

Forest Holidays Group Limited

**Directors' report and consolidated
financial statements**

Registered number 08159281

2 March 2017



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Company information

Directors

Mr P Phillipson
Mr B McKendrick
Mr J Ellis
Mr R Palmer
Ms J Grinsted
Mr M Draper
Mr A Grove
Ms M Lucas
Mr G Fletcher
Mr R Faith – resigned 5 October 2016

Company number

08159281

Registered office

Bath Yard
Bath Lane
Moir
Derbyshire
DE12 6BA

Auditor

KPMG LLP
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Bankers

Lloyds Bank PLC
114-116 Colmore Row
Birmingham
West Midlands
B3 3BD

Solicitors

Gowling WLG (UK) LLP
Two Snowhill
Birmingham
B4 6WR

Directors' report

The directors present the audited consolidated financial statements for Forest Holidays Group Limited ('the Group') for the period ended 2 March 2017.

Principal activity

The principal activity of the Group is building luxury and spacious cabin sites and as a provider of unique and memorable holiday experiences in stunning locations throughout the United Kingdom.

Political contributions

The Group made no (2016: £nil) political contributions during the period.

Directors

The directors who served during the year and to the date of this report are as follows:

Mr P Phillipson	
Mr B McKendrick	
Mr J Ellis	Appointed 16 December 2016
Mr R Palmer	
Ms J Grinsted	
Mr M Draper	
Mr A Grove	
Ms M Lucas	
Mr G Fletcher	
Mr R Faith	Resigned 5 October 2016

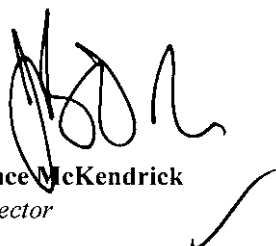
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

On behalf of the board



Bruce McKendrick
Director

Registered Office:

Bath Yard
Bath Lane
Moir
Derbyshire
DE12 6BA

Dated: 1 August 2017

Strategic report

Results for the year

The consolidated financial results for the year are set out on page 7.

Total recurring profit before interest and tax of £7,389,000 (2016: £6,657,000).

Earnings (as adjusted for finance lease repayments and ground rent accruals which the Board believe is more reflective of the true trading position of the Group) before interest, tax and depreciation ('EBITD') of the consolidated group is £10,434,000, up 20% from 2016 of £8,714,000.

	Full year 2017 £000	Recurring Full year 2016 £000
Revenue	36,203	31,925
Cost of sales	(21,279)	(19,388)
	<hr/>	<hr/>
Gross profit	14,924	12,537
Administrative expenses	(7,535)	(5,880)
	<hr/>	<hr/>
Profit before interest and tax	7,389	6,657
Add back depreciation and amortisation	7,153	5,701
Add back: ground rent accrual	134	404
Less: finance lease repayments	(4,242)	(4,048)
	<hr/>	<hr/>
Underlying adjusted EBITD	10,434	8,714
	<hr/>	<hr/>

The directors do not recommend the payment of a dividend.

Business review

The directors are pleased to report that performance has continued to improve with a further growth in underlying adjusted EBITD of 20%. This performance is ahead of the expectations set originally in 2012 and ahead of budget approved in 2016.

Further developments to the ancillary offer continued with investment in the Forest Retreats in both Keldy and Deerpark. In line with the company's strategy of providing an all year round short to medium term holiday breaks, occupancy levels were maintained at 2016 levels of 92% with average rentals up 6% year on year.

Further expansion plans continue to be explored with further new sites opening within the next 3 years. Forecast occupancy levels are in line with original business plans of 90%.

The position of the group is very healthy with lines of credit fully established on the back of a good trading performance.

The Board have commenced negotiations in relation to re-financing the Group by 30 November 2017. Whilst these negotiations are still to be concluded on the Board have received recent communication from Lloyds Banking Group which demonstrates their intention to support an extension of the existing debt facility post 30 November 2017 should this be required. On this basis, the directors have concluded that it is appropriate to prepare the year end accounts as at 2 March 2017 on a going concern basis.

Strategic report *(continued)*

Principal risks and uncertainties

The group's activities expose it to a variety of financial risks that include credit risk and interest rate risk. Senior operating management and directors regularly review financial risks against established policies.

