remaining commission is recognised when the performance obligation of pre-stay property check and guest meet and greet is satisfied, usually on the departure date of the holiday.

Booking and service fees are earned from the guest as the division acts as a booking agent by arranging the holiday let and providing owner details. Booking fee is recognised when the performance obligation of arranging and providing the property details to the customer has been satisfied, usually on delivery of the booking confirmation.

Income relating to Annual membership is recognised evenly over the year as this is when the customer has control of the service.

In some cases, the division also provides additional services to the property owners (e.g. property management); the revenue attributed to these services is recognised when the services are provided. The division also provides other guest services e.g., cleaning and linen which are recognised on the departure date of the holiday as this is when the services are provided.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.6 Revenue (continued)

Specialist Operator

Revenue relating to the Specialist Operator division comprises of receipts for short break stays at cabin sites and ancillary services provided to guests which are recognised at the point the service is provided, with all deposits deferred until this point as the Specialist Operator division acts as a principal. Refunds are provided to guests in line with the cancellation policy detailed on the relevant company website.

Caravans

The Caravan division earn Booking fees from the guest as the division acts as a booking agent by arranging the caravan holiday let and providing owner details. Booking fee is recognised when the performance obligation of arranging and providing the caravan details to the customer has been satisfied, usually on delivery of the booking confirmation. Booking fee revenue is recognised net of a provision for expected refunds which are provided in line with the cancellation policy detailed on the relevant company website.

Income relating to Annual membership is recognised evenly over the year as this is when the customer has control of the service.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

5.7 Exceptional items

The Group presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

5.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.9 Finance income and expenses

Finance expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). 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 of interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

5.10 Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all the related conditions will be met, usually on submission of a valid claim for payment.

Government grants in respect of capital expenditure are credited to a deferred income account and are released as income by equal annual amounts over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Furlough amounts received, if any, represent government grants of a revenue nature and accounted for accordingly.

5.11 Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.11 Foreign currencies (continued)

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the FCTR, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

5.12 Employee benefits

Short term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Defined contribution schemes

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.

5.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.13 Taxation (continued)

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5.14 Leases

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

The Group as a lessee

The Group recognises a right of use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Equipment, Fixtures and fittings 5 - 33% per annum on cost
- Land and Buildings 1.33 to 22% per annum on cost

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.14 Leases (continued)

Right of use assets (continued)

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section(s) Impairment of non-financial assets.

Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

The Right of use assets are included in the Tangible Fixed Assets in the Statement of Financial Position.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The lease liabilities are included in 'Loans and borrowings' on the Statement of Financial Position'.

Short term leases and leases of low value assets

The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.14 Leases (continued)

Short term leases and leases of low value assets (continued)

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate. The weighted average rate applied is between 6.75% and 9.4817% for lease liabilities in the UK Core Cottage Agency division, 9.48% for those in International division and weighted average rate applied ranges between 7% to 12% for lease liabilities, depending on asset classification in the Specialist Operator division.

As a practical expedient, IFRS 16 permits a lessee not to separate non lease components, and instead account for any lease and associated non lease components as a single arrangement. The Company has used this practical expedient.

The Group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right of use asset arising from the head lease.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

5.15 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses except the completed sites which are held at fair value.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

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

- Equipment, Fixture and fittings 20 to 33% per annum on cost
- Long-term leasehold property 22% per annum on cost
- Completed sites 1.33 to 5% per annum on cost

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

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.15 Tangible fixed assets (continued)

Planning costs that are directly attributable in bringing a new, or extended, site into use are capitalised into property, plant and equipment as incurred. These are not depreciated but are reviewed annually for impairment by the Board.

When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

5.16 Intangible fixed assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

The estimated useful lives are as follows:

- | | |
|--|-------------|
| • Brands (acquired) | 10 years |
| • Owner contracts (acquired) | 5 - 9 years |
| • Customer database (acquired) | 5 years |
| • Framework Agreement | 25 years |
| • Capitalised software development costs | 3 - 5 years |

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.16 Intangible fixed assets (continued)

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in administrative expenses. During the period of development, the asset is tested for impairment annually.

5.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first in, first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cost comprises direct materials and those overheads that have been incurred in bringing the stocks to their present location and condition.

Inventory consists of food, beverages and health and beauty products.

At each reporting date, inventory is assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

5.18 Forest Holidays Membership Club

The Forest Holidays Membership Club is now a closed scheme. It was set up as an exclusive scheme whereby members paid advanced amounts of money in return for membership points which they can then redeem against holidays over several years. Accrual and matching concepts are applied to this revenue stream, both income and associated costs are recognised in the profit and loss at the point that the service is provided, and members utilise their points. Receipts and directly attributable costs are deferred until this point.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.19 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

5.20 Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- | | |
|---|---------|
| • Disclosures for significant assumptions | Note 6 |
| • Tangible fixed assets | Note 17 |
| • Right of use assets | Note 17 |
| • Intangible assets | Note 18 |
| • Goodwill with indefinite lives | Note 19 |

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.20 Impairment of non-financial assets (continued)

Goodwill is tested for impairment annually as at 30 September and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 September at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

5.21 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

Financial assets are recognised on the trade date which is the date it commits to purchase the instruments. Loans are recognised when the funds are advanced. All other financial instruments are recognised on the date that they are originated. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value, with the exception of trade receivables that don't contain a significant financing component or where the customer will pay for the related goods or services within one year of receiving them. For financial assets which are not held at fair value through the income statement, transaction costs are also added to the initial fair value. Trade receivables that don't contain a significant financing component or where the customer will pay for the related goods or services within one year of receiving them are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.21 Financial instruments (continued)

i. Financial assets (continued)

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into the following categories;

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when;

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset

Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.21 Financial instruments (continued)

i. Financial assets (continued)

Impairment (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

ii. Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

5. Significant Accounting policies (continued)

5.21 Financial instruments (continued)

ii. Financial Liabilities (continued)

Financial liabilities at fair value through profit or loss (continued)

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

5.22 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

6. Accounting estimates and judgements

In the application of the Group's accounting policies, which are described in Note 5, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and are reviewed on an ongoing basis. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information becomes available.

The most critical accounting policies in determining the financial condition and results of the Group are those requiring the greatest degree of subjective or complex judgements and estimation. The Directors have had to make the following judgements:

Capitalisation of internal development costs

Due to the inherent uncertainty involved in determining whether costs are capital or expenditure this is considered a critical judgement. The judgement used in the capitalisation of internal development costs are considered to have a significant risk of causing a material misstatement, specifically; the judgement on the related development as capital in nature i.e. enhancement or expenditure i.e. operational or maintenance.

Classification as operating lease or finance lease

New lease agreements entered into by the Group as either a lessor or a lessee require an assessment to determine whether they meet the definition of an operating or a finance lease. The decision depends on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Agent vs principal

Determining whether an entity is acting as a principal or as an agent requires judgement and has a significant effect on the timing and amount (gross or net basis) of revenue by the Group. As an agent, revenue is recognised at the point of booking on a net basis. As a principal, revenue is recognised on a gross basis over the duration of the holiday.

In line with IFRS 15, management have concluded that revenue in the Group will continue to be treated as an agent on the basis that the performance obligation is to arrange for the Property Owners to provide the goods or services. This assessment has given consideration that there is no inventory risk and limited discretion in establishing prices.

Carrying value of planning costs

The Company has a number of different sites where planning permission is being sought at any one time. The costs incurred in this process are held on the balance sheet as a non-current asset. The stage of planning consent varies significantly. In some cases the sites have already obtained planning enquiries have just commenced. At each period end management assess the likelihood of planning consent being achieved on a site by site basis, which is based on the best evidence available at the time, make a judgement and ensure that costs are only capitalised where planning consent is expected to be achieved or has actually been achieved.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

6. Accounting estimates and judgements (continued)

Period-end carrying value of property, plant and equipment

The board consider that the key area of estimation uncertainty in the financial statements is the valuation of the completed sites category of property, plant and equipment. The completed sites were valued on a fair value basis in April 2022 by an external independent valuer who has appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation was performed in accordance with the RICS Valuation Standards.

The key assumption used in the valuations is considered to be the multiple applied to EBITDA forecasts to arrive at the valuation, which is determined primarily with reference to comparable transactions in the leisure and holiday sector, as well as local and national economic factors.

Leases – Incremental Borrowing Rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates.

The Directors have had to make the following estimates:

Valuation of intangibles arising on acquisition

Due to the inherent uncertainty involved in forecasting and discounting future cash flows, this is considered a critical estimate. The estimates used in the valuation of the intangible assets are considered to have a significant risk of causing a material misstatement, specifically; the estimation of future cash flows, the useful economic life of the asset, the use of the most appropriate valuation methodology and the selection of a suitable discount rate.

Impairment indicators

An assessment is performed to determine whether there are any indicators of impairment of the Group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

Provision for expected credit losses of trade receivables

Recognition of credit losses is made by considering a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

The Group applies the IFRS 9 simplified model of recognising expected credit losses for all trade receivables on the basis that no distinction is required between 12 month and lifetime expected credit losses with over 98% of trade receivables as at year end due to be paid within the following 12 months.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

6. Accounting estimates and judgements (continued)

Provision for expected credit losses of trade receivables (continued)

In measuring the expected credit losses, the trade receivables have been grouped based on whether the expected credit loss relates to a property owner or customer who has an outstanding balance on their booking. Expected credit losses have been calculated based on historic loss rates where applicable. Adjustments to take into account known circumstances at year end which may have a material effect on the historic rates used are also made if required.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 22.

Other key sources of estimation and uncertainty is:

Useful life of Tangible fixed assets

Tangible fixed assets, other than investments properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

7. Revenue

The following is an analysis of the Group's revenue for the period from continuing operations split by division:

	2023 £000	2022 £000
UK & International Cottage Agency	136,422	129,966
International	13,016	11,920
Specialist Operator	57,398	28,291
Caravans	1,492	313
	<u>208,328</u>	<u>170,490</u>

Analysis of revenue by country of destination:

	2023 £000	2022 £000
United Kingdom	193,145	156,801
Rest of Europe	2,167	1,769
Rest of the world	13,016	11,920
	<u>208,328</u>	<u>170,490</u>

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

7. Revenue (continued)

Timing of revenue recognition:

	2023 £000	2022 £000
Goods and services transferred at a point in time	206,137	168,831
Goods and services transferred over time	2,191	1,659
	<u>208,328</u>	<u>170,490</u>

Income from all goods and services except for Annual membership is recognised at the point of booking confirmation or the point at which the service is provided. This is when the transfer of control of the goods or services transfers to the customer. Income relating to Annual membership is recognised evenly over the year as this is when the customer has control of the service.

Revenue before exceptional booking refunds

	2023 £000	2022 £000
Rendering of services	208,328	170,454
Exceptional cancellations*	-	36
	<u>208,328</u>	<u>170,490</u>

*Exceptional cancellations relate to refunds of items directly impacted by Covid-19 that were previously recorded as revenue. These refunds are a goodwill gesture to customers equivalent to the booking fee and commission income earned treated as an exceptional reduction to revenue.

8. Cost of sales

	2023 £000	2022 £000
Cost of sales	83,643	54,248
Exceptional cancellations*	-	(139)
	<u>83,643</u>	<u>54,109</u>

*Exceptional cost of sales relates to commission no longer payable to Holiday managers for holidays cancelled because of the Covid-19 pandemic.

9. Other operating income

	2023 £000	2022 £000
Escrow receipts	-	3
Merchant services rebate	25	9
	<u>25</u>	<u>12</u>

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

10. Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting):

	2023 £000	2022 £000
Depreciation (note 17)	18,526	7,875
Amortisation (note 18)	35,814	32,403
Tangible asset impairment and loss on revaluation (note 17)	11,366	-
Intangible asset impairment (note 18)	10,265	-
Goodwill impairment (note 19)	119,683	-
Exceptional administrative expenses (note 16)	1,106	8,098
Foreign exchange (gain)/loss	1,034	(91)
Defined contribution pension cost (note 12)	<u>3,724</u>	<u>2,406</u>

11. Auditor's remuneration

	2023 £000	2022 £000
Audit of these consolidated financial statements	49	44
Audit of financial statements of subsidiaries of the company	<u>344</u>	<u>280</u>
	<u>393</u>	<u>324</u>

The auditor's remuneration is borne by the indirect wholly owned subsidiaries Sykes Cottages Ltd, Forest Holidays Limited and Bachcare Limited.

12. Employee benefit expenses

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Employee benefit expenses (including Directors) comprise:				
Wages and salaries	50,661	35,257	-	-
National insurance	4,536	4,341	-	-
Defined contribution pension cost	<u>3,724</u>	<u>2,406</u>	-	-
	<u>58,921</u>	<u>42,004</u>	<u>-</u>	<u>-</u>

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

12. Employee benefit expenses (continued)

The monthly average number of persons, including the Directors, employed by the Group during the period was as follows:

	Group		Company	
	2023	2022	2023	2022
	No.	No.	No.	No.
Administration and support	1,800	1,653	-	-
Sales	230	229	-	-
	<u>2,030</u>	<u>1,882</u>	<u>-</u>	<u>-</u>

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, including the Directors of the Company listed on page 23.