Credit risk - Where appropriate, credit checks are performed on potential customers before sales are transacted. The amount of exposure to any individual customer is controlled by means of a credit limit that is monitored regularly by management and, in the case of a financially material value, by the executive directors.

Interest rate risk - The group is exposed to movements in the level of interest rates particularly on the loans drawn down to meet financial obligations around development of sites. As the current facility will be refinanced in November 2017, and due to stable, low interest rates the Directors have agreed to remove the hedging instruments with Lloyds Banking Group.

On behalf of the board



Bruce McKendrick
Director



Registered Office:

Bath Yard
Bath Lane
Moir
Derbyshire
DE12 6BA

Dated: 1 August 2017

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

The directors are responsible for preparing the Director's Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that year. In preparing each of the group and parent company 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 IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

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 its financial statements comply with the Companies Act 2006. They 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 Forest Holidays Group Limited

We have audited the financial statements of Forest Holidays Group Limited for the period ended 2 March 2017 set out on pages 7 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and of the parent company's affairs as at 2 March 2017 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' and Strategic Reports for the financial period for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report and the Strategic report:

- we have not identified material misstatements in those reports; and,
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, 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.

Anthony Hambleton (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St Nicholas House

Park Row

Nottingham

NG1 6FQ

Dated: 1 August 2017

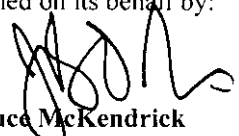
Consolidated statement of profit and loss and other comprehensive income
for the period ended 2 March 2017

	Note	2017			2016		
		Recurring £000	Non- recurring £000	Total £000	Recurring £000	Non- recurring £000	Total £000
Revenue	3	36,203	317	36,520	31,925	601	32,526
Cost of sales		(21,279)	(317)	(21,596)	(19,388)	(601)	(19,989)
Gross profit		14,924	-	14,924	12,537	-	12,537
Administrative expenses		(7,535)	(509)	(8,044)	(5,880)	-	(5,880)
Profit/(loss) before interest and tax	5	7,389	(509)	6,880	6,657	-	6,657
Financial expenses	6			(8,466)			(8,831)
Loss before tax for the period				(1,586)			(2,174)
Tax on loss	7			(223)			10
Loss after tax for the period				(1,809)			(2,164)
Other comprehensive income							
<i>Items that will not be reclassified to profit or loss:</i>							
Revaluation of property				-			23,864
Taxation on items that will not be reclassified to profit or loss	7			239			(4,295)
Other comprehensive income for the period, net of tax				239			19,569
Total comprehensive (loss)/income for the period				(1,570)			17,405

Consolidated statement of financial position
as at 2 March 2017

	<i>Note</i>	2017 £000	2016 £000
Non-current assets			
Property, plant and equipment	8	117,578	118,088
		117,578	118,088
Current assets			
Inventories	10	276	205
Trade and other receivables	11	2,508	2,719
Cash and cash equivalents	13	8,556	7,880
		11,340	10,804
Total assets		128,918	128,892
Current liabilities			
Trade and other payables	14	(14,422)	(14,136)
Current tax liabilities		(81)	(38)
Borrowings	15	(52,116)	-
Finance lease obligations	16	(4,197)	(4,129)
Derivative financial instruments	12	-	(99)
		(70,816)	(18,402)
Non-current liabilities			
Borrowings	15	-	(51,126)
Finance lease obligations	16	(37,413)	(37,139)
Accruals	17	(1,161)	(1,027)
Deferred tax liabilities	18	(5,133)	(5,230)
		(43,707)	(94,522)
Total liabilities		(114,523)	(112,924)
Net assets		14,395	15,968
Shareholders' funds – equity			
Ordinary shares	19	96	100
Share premium		142	141
Other reserves		1	1
Retained earnings		(5,652)	(3,843)
Revaluation reserve		19,808	19,569
Total equity		14,395	15,968

These financial statements were approved by the Board of Directors and authorised for issue on 1 August 2017 and signed on its behalf by:


Bruce McKendrick
Director

Registered number : 08159281

Company statement of financial position
as at 2 March 2017

	<i>Note</i>	2017 £000	2016 £000
Non-current assets			
Investments in subsidiaries	9	-	-
		-	-
Current assets			
Trade and other receivables	11	20,827	18,641
Cash and cash equivalents	13	8	28
Total assets		20,835	18,669
Current liabilities			
Current tax liabilities		(81)	(38)
Borrowings	15	(22,177)	-
		(22,258)	(38)
Non-current liabilities			
Borrowings	15	-	(19,837)
		-	(19,837)
Total liabilities		(22,258)	(19,875)
Net liabilities		(1,423)	(1,206)
Shareholders' deficit – equity			
Ordinary shares	19	96	100
Share premium		142	141
Other reserves		1	1
Retained earnings		(1,662)	(1,448)
Total equity		(1,423)	(1,206)

These financial statements were approved by the Board of Directors and authorised for issue on 1 August 2017 and signed on its behalf by:


Bruce McKendrick
Director

Registered number : 08159281

Consolidated statement of cash flows
for the period ended 2 March 2017

		2017	2016
		£000	£000
Cash flows from operating activities			
Loss after tax for the year		(1,809)	(2,164)
<i>Adjustments for:</i>			
Tax	7	223	(10)
Financial expenses	6	8,466	8,831
Depreciation	8	7,153	5,701
Decrease/(increase) in receivables		211	(138)
Increase in inventories		(71)	(39)
Increase/(decrease) in trade and other payables		290	(922)
Increase in long term accruals		134	404
Cash inflow from operations		14,597	11,663
Interest paid		(1,523)	(1,150)
Taxation paid		(38)	-
Net cash inflow from operating activities		13,036	10,513
Purchase of property, plant and equipment	8	(6,643)	(6,789)
Net cash outflow from investing activities		(6,643)	(6,789)
Repayment of bank loan		(1,960)	-
Net proceeds from drawdown on new bank loans and loan notes		488	11,562
Repayments of loan notes		-	(14,000)
Finance lease repayments	16	(4,242)	(4,048)
Proceeds from share issues		1	10
Repurchase of own shares		(4)	-
Net cash outflow from financing activities		(5,717)	(6,476)
Net cash inflow / (outflow)		676	(2,752)
Cash and cash equivalents at beginning of year		7,880	10,632
Cash and cash equivalents at end of year	13	8,556	7,880

Company statement of cash flows
for the period ended 2 March 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Loss after tax for the year	(214)	(477)
Adjustments for:		
Tax	81	38
Financial income	(2,131)	(2,568)
Financial expenses	2,335	3,084
	<hr/>	<hr/>
Cash inflow from operations	71	77
Taxation paid	(38)	-
	<hr/>	<hr/>
Net cash inflow from operating activities	33	77
	<hr/>	<hr/>
Related party loan (advanced)/repaid to subsidiary	(50)	13,941
	<hr/>	<hr/>
Net cash (outflow)/inflow from investing activities	(50)	13,941
	<hr/>	<hr/>
Repayment of loan notes	-	(14,000)
Proceeds from share issue	1	10
Repurchase of own shares	(4)	-
	<hr/>	<hr/>
Net cash inflow/(outflow) from financing activities	(3)	(13,990)
	<hr/>	<hr/>
Net cash (outflow)/inflow	(20)	28
Cash and cash equivalents at beginning of year	28	-
	<hr/>	<hr/>
Cash and cash equivalents at end of year	8	28
	<hr/> <hr/>	<hr/> <hr/>

Consolidated statement of changes in equity
for the period ended 2 March 2017

	Share capital £000	Share premium £000	Treasury share reserve £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balance at 27 February 2015	100	137	-	-	(1,673)	(1,436)
Total comprehensive income for the period						
Loss after tax	-	-	-	-	(2,164)	(2,164)
Other comprehensive income	-	-	-	19,569	-	19,569
Total comprehensive income / (loss) for the period	-	-	-	19,569	(2,164)	17,405
Transactions with owners recorded directly in equity						
Shares repaid in year	(1)	-	1	-	(6)	(6)
Shares issued in year	1	4	-	-	-	5
Total transactions with owners	-	4	1	-	(6)	(1)
Balance at 25 February 2016	100	141	1	19,569	(3,843)	15,968