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Wages and salaries	2,184	1,436	-	-
Defined contribution pension cost	60	33	-	-
	<u>2,244</u>	<u>1,469</u>	<u>-</u>	<u>-</u>

13. Directors' remuneration

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Directors' emoluments	1,745	1,275	-	-
Defined benefit scheme costs	40	27	-	-
	<u>1,785</u>	<u>1,302</u>	<u>-</u>	<u>-</u>

In the current year the Directors' remuneration is borne by the indirect wholly owned subsidiaries Forge Holiday Group Ltd. In the prior year the Directors' remuneration is borne by the indirect wholly owned subsidiaries Forge Holiday Group Ltd and Canopy BidCo Limited.

Highest paid Director

	Group	
	2023	2022
	£000	£000
Directors' emoluments	386	379
Defined benefit scheme costs	4	4
	<u>390</u>	<u>383</u>

PRIESTHOLM MIDCO LTD**Note to the Financial Statements****14. Finance income and expense**

	2023	2022
	£000	£000
Finance income		
Bank deposits	1,419	115
Interest receivable from group companies	379	369
Total finance income	1,798	484
Finance expense		
Bank interest payable	(3)	(37)
Interest on lease liabilities	(7,201)	(3,253)
Bank loan interest payable	(88,090)	(36,359)
Total finance expense	(95,294)	(39,649)
Net finance expense recognised in loss	(93,496)	(39,165)

15. Tax credit**15.1 Income tax recognised in profit or loss**

	2023	2022
	£000	£000
Current tax		
Current tax on profits for the period	-	2,511
Adjustments in respect of prior periods	(2,557)	(660)
Other	13	57
	(2,544)	1,908
Deferred tax expense		
Origination and reversal of timing differences	(32,470)	(6,999)
Adjustments in respect of prior periods	1,339	(295)
Total deferred tax	(31,131)	(7,294)
Total tax credit		
Tax credit	(33,675)	(5,386)
	(33,675)	(5,386)

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

15. Tax credit (continued)

15.1 Income tax recognised in profit or loss (continued)

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United Kingdom applied to losses for the period are as follows:

	2023 £000	2022 £000
Loss for the year	(195,782)	(20,617)
Tax credit	(33,675)	(5,386)
Loss before tax	(229,457)	(26,003)
Tax using the Company's domestic tax rate of 22.01% (2022: 19%)	(50,503)	(4,941)
Expenses not deductible for tax purposes, other than goodwill, amortisation, and impairment	46,046	50
Income not taxable for tax purposes	(121)	-
Deferred tax not recognised	(201)	6
Adjustments to tax charge in respect of prior periods	(2,557)	(659)
Adjustments to tax charge in respect of previous periods - deferred tax	1,339	(273)
Other tax adjustments, reliefs, transfers	(16)	(30)
Difference in current and deferred tax rates	-	(1,425)
Fixed asset differences	4,255	1,596
Difference in deferred tax rate - UK v NZ	45	67
Transfer pricing adjustment	26	183
Timing differences not recognised in the computation	(18,208)	-
Remeasurement of deferred tax for changes in tax rates	(14,569)	60
Deferred tax relating to OCI	-	(20)
R&D expenditure credits	44	-
Excepted temporary differences	745	-
Total tax credit	(33,675)	(5,386)

Changes in tax rates and factors affecting the future tax charges

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was announced in the March 2021 Budget and was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset/liability at 30 September 2023 has been calculated based on these rates, reflecting the expected timing of the reversal of the related timing differences.

15.2 Current tax assets and liabilities

	2023 £000	2022 £000
Current tax assets		
Corporation tax	1,617	-
	<u>1,617</u>	<u>-</u>
Current tax liabilities		
Corporation tax	-	(1,996)
	<u>-</u>	<u>(1,996)</u>

Note to the Financial Statements

15.3 Deferred tax balances

	2023 £000	2022 £000
Deferred tax liabilities	<u>(42,796)</u>	<u>(85,202)</u>
	(42,796)	(85,202)

	Opening balance	Recognised in profit or loss	Acquisitions/ disposals	Other	Closing balance
	£000	£000	£000	£000	£000
2023					
Provisions	85,202	(42,406)	-	-	42,796
	<u>85,202</u>	<u>(42,406)</u>	<u>-</u>	<u>-</u>	<u>42,796</u>
2022					
Provisions	37,404	(5,438)	53,236	-	85,202
	<u>37,404</u>	<u>(5,438)</u>	<u>53,236</u>	<u>-</u>	<u>85,202</u>

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

16. Exceptional items

	2023 £000	2022 £000
Share acquisition fees*	321	7,251
Covid-19 related costs**	(56)	(85)
One off consultancy	462	153
Onerous contracts	65	-
Restructuring costs (including refinancing costs)***	314	779
	<u>1,106</u>	<u>8,098</u>

* Share acquisition fees in the current year related to aborted acquisition costs.

Share acquisition fees in the prior year consist of stamp duty, legal and one-off consultancy fees, relating to the acquisitions of Northumbria Coast and Country Cottages Limited, Large Holiday Houses Limited, Lyme Bay Holidays Limited, Canopy HoldCo Limited and UKCaravans4Hire.com Limited.

**Covid-19 related costs consist of funds uncollected on bookings cancelled due to the pandemic, refunds of rental on behalf of owners and legal fees.

In addition to the exceptional items noted above as a consequence of Covid-19 the Group also made discretionary refunds of bookings fees and commission income totalling £nil (2022: £36,000 credit) and has commission no longer payable to Holiday managers for holidays cancelled totalling £nil (2022: £139,000), these are disclosed in note 7 and note 8 respectively.

*** Restructuring costs in the current year mainly relate to the hive up of Northumbria Coast and Country Cottages Ltd and the overall amalgamation of the group following the acquisition of Forest Holidays Limited and UKCaravan4Hire.Com Limited in the prior year.