	Share capital £000	Share premium £000	Treasury share reserve £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balance at 26 February 2016	100	141	1	19,569	(3,843)	15,968
Total comprehensive income for the period						
Loss after tax	-	-	-	-	(1,809)	(1,809)
Other comprehensive income	-	-	-	239	-	239
Total comprehensive loss for the period	-	-	-	239	(1,809)	(1,570)
Transactions with owners recorded directly in equity						
Shares repurchased in year	(4)	-	-	-	-	(4)
Shares issued in year	-	1	-	-	-	1
Total transactions with owners	(4)	1	-	-	-	(3)
Balance at 2 March 2017	96	142	1	19,808	(5,652)	14,395

Company statement of changes in equity
for the period ended 2 March 2017

	Share capital £000	Share premium £000	Treasury share reserve £000	Retained earnings £000	Total £000
Balance at 27 February 2015	100	137	-	(965)	(728)
Total comprehensive income for the period					
Loss after tax for the year	-	-	-	(477)	(477)
Total comprehensive loss for the period	-	-	-	(477)	(477)
Transactions with owners recorded directly in equity					
Shares repaid in year	(1)	-	1	(6)	(6)
Shares issued in year	1	4	-	-	5
Total transactions with owners	-	4	1	(6)	(1)
Balance at 25 February 2016	100	141	1	(1,448)	(1,206)

	Share capital £000	Share premium £000	Treasury share reserve £000	Retained earnings £000	Total £000
Balance at 26 February 2016	100	141	1	(1,448)	(1,206)
Total comprehensive income for the period					
Loss after tax for the year	-	-	-	(214)	(214)
Total comprehensive loss for the period	-	-	-	(214)	(214)
Transactions with owners recorded directly in equity					
Shares repurchased in year	(4)	-	-	-	(4)
Shares issued in year	-	1	-	-	1
Total transactions with owners	(4)	1	-	-	(3)
Balance at 2 March 2017	96	142	1	(1,662)	(1,423)

Notes

(forming part of the consolidated financial statements)

1 Accounting policies

Forest Holidays Group Limited (the 'Company') is a company incorporated and domiciled in the UK.

The Group financial statements consolidate those of 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.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs').

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

Measurement convention

The financial statements are prepared on the historical cost basis except derivative financial instruments and the completed sites class of property, plant and equipment which are stated at their fair value.

Going concern

The Board have commenced negotiations in relation to re-financing the Group by 30 November 2017. Whilst these negotiations are still to be concluded on the Board have received recent communication from Lloyds Banking Group which demonstrates their intention to support an extension of the existing debt facility post 30 November 2017 should this be required. On this basis, the directors have concluded that it is appropriate to prepare the year end accounts as at 2 March 2017 on a going concern basis.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies *(continued)*

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

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

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are used by the group to hedge its exposure to movements in interest rates.

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses except for the completed sites class of assets within property, plant and equipment which was revalued to fair value on 25 February 2016. Prior to this date these assets were measured on cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are initially 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. Lease payments are accounted for as described below.

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, plant and equipment to its residual value once it is ready for its intended use. Land is not depreciated. The depreciation rates for the completed sites class are as follows:

Leasehold buildings	- 1.33% to 5% per annum or over the lease term
Fixtures, fittings and equipment	- 5% to 33% per annum

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

Included in leasehold buildings are capitalised borrowing costs related to the construction of new cabin sites. Borrowing costs at 25 February 2017 included within the net book value of leasehold buildings are £351,000 (2016: £373,000). Borrowing costs have been capitalised using the interest rate accrued in relation to bank borrowings (note 15).

Notes *(continued)*

1 Accounting policies *(continued)*

Property, plant and equipment (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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Group's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment; a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of other assets is the greater of their fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group 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 income statement as incurred.

Defined benefit plans

The group has no defined benefit plans.

Notes *(continued)*

1 Accounting policies *(continued)*

Revenue

Revenue comprises 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.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

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

Financing expenses

Financing expenses comprise interest payable and the unwinding of fees incurred on the issue of secured bank loans and loan notes.

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.

Members also pay an annual membership fee and booking fees. These are recognised upon receipt and holiday start date respectively.

Taxation

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 on the taxable income 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.

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.

Standards, amendments and interpretations to published standards endorsed but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual years beginning after 1 January 2017 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group. The Group chose not to adopt any of the above standards and interpretations early.

Notes (continued)

2 Employees and directors' remuneration

The average number of persons (including directors) employed by the group were as follows:

	Number of employees 2017	2016
Administration	75	62
Operations	560	520
	<hr/> 635	<hr/> 582
	<hr/> <hr/>	<hr/> <hr/>

The employee costs for the group during the year were as follows:

	2017 £000	2016 £000
Wages and salaries	8,802	7,469
Social security costs	668	560
Other pension costs (note 21)	488	405
	<hr/> 9,958	<hr/> 8,434
	<hr/> <hr/>	<hr/> <hr/>

Emoluments paid or payable to the directors of Forest Holidays Group Limited were as follows:

	2017 £000	2016 £000
Remuneration for management services	1,331	1,329
Other pension costs	69	58
	<hr/> 1,400	<hr/> 1,387
	<hr/> <hr/>	<hr/> <hr/>

Additionally, Lloyds Development Capital ('LDC') received £100,000 (2016: £100,000) for management services and the Forestry Commission ('FC') received £nil (2016: £1,500) for management services.

In relation to the highest paid director:

	2017 £000	2016 £000
Remuneration for management services	420	467
Other pension costs	24	23
	<hr/> 444	<hr/> 490
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

3 Segmental information

The group has only one business activity from which it may earn revenues and incur expenses on an ongoing basis. This activity is for the provision of providing luxury and spacious cabins across the UK.

The Chief Operating Decision Maker, reviews internal management reports on at least a monthly basis which covers performance of the Company.

2017	Recurring £000	Non-recurring £000	Total £000
Revenue	36,203	317	36,520
Cost of sales	(21,279)	(317)	(21,596)
	<hr/>	<hr/>	<hr/>
Gross profit	14,924	-	14,924
Administrative expenses	(7,535)	(509)	(8,044)
	<hr/>	<hr/>	<hr/>
Segmental profit before interest and tax	7,389	(509)	6,880
	<hr/>	<hr/>	<hr/>
Financial expenses			(8,466)
			<hr/>
Loss before tax for the period			(1,586)
			<hr/>
2016	Recurring £000	Non-recurring £000	Total £000
Revenue	31,925	601	32,526
Cost of sales	(19,388)	(601)	(19,989)
	<hr/>	<hr/>	<hr/>
Gross profit	12,537	-	12,537
Administrative expenses	(5,880)	-	(5,880)
	<hr/>	<hr/>	<hr/>
Segmental profit before interest and tax	6,657	-	6,657
Financial expenses			(8,831)
	<hr/>	<hr/>	<hr/>
Loss before tax for the year			(2,174)
			<hr/>

Notes (continued)

4 Non-recurring items

Non-recurring income and expenses are items which are not linked to the principal trade of the group and have been presented separately due to their size, nature or incidence:

	2017 £000	2016 £000
<i>Within revenue:</i>		
Build and sale activities	317	601
	<u>317</u>	<u>601</u>
<i>Within cost of sales:</i>		
Build and sale activities	(317)	(601)
	<u>(317)</u>	<u>(601)</u>
<i>Within administrative expenses:</i>		
Legal fees re share buyback	(5)	-
Development team costs	(284)	-
Personnel costs	(220)	-
	<u>(509)</u>	<u>-</u>

During the period the Group has incurred costs in relation to a share repurchase to a value of £5,000.

Changes in the management structure during the period has resulted in a one-off charge of £220,000.

During the period the services of the development team have been deployed in alternative activities resulting in £284,000 of costs associated with this work being expensed rather than capitalised.