Restructuring costs in the prior year mainly relate to the refinancing of the Senior facility agreement and consists of one-off consultancy fees.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

17. Tangible fixed assets

Group

	Long-term leasehold property £000	Completed sites £000	Planning £000	Equipment, fixtures and fittings £000	Assets under construction £000	Right of use assets £000	Total £000
Cost							
At 1 October 2022	2,592	202,111	6,418	7,028	10,672	55,372	284,193
Additions	251	-	1,466	587	18,850	3,491	24,645
Transfers	-	20,237	(982)	802	(20,057)	-	-
Modifications	-	-	-	-	-	1,732	1,732
Disposals	-	-	-	(97)	-	(323)	(420)
Exchange adjustments	(2)	-	-	(19)	-	(4)	(25)
At 30 September 2023	2,841	222,348	6,902	8,301	9,465	60,268	310,125
Accumulated depreciation and impairment							
At 1 October 2022	976	4,439	-	2,339	-	3,725	11,479
Charge for the year – owned assets	360	13,199	-	1,725	-	-	15,284
Charge for the year – finance assets	-	-	-	-	-	3,242	3,242
Disposals	-	-	-	(74)	-	(266)	(340)
Modifications	-	-	-	-	-	(362)	(362)
Impairment	-	-	-	-	-	48	48
Revaluation	-	11,318	-	-	-	-	11,318
Exchange adjustments	(1)	-	-	(11)	-	(10)	(22)
At 30 September 2023	1,335	28,956	-	3,979	-	6,377	40,647
Net book value							
At 30 September 2023	1,506	193,392	6,902	4,322	9,465	53,891	269,478
At 30 September 2022	1,616	197,672	6,418	4,689	10,672	51,647	272,714

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

17. Tangible fixed assets (continued)

17.1 Assets held under leases

Information about right of use assets is summarised below:

Net book value

	2023 £000	2022 £000
Long term leasehold property	52,923	51,109
Equipment, fixtures and fittings	968	538
	<u>53,891</u>	<u>51,647</u>

Depreciation charge for the period ended

	2023 £000	2022 £000
Long term leasehold property	2,757	1,703
Equipment, fixtures and fittings	485	216
	<u>3,242</u>	<u>1,919</u>

Additions to right-of-use assets

	2022 £000	2021 £000
Additions to right-of-use assets	<u>3,491</u>	<u>2,902</u>

The details for the lease liabilities relating to the right-of-uses assets are disclosed in note 31.

17.2 Impairment losses recognised in the year

The Group has revalued the completed sites in the year and have recognised a revaluation loss of £11,318,000 in the income statement. The Group has recognised an impairment loss of £48,000 (2022: £nil) relating to right of use asset in the income statement.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

18. Intangible fixed assets

Group

	Framework agreement £000	Customer database £000	Owner contracts £000	Brands £000	Computer software £000	Total £000
Cost						
At 1 October 2022	33,483	27,113	137,676	68,236	20,047	286,555
Additions - internal	-	-	-	-	8,465	8,465
Disposals	-	-	-	-	(4)	(4)
At 30 September 2023	33,483	27,113	137,676	68,236	28,508	295,016
Accumulated amortisation and impairment						
At 1 October 2022	558	13,796	47,348	13,001	9,498	84,201
Charge for the year – owned assets	1,339	5,423	17,466	6,811	4,775	35,814
Impairment	-	2,243	-	8,022	-	10,265
Disposals	-	-	-	-	(4)	(4)
At 30 September 2023	1,897	21,462	64,814	27,834	14,269	130,276
Net book value						
At 30 September 2023	31,586	5,651	72,862	40,402	14,239	164,740
At 30 September 2022	32,925	13,317	90,328	55,235	10,549	202,354

Amortisation and impairment charge

The amortisation charge is recognised in administrative expenses in the income statement.

The impairment charge is recognised in the income statement.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

19. Goodwill

Group

	2023 £000	2022 £000
Cost	415,464	427,812
Accumulated impairment	<u>(172,601)</u>	<u>(52,918)</u>
	<u>242,863</u>	<u>374,894</u>
		Goodwill £000
Cost		
At 1 October 2022		427,812
Acquired through business combinations		-
Fair value adjustments (note 19.2)		<u>(12,348)</u>
At 30 September 2023		<u>415,464</u>
Impairment		
At 1 October 2022		52,918
Impairment (note 19.1)		<u>119,683</u>
At 30 September 2023		<u>172,601</u>
Net book value		
At 30 September 2023		<u>242,863</u>
At 30 September 2022		<u>374,894</u>

19.1 Impairment losses recognised in the year

Goodwill is allocated to the Group's cash generating unit as follows:

	2023 £000	2022 £000
Sykes Cottages	229,630	219,234
New Zealand	9,799	9,799
Forest Holidays	-	130,798
UKCaravans4Hire	3,434	4,667
Best of Suffolk	-	5,330
Northumbria Coast & Country Cottages	-	5,066
	<u>242,863</u>	<u>374,894</u>

The Group performed its annual impairment test as at 30th September 2023.

In the prior year and current year the companies which formed the cash generating units Best of Suffolk and Northumbria Coast & Country Cottages has been hived up into the Sykes Cottages Ltd, therefore the Goodwill relating to these cash generating units has been transferred into Sykes Cottages cash generating unit. The goodwill impairment for these cash generating units has been assessed through the Sykes Cottages goodwill impairment assessment.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

19. Goodwill (continued)

19.1 Impairment losses recognised in the year (continued)

An impairment has been recognised against Forest Holidays during the current year, following the annual impairment review.

19.2 Fair value adjustments

During the year the Group has concluded on the fair value of the net assets of the UKCaravans4Hire and Forest Holidays acquisitions which took place in the previous year.

The acquisition price for UKCaravans4Hire has reduced in the current year by £1,233,000 as a result of the contingent consideration criteria not being met, resulting in a reduction in goodwill and contingent consideration value.

The net assets of Forest Holidays has increased by £11,115,000 due to the reassessment of the deferred tax liability due to the indexation of completed sites. The completed sites had previously not been indexed, therefore effectively being treated at the original cost for the tax base. This has resulted in a reduction in the deferred tax liability and goodwill.

The goodwill recognised in the prior year has not been restated following the finalisation of completion accounts. Instead, goodwill in the current year has been adjusted for £12,348,000 to reflect the changes to the final fair value of the net assets acquired and contingent consideration.

19.3 Allocation of goodwill to cash generating units

Cash Generating Unit (CGU)	Discount Rate	Average growth rate	Year 4 growth rate	Year 5 growth rate	Perpetuity
Sykes Cottages	12.2%	47%	14%	5%	2%
New Zealand	12.3%	35%	18%	5%	2%
Forest Holidays	12.2%	33%	27%	5%	2%
UKCaravans4Hire	12.2%	(250%)	8%	5%	2%

The recoverable amount of the CGU as at 30th September 2023 has been determined from a value in use calculation that uses cash flow forecasts derived from the most recent financial budgets and forecasts approved by management, covering a four-year period. Budgets and forecasts are based on expectations of future outcomes taking into account past experience, adjustments for anticipated revenue growth (from both businesses acquired in the year and like for like growth) and taking into consideration external economic factors.

Cash flows for the four-year period have applied an average growth rate with the rate mainly stepping down in years 4 and 5. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 2% into perpetuity. The growth rate does not exceed the long-term average growth rate for the markets in which the CGU operates.