5 Expenses and auditor's remuneration

The profit before interest and tax is stated after charging the following:

	2017 £000	2016 £000
Depreciation	7,153	5,701
Operating lease charges	874	657
	<u>7,153</u>	<u>5,701</u>
	<u>874</u>	<u>657</u>
	<u>7,153</u>	<u>5,701</u>
Audit of these financial statements	5	4
<i>Amounts receivable by auditors and their associates in respect of:</i>		
Audit of financial statements of subsidiaries pursuant to legislation	27	24
Audit related assurance services	1	1
Other assurance services	3	3
Taxation compliance services	8	8
Other tax advisory services	27	40
	<u>27</u>	<u>40</u>

Notes (continued)

6 Finance expenses

	2017 £000	2016 £000
Interest on loans and overdrafts	1,424	1,221
Amortisation of debt issue costs (note 15)	209	199
Lease interest (note 16)	4,584	4,412
Interest on loan notes	2,249	2,999
	<hr/>	<hr/>
Total finance expense	8,466	8,831
	<hr/>	<hr/>

7 Taxation

Recognised in the income statement

	2017 £000	2016 £000
<i>Current tax expense</i>		
Current year	91	38
Adjustment in relation to prior year	(10)	-
	<hr/>	<hr/>
Current tax expense	81	38
<i>Deferred tax credit (note 18)</i>		
Origination and reversals of temporary differences	193	(48)
Reduction in tax rate	(51)	-
	<hr/>	<hr/>
Deferred tax charge/(credit)	142	(48)
	<hr/>	<hr/>
Total tax charge/(credit) in income statement	223	(10)
	<hr/>	<hr/>

Recognised in other comprehensive income

	2017 £000	2016 £000
Revaluation of property, plant and equipment	-	4,295
Reduction in tax rate	(239)	-
	<hr/>	<hr/>
Total tax (credit) / charge in other comprehensive income	(239)	4,295
	<hr/>	<hr/>

Notes (continued)

7 Taxation (continued)

Reconciliation of tax charge/(credit)

	2017 £000	2016 £000
Loss for the year	(1,809)	(2,164)
Total tax charge / (credit)	223	(10)
	<hr/>	<hr/>
Loss excluding taxation	(1,586)	(2,174)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 20% (2016: 20.08%)	(317)	(437)
Expenses not deductible for taxation	121	132
Fixed asset differences	439	436
Change in tax rates on deferred tax balances	(85)	(112)
Prior year adjustment on tax	(10)	(27)
Other timing differences	75	(2)
	<hr/>	<hr/>
Total tax charge/(credit)	223	(10)
	<hr/>	<hr/>

Factors that may affect future tax charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2016. The additional rate reduction in the UK tax rate to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016 and substantively enacted on 26 September 2016. This will reduce the company's future tax charge accordingly.

Notes (continued)

8 Property, plant and equipment

Group	Completed sites £000	Planning £000	Assets in the course of construction £000	Total £000
Cost or valuation				
At 27 February 2015	95,563	2,245	3,059	100,867
Additions	299	1,716	4,774	6,789
Transfer	4,445	(573)	(3,872)	-
Revaluation	20,378	-	-	20,378
At 25 February 2016	120,685	3,388	3,961	128,034
At 26 February 2016	120,685	3,388	3,961	128,034
Additions	936	2,193	3,514	6,643
Transfer	3,667	540	(4,207)	-
At 2 March 2017	125,288	6,121	3,268	134,677
Accumulated depreciation				
At 27 February 2015	7,731	-	-	7,731
Charge for the year	5,701	-	-	5,701
Revaluation	(3,486)	-	-	(3,486)
At 25 February 2016	9,946	-	-	9,946
At 26 February 2016	9,946	-	-	9,946
Charge for the year	7,153	-	-	7,153
At 2 March 2017	17,099	-	-	17,099
Net book value				
At 2 March 2017	108,189	6,121	3,268	117,578
At 26 February 2016	110,739	3,388	3,961	118,088
At 27 February 2015	87,832	2,245	3,059	93,136

The company has no property, plant and equipment.

'Completed sites' are held at valuation. The effective date of the valuation was 25 February 2016. The valuation was performed by Jones Lang Lasalle, an independent valuer in accordance with the RICS Valuation Standards. If the 'Completed sites' class of assets were held under the cost model, the carrying amount would be £91,478,000 (2016: £86,875,000). The Directors have considered this valuation at 2 March 2017 and confirmed that the value is still materially correct.