The pre-tax discount rate is based on the CGU weighted average cost of capital adjusted for specific principal risks and uncertainties. The discount rate takes into account the risk-free rate of return, the market risk premium and beta factor reflecting the average beta for the Group and comparator companies which are used in deriving the cost of equity.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

19. Goodwill (continued)

19.3 Allocation of goodwill to cash generating units (continued)

The Board acknowledges that there are additional factors that could impact the risk profile of the CGU, which has been considered by way of sensitivity analysis performed as part of the annual impairment test. Significant headroom exists in all CGU's except Forest Holidays. The level of headroom may change if different growth rate assumptions or a different pre-tax discount rate were used in the cash flow projections, however there are no reasonably possible changes to these assumptions that would result in an impairment. As a result of this analysis, management has not recognised an impairment in CGU's Sykes Cottages, New Zealand and UKCaravans4Hire. An impairment has been recognised for Forest Holidays in the income statement.

20. Subsidiaries

The Group and Company have the following investments in subsidiaries:

Company	Country of incorporation	Registered numbers	Class of shares held	Ownership	
				2023	2022
Directly held					
Priestholm MidCo II Ltd*	UK	12255081	Ordinary	100%	100%
Indirectly held					
Forge Holiday Group Ltd**	UK	12255564	Ordinary	100%	100%
Sykes Cottages Employee Benefit Trust	Guernsey			100%	100%
Sykes Cottages Holdings Limited*	UK	9346246	Ordinary	100%	100%
Go-Sykes Limited*	UK	9329266	Ordinary	100%	100%
Sykes Cottages Ltd**	UK	4469189	Ordinary	100%	100%
Self Catering Travel Ltd*	UK	7730563	Ordinary	100%	100%
Sykes Cottages EBT Limited*	UK	10253138	Ordinary	100%	100%
Potter TopCo Limited*	UK	11076957	Ordinary	100%	100%
Heart of the Lakes Limited*	UK	11617441	Ordinary	100%	100%
Traditional Lakeland Cottages Limited*	UK	4120468	Ordinary	100%	100%
Character Cottages Holidays Limited*	UK	5519222	Ordinary	100%	100%
Rock Estates (Cornwall) Limited*	UK	986821	Ordinary	100%	100%
Maid In the Cotswolds Limited*	UK	7979374	Ordinary	100%	100%
Fisherbeck Management Limited*	UK	1672804	Ordinary	100%	100%
Lake District Lodge Holidays Limited*	UK	8451719	Ordinary	100%	100%
Printcater Limited*	UK	2779888	Ordinary	100%	100%
Coast & Country Holidays Limited*	UK	6495419	Ordinary	100%	100%
Cornish Cottage Holidays Limited*	UK	4717186	Ordinary	100%	100%
Complete Cottage Holidays Limited*	UK	6980918	Ordinary	100%	100%
Devonshire Cottage Holidays Limited*	UK	6980919	Ordinary	100%	100%
Dorset Cottage Holidays Limited*	UK	7494512	Ordinary	100%	100%
Holiday Cottage Housekeeping Limited*	UK	8859641	Ordinary	100%	100%

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

20. Subsidiaries (continued)

Company	Country of incorporation	Registered numbers	Class of shares held	Ownership	
				2023	2022
Indirectly held					
Holiday Cottage Experts Limited*	UK	8870393	Ordinary	100%	100%
Helpful Holidays (Holdings) Limited*	UK	8632456	Ordinary	100%	100%
Helpful Holidays Limited*	UK	3800436	Ordinary	100%	100%
West Country Cottages Limited*	UK	3741255	Ordinary	100%	100%
Cottage Holidays (Carlisle) Limited*	UK	7463275	Ordinary	100%	100%
Cornwall Holiday Cottages Limited *	UK	4924028	Ordinary	100%	100%
Coast & Country Cottages (Holdings) Limited*	UK	8739127	Ordinary	100%	100%
Coast & Country Cottages (South West) Limited*	UK	4073439	Ordinary	100%	100%
Manor Cottages UK Company Limited*	UK	5750184	Ordinary	100%	100%
Manor Cottages Laundry Services Limited*	UK	10315174	Ordinary	100%	100%
Manor Cottages Property Services Limited*	UK	7675654	Ordinary	100%	100%
Manor Cottages Property Services (South) Limited*	UK	9084982	Ordinary	100%	100%
Hideaway Holiday Cottages Limited*	UK	10439904	Ordinary	100%	100%
La Manga Direct Limited*	UK	3727523	Ordinary	100%	100%
DCL NewCo Limited*	UK	11421216	Ordinary	100%	100%
Dream Cottages Limited*	UK	3665465	Ordinary	100%	100%
Menai Holiday Cottages Limited*	UK	4947297	Ordinary	100%	100%
Best of Suffolk Ltd*	UK	6356234	Ordinary	100%	100%
Abersoch Quality Homes Limited*	UK	11569733	Ordinary	100%	100%
NZ Bachcare HoldCo Limited***	NZ	7313436	Ordinary	100%	100%
Bachcare Limited***	NZ	1466155	Ordinary	100%	100%
Large Holiday Houses Limited****	Scotland	SC257194	Ordinary	100%	100%
Northumbria Coast and Country Cottages Limited*	UK	3916403	Ordinary	100%	100%
Lyme Bay Holidays Limited*	UK	4528647	Ordinary	100%	100%
Canopy Holdco Limited*****	UK	11070222	Ordinary	100%	100%
Canopy Midco Limited*****	UK	11070388	Ordinary	100%	100%
Canopy Bidco Limited*****	UK	11070472	Ordinary	100%	100%
Forest Holidays Group Limited*****	UK	8159281	Ordinary	100%	100%
Forest Holidays Limited*****	UK	8159308	Ordinary	100%	100%
FH England LLP*****	UK	OC318816	Ordinary	100%	100%
Forest Holidays (Scotland) LLP*****	Scotland	SO300880	Ordinary	100%	100%

PRIESTHOLM MIDCO LTD**Note to the Financial Statements****20. Subsidiaries (continued)**

Company	Country of incorporation	Registered numbers	Class of shares held	Ownership	
				2023	2022
Indirectly held					
UKcaravans4hire.com Limited*	UK	7061010	Ordinary	100%	100%
The Holiday Home Company Limited*****	NZ	8413648	Ordinary	100%	100%

Registered office

* 3rd Floor 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT

** Sykes Cottages Ltd One City Place, Queens Road, Chester, Cheshire, United Kingdom, CH1 3BQ

*** Pricewaterhousecoopers, Level 26 Pwc Tower, 15 Customs Street West, Auckland, 1010, New Zealand

**** Newfield, Balblair, Dingwall, Ross-Shire, IV7 8LQ

***** Bath Yard, Bath Lane, Moira, Swadlincote, Derbyshire, DE12 6BA

***** 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ

***** Bachcare Limited, 7 Falcon Street, Parnell, Auckland, 1052 New Zealand

Company

	2023 £000	2022 £000
Investments in subsidiary companies	<u>274,605</u>	<u>274,605</u>
	<u>274,605</u>	<u>274,605</u>

21. Inventories**Group**

	2023 £000	2022 £000
Finished goods and goods for resale	<u>494</u>	<u>504</u>
	<u>494</u>	<u>504</u>

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

22. Trade and other receivables

Group

	2023 £000	2022 £000
Trade receivables - gross	13,736	5,740
Allowance for expected credit losses	<u>(3,141)</u>	<u>(2,652)</u>
Trade receivables - net	10,595	3,088
Amounts owed by group undertakings	4,876	3,101
Total financial assets other than cash and cash equivalents classified as loans and receivables	<u>15,471</u>	<u>6,189</u>
Prepayments and accrued income	3,684	3,416
Other receivables	1,982	1,032
Corporation tax (note 15)	1,617	-
Total trade and other receivables	<u>22,754</u>	<u>10,637</u>
Total current portion	<u>(22,754)</u>	<u>(10,637)</u>
Total non-current portion	<u>-</u>	<u>-</u>

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

The Amounts owed by group undertakings is repayable on demand.

Company

	2023 £000	2022 £000
Loan to parent company	4,876	3,101
Total financial assets other than cash and cash equivalents classified as loans and receivables	<u>4,876</u>	<u>3,101</u>
Total current portion	<u>(4,876)</u>	<u>(3,101)</u>
Total non-current portion	<u>-</u>	<u>-</u>

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

The Loan to parent company is repayable on demand.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

23. Derivative financial (liabilities)/assets

Group

	2023 £000	2022 £000
Derivative financial (liabilities)/assets		
Derivatives not designated as hedging instruments		
Interest rate hedge	(9,096)	399
Total derivatives not designated as hedging instruments	(9,096)	399
Total derivative financial (liabilities)/assets	(9,096)	399
Total current portion	4,504	(399)
Total non-current portion	(4,592)	-

24. Trade and other liabilities

Group

	2023 £000	2022 £000
Trade payables	41,521	36,729
Amounts owed to group undertakings	8,758	9,048
Other payables	5,815	7,138
Onerous lease	34	-
Accruals	12,469	15,235
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	68,597	68,150
Other payables - tax and social security payments	3,555	4,893
Corporation tax (note 15)	-	1,996
Total trade and other liabilities	72,152	75,039
Less: current portion - trade payables	(41,521)	(36,729)
Less: current portion - amounts owed to group undertakings	(8,758)	(9,048)
Less: current portion - other payables	(9,370)	(12,031)
Less: current portion - onerous lease	(34)	-
Less: current portion - accruals	(12,469)	(15,235)
Less: current portion - corporation tax	-	(1,996)
Total current portion	(72,152)	(75,039)
Total non-current portion	-	-

The carrying value of trade and other liabilities classified as financial liabilities measured at amortised cost approximates fair value.

The Amounts owed to group undertakings are repayable on demand.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

24. Trade and other liabilities (continued)

Company

	2023 £000	2022 £000
Amounts owed by group undertakings	4,876	3,101
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	4,876	3,101
Total current portion	(4,876)	(3,101)
Total non-current portion	-	-

The carrying value of trade and other liabilities classified as financial liabilities measured at amortised cost approximates fair value.

The Amounts owed by group undertakings are repayable on demand.

25. Contract liabilities

Group

	2023 £000	2022 £000
Balance at 1 October	12,613	674
Deferred during the year	56,351	30,372
Recognised as revenue during the year	(56,658)	(33,442)
Changes due to business combinations	-	15,009
Balance at 30 September	12,306	12,613

UK Core Cottage Agency & Caravan division

Contract liabilities relate to annual membership for property owners. The annual membership fee is invoiced fully on anniversary of go live and the revenue is recognised evenly over the year. The contract liability relates to the deferral of the annual membership revenue.

International division

Contract liabilities relate to annual membership, commission for property owners and cleaning, linen and pet services for guests. The annual membership fee is invoiced fully on anniversary of go live and the revenue is recognised evenly over the year. The commission is recognised at the holiday start date. The Guest experience levy is recognised two weeks after the guest has departed the bach. The cleaning, linen and pet services are paid by the guest before the holiday takes place and the revenue is recognised when the service has been provided which is the holiday start date. The contract liability relates to the deferral of the annual membership revenue, commission, guest experience levy cleaning, linen and pet revenue.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

25. Contract liabilities (continued)

Specialist Operator division

Contract liabilities relate to annual membership points for guests and future rental income on bookings. The membership points liability relates to points purchased between 2008 and 2010 which can be redeemed against future breaks based on a fixed points price list set at the time of purchase. In 2013 the membership points were fair valued to represent the true revenue value of the points on redemption. The revenue from the membership points is recognised when they are redeemed and the holiday is taken. Future rental income on bookings is recognised at the point the service or holiday is provided.

26. Loans and borrowings

Group

	2023 £000	2022 £000
Non-current		
Bank loans	566,161	550,000
Capitalised arrangement fee	(15,031)	(18,221)
Lease liabilities	64,024	61,538
	<u>615,154</u>	<u>593,317</u>
Current		
Bank loans	62,767	51,691
Lease liabilities	8,458	7,255
	<u>71,225</u>	<u>58,946</u>
Total loans and borrowings	<u>686,379</u>	<u>652,263</u>

The carrying value of loans and borrowings classified as financial liabilities measured at amortised cost approximates fair value.

The currency profile of the Group's loans and borrowings is as follows:

	2023 £000	2022 £000
GBP	686,227	651,118
NZD	152	1,145
	<u>686,379</u>	<u>652,263</u>

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

26. Loans and borrowings (continued)

Group

Terms and debt repayment schedule

	Nominal Interest rate	Year of maturity	2023		2022	
			Fair value £000	Carrying value £000	Fair value £000	Carrying value £000
Ares Facility B	Sonia+7.25%	2028	432,000	455,374	432,000	448,391
Ares PIK Facility	Sonia+10.75%	2029	118,000	143,248	118,000	124,098
NatWest RCF	Sonia+3%	2027	29,303	30,306	28,354	29,202
			579,303	628,928	578,354	601,691

The carrying amount of debt includes interest accrued at the year end.

Ares Facility B

On the 27th April 2022, £432,000,000 of the Ares Facility B loan was drawn down as part of refinancing of the Forge Holiday Group due to the acquisition of Canopy HoldCo Limited (Forest Holidays Group). Also included in the fair value of Ares Facility B loan as at 30th September 2023 is £22,793,000 relating to accrued interest and £581,000 relating to accrued facility fee for the Committed Acquisition Facility.

Ares PIK Facility

On the 27th April 2022, £118,000,000 of the Ares PIK Facility was drawn down as part of refinancing of the Forge Holiday Group due to the acquisition of Canopy HoldCo Limited (Forest Holidays Group). Also included in the fair value of Ares PIK Facility at 30 September 2023 is £25,248,000 relating to accrued interest.

NatWest RCF

On the 3rd August 2022, £28,354,000 of the NatWest RCF was drawn down. On 19 June 2023, £949,000 of the NatWest RCF was drawn down. The RCF limit was increased as part of refinancing of the Forge Holiday Group due to the acquisition of Canopy HoldCo Limited (Forest Holidays Group). Also included in the fair value of NatWest RCF at 30 September 2023 is £1,003,000 relating to accrued interest.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

26. Loans and borrowings (continued)

Group

Changes in liabilities arising from financing activities

		2023						
	1st October 2022 £000	Repayment of loans and borrowings £000	Proceeds from loans and borrowings	Capitalised arrangement fee £000	New leases £000	Other £000	30th September 2023 £000	
Current								
Bank loans	51,691	-	949	-	-	10,127	62,767	
Lease liabilities	7,255	-	-	-	-	1,203	8,458	
Non-current								
Bank loans	531,779	-	-	-	-	19,351	551,130	
Lease liabilities	61,538	-	-	-	2,416	70	64,024	
	<u>652,263</u>	<u>-</u>	<u>949</u>	<u>-</u>	<u>2,416</u>	<u>30,751</u>	<u>686,379</u>	
		2022						
	1st October 2021 £000	Repayment of loans and borrowings £000	Proceeds from loans and borrowings	Capitalised arrangement fee £000	New leases £000	Other £000	30th September 2022 £000	
Current								
Bank loans	19,271	(20,592)	28,354	-	-	24,658	51,691	
Lease liabilities	969	-	-	-	-	6,286	7,255	
Non-current								
Bank loans	210,224	(213,304)	550,000	(19,500)	-	4,359	531,779	
Lease liabilities	6,408	-	-	-	60,431	(5,301)	61,538	
	<u>236,872</u>	<u>(233,896)</u>	<u>578,354</u>	<u>(19,500)</u>	<u>60,431</u>	<u>30,002</u>	<u>652,263</u>	

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

27. Contingent consideration

Group

	2023 £000	2022 £000
Non-current		
Contingent consideration	-	721
	<u>-</u>	<u>721</u>
Current		
Contingent consideration	-	512
	<u>-</u>	<u>512</u>
Total contingent consideration	<u>-</u>	<u>1,233</u>

In the prior year as part of the purchase agreement of UKCaravans4Hire.Com Limited, a contingent consideration was agreed. The contingent consideration was additional cash payments to the previous owner of UKCaravans4Hire.com Limited of £2,000,000 if future performance targets are met.

As at the acquisition date, the fair value of the contingent consideration was estimated to be £1,233,000.

During the year the criteria for the first stage of settlement was not met, and at the year end the eligibility requirements for further settlements ceased to be attainable. Therefore at 30 September 2023, the value of contingent consideration is £nil.

	£000
As at 1 October 2022	1,233
Fair value adjustment	(1,233)
As at 30 September 2023	<u>-</u>

28. Share Capital

Group and Company

Authorised, Issued and fully paid

	2023		2022	
	Number	£000	Number	£000
Shares treated as equity				
Ordinary shares A shares of £1.00 each	274,605,442	274,605	274,605,442	274,605
	<u>274,605,442</u>	<u>274,605</u>	<u>274,605,442</u>	<u>274,605</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.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

29. Reserves

Foreign exchange reserve

The foreign currency translation reserve relates to the New Zealand subsidiaries. The foreign exchange adjustment arises from the translation of the profit and loss account and balance sheet into the presentational currency of the group.

Retained earnings

Retained earnings includes all current and prior year retained profits and losses.

30. Employee benefits

Group

Defined contribution plans

The group operates a number of defined contribution plans.

The total expense relating to these plans in the current period was £3,724,000 (2022: £2,406,000).

31. Leases

Group

i. Leases as a lessee

The Group has leases for property, motor vehicles, offices, fixture and fittings and IT equipment. With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the balance sheet as a right of use asset shown within tangible assets and a lease liability as shown below.

Lease liabilities are due as follows:

	2023 £000	2022 £000
Contractual undiscounted cash flows due		
Not later than one year	8,458	7,255
Between one year and five years	32,449	23,183
Later than five years	31,575	38,355
	<u>72,482</u>	<u>68,793</u>
Lease liabilities included in the Consolidated statement of financial position at 30 September	<u>72,482</u>	<u>68,793</u>
Non-current	64,024	61,538
Current	<u>8,458</u>	<u>7,255</u>

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

31. Leases (continued)

Group

i. Leases as a lessee (continued)

The following amounts in respect of leases have been recognised in profit or loss:

	2023	2022
	£000	£000
Interest expense on lease liabilities	7,201	3,253
Expenses relating to short-term leases	4	5

The details for the right of use assets relating to the lease liabilities above are disclosed in note 17.

ii. Operating leases - lessor

One of the companies within the Group leases an office and partly sublets this to another company. Any risk of costs incurred to the business due to dilapidation are mitigated by the fact that the tenant is required to maintain the property and no alterations are permitted without prior consent.

The following table summarises the undiscounted lease payments receivable after the reporting date.

	2023	2022
	£000	£000
Not later than one year	24	29
Between one and two years	24	24
Between two and three years	24	24
Between three and four years	24	24
Between four and five years	24	24
Later than five years	24	48
	144	173

Lease income from operating lease contracts in which the Group acts as a lessor is as below:

	2023	2022
	£000	£000
Lease income	27	32

32. Financial instruments - fair values and risk management

Group

32.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

32. Financial instruments - fair values and risk management (continued)

Group

32.1 Accounting classifications and fair values (continued)

		2023			Fair Value		
		Carrying amount					
	Note	Mandatorily at FVTPL - others £000	Amortised cost £000	Total £000	Level 1 £000	Level 2 £000	Level 3 £000
				Total £000			Total £000
Financial assets not measured at fair value							
Trade and other receivables	22	-	22,754	22,754	-	-	22,754
Cash and cash equivalents	34	73,360	-	73,360	-	-	73,360
		<u>73,360</u>	<u>22,754</u>	<u>96,114</u>			
Financial assets measured at fair value							
Interest rate hedge	23	(9,096)	-	(9,096)	-	(9,096)	-
		<u>(9,096)</u>	<u>-</u>	<u>(9,096)</u>			
Financial liabilities not measured at fair value							
Bank loans	26	-	(628,928)	(628,928)	-	-	(579,303)
Financial lease liabilities	31	-	(72,482)	(72,482)	-	-	(72,482)
Contract liabilities	25	-	(12,306)	(12,306)	-	-	(12,306)
Trade payables	24	-	(72,152)	(72,152)	-	-	(72,152)
		<u>-</u>	<u>(785,868)</u>	<u>(785,868)</u>			

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

32. Financial instruments - fair values and risk management (continued)

Group

32.1 Accounting classifications and fair values (continued)

		2022			Fair Value		
		Carrying amount					
Note	Mandatorily at FVTPL - others £000	Amortised cost £000	Total £000	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets measured at fair value							
Interest rate hedge	23	399	-	399	-	-	399
		<u>399</u>	<u>-</u>				<u>399</u>
Financial assets not measured at fair value							
Trade and other receivables	22	-	10,637	10,637	-	-	10,637
Cash and cash equivalents	34	110,652	-	110,652	-	-	110,652
		<u>110,652</u>	<u>10,637</u>	<u>121,289</u>			
Financial liabilities not measured at fair value							
Bank loans	26	-	(601,691)	(601,691)	-	-	(578,354)
Financial lease liabilities	31	-	(68,793)	(68,793)	-	-	(68,793)
Contract liabilities	25	-	(12,613)	(12,613)	-	-	(12,613)
Trade payables	24	-	(75,039)	(75,039)	-	-	(75,039)
Deferred consideration	27	-	(1,233)	(1,233)	-	-	(1,233)
		<u>-</u>	<u>(759,369)</u>	<u>(759,369)</u>			

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

32. Financial instruments - fair values and risk management (continued)

Group

32.2 Financial risk management objectives

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities. The company has a large number of small customers, but the Directors believe that credit risk is mitigated by the fact that customers are required to pay before the holiday is taken.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's cash balances and deposits are managed to provide a balance between maximising interest rate returns and maintaining access to working capital. We ensure our short-term deposits are flexible and accessible if required. Working capital requirements are monitored on an ongoing basis, so the Directors do not consider there to be a significant risk in this area.

32.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

32.4 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2023		2022	
	Liabilities £000	Assets £000	Liabilities £000	Assets £000
New Zealand Dollar	(7,145)	7,398	(8,158)	7,380
	(7,145)	7,398	(8,158)	7,380

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

32. Financial instruments - fair values and risk management (continued)

Group

32.4 Foreign currency risk management (continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to the New Zealand Dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in the pound sterling against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the pound sterling strengthens 10% against the relevant currency. For a 10% weakening of the pound sterling against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	New Zealand Dollar impact	
	2023 £000	2022 £000
Profit or loss	16	24
Equity	59	(87)

32.5 Interest rate risk management

The Group is exposed to interest rate risk because the entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

Interest rate sensitivity analysis

A change of 100 basis points in interest rates at the balance sheet date would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps.

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

32. Financial instruments - fair values and risk management (continued)

32.5 Interest rate risk management (continued)

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

	2023 £000	2022 £000
Increase	(4,760)	(4,341)
Decrease	<u>4,327</u>	<u>3,946</u>

Interest rate risk

At the balance sheet date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2023 £000	2022 £000
Financial liabilities - variable rate	<u>604,552</u>	<u>578,354</u>
	<u>604,552</u>	<u>578,354</u>

33. Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

33.1 Compensation of key management personnel

The remuneration of the Directors and other members of key management personnel during the period was as follows:

	2023 £000	2022 £000
Short term benefits	2,184	1,436
Post-employment benefits	<u>60</u>	<u>33</u>
	<u>2,244</u>	<u>1,469</u>

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

33. Related parties (continued)

33.2 Other related party transactions

Other related party transactions are as follows:

		2023 £000	2022 £000
Related party relationship	Type of transaction	Balance owed	Balance owed
Peter Anderson	Preference shares	261	235
Rebecca Belk	Preference shares	60	54
Andrew Brook	Preference shares	90	81
Graham Donoghue	Preference shares	9,868	8,892
Beverley Dumbleton	Preference shares	1,330	1,199
Michael Steven Graham	Preference shares	5,624	5,068
Andrew Heath	Preference shares	-	486
Bruce Mckendrick	Preference shares	3,597	3,240
Kate Mitchell	Preference shares	72	65
Matthew Prescott	Preference shares	340	307
Alex Priestley	Preference shares	-	753
Alex Roberts	Preference shares	540	486
James Shaw	Preference shares	2,022	1,822
		<u>23,804</u>	<u>22,688</u>

In the prior year preference shares were issued to management of Canopy HoldCo Limited (Forest Holidays Group) as part of the acquisition as they invested in the Forge Holiday Group.

In the current year preference shares including interest accrued and ordinary shares held by key management were purchased by Sykes Employee Benefit Trust for £720,000 on 17 March 2023.

34. Notes supporting statement of cash flows

	2023 £000	2022 £000
Cash at bank available on demand	<u>73,360</u>	<u>110,652</u>
Cash and cash equivalents in the statement of financial position	<u>73,360</u>	<u>110,652</u>
Cash and cash equivalents in the statement of cash flows	<u>73,360</u>	<u>110,652</u>

35. Capital commitments

During the year ended 30 September 2023, the Group had entered into contracts to purchase property, plant and equipment of £11,606,000 (2022: £9,855,000).

PRIESTHOLM MIDCO LTD

Note to the Financial Statements

36. Controlling party

At the period ended 30th September 2023, the Company was a subsidiary undertaking of Priestholm TopCo Ltd which was the Ultimate Parent Company incorporated in Jersey. The Ultimate Controlling Party was Vitruvian Partners LLP.

The largest group in which the results of the Company are consolidated was that headed by Priestholm TopCo Ltd, incorporated in Jersey. The consolidated financial statements of this group may be obtained from 4th Floor, St Paul's Gate, 22-24 New Street, St. Helier, JE1 4TR, Jersey.

37. Events after the reporting date

Group

In September 2023, the board made the decision to re-structure the Group, formalising the provision of central services for Legal, Finance, HR, IT and Marketing, alongside a redundancy program that aligned the Groups salary costs to current demand and sales levels.

A formal consultation process was announced from late September and through October and has been concluded in December 2023.

There have been no other significant events affecting the Company and the Group since the year end.

Company

There have been no other significant events affecting the Company since the year end.