At the period end the net carrying amount of leased Completed site assets was £35,868,000 (2016: £37,162,000). Depreciation charged in the year on these assets was £1,294,000 (2016: £1,294,000).

Notes (continued)

9 Investments in subsidiaries

	£000
Cost of investments	
At 26 February 2016 and 2 March 2017	-

The group has the following investments in subsidiaries.

	Registered office address	Country of incorporation	Holding	Ownership % 2017	2016
Forest Holidays Limited	Bath Yard, Bath Lane, Moira, Derbyshire, DE12 6BA	England	Direct	100%	100%
FH England LLP	Bath Yard, Bath Lane, Moira, Derbyshire, DE12 6BA	England	Indirect	100%	100%
Forest Holidays (Scotland) LLP	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ	Scotland	Indirect	100%	100%

10 Inventories

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Retail stock	276	205	-	-

During the year, £1,531,000 (2016: £1,237,000) has been recognised as an expense in the statement of profit and loss.

11 Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Other receivables due from related parties	-	-	20,827	18,641
Trade and other receivables	981	979	-	-
Prepayments and accrued income	1,527	1,740	-	-
	<u>2,508</u>	<u>2,719</u>	<u>20,827</u>	<u>18,641</u>

12 Derivative financial instruments – liabilities

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Current				
Other financial liabilities (note 20)	-	99	-	-

The group has chosen not to renew the interest rate swap arrangement during the period.

Notes (continued)

13 Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Cash and cash equivalents per statement of financial position	8,556	7,880	8	28
Cash and cash equivalents per the statement of cash flows	8,556	7,880	8	28

14 Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Current				
Trade and other payables	2,631	1,746	-	-
Accruals and deferred income	11,791	12,390	-	-
	14,422	14,136	-	-

15 Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate risk, see note 20.

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Non-current liabilities				
Secured bank loans	-	31,288	-	-
Loan notes	-	19,838	-	19,837
	-	51,126	-	19,837
Current liabilities				
Secured bank loans	29,939	-	-	-
Loan notes	22,177	-	22,177	-
	52,116	-	22,177	-

Secured bank loans

Included within secured bank loans and loan notes above are £1,184,000 (2016: £1,393,000) of debt issue costs as set out below.

Interest is payable on the secured bank loans at a rate of LIBOR plus 3.3%, and the loan is secured against the assets to which it relates. The bank loan is repayable in full by November 2017.

The bank loans are secured against various properties which are owned and operated by the Group.

Loan notes

Interest is rolled up on the loan notes at a fixed rate of 10% per annum. The loan notes are repayable in full by November 2017.

Notes (continued)

15 Borrowings (continued)

Maturity of financial liabilities

	Bank loans £000	Loan notes £000	Total £000
2 March 2017			
Within one year	30,863	22,437	53,300
	<u>30,863</u>	<u>22,437</u>	<u>53,300</u>
Unamortised costs of issue	(924)	(260)	(1,184)
	<u>29,939</u>	<u>22,177</u>	<u>52,116</u>

The group did not enter into any further fixed rate interest swaps in the period.

	Bank loans £000	Loan notes £000	Total £000
25 February 2016			
Between one and five years	32,335	20,184	52,519
	<u>32,335</u>	<u>20,184</u>	<u>52,519</u>
Unamortised costs of issue	(1,047)	(346)	(1,393)
	<u>31,288</u>	<u>19,838</u>	<u>51,126</u>

16 Finance lease obligations

Future minimum payments under finance leases are as follows:

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Within one year	4,197	4,129	-	-
In more than one year, but not more than five years	17,489	17,206	-	-
In more than five years	123,836	128,298	-	-
	<u>145,522</u>	<u>149,633</u>	<u>-</u>	<u>-</u>
Total gross payments	145,522	149,633	-	-
Less: finance charges included above	(103,912)	(108,365)	-	-
	<u>41,610</u>	<u>41,268</u>	<u>-</u>	<u>-</u>
Due within less than one year	4,197	4,129	-	-
Due within greater than one year	37,413	37,139	-	-
	<u>41,610</u>	<u>41,268</u>	<u>-</u>	<u>-</u>

Gross payments represent both future interest expense and capital element.

Notes (continued)

17 Long term accruals

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Deferred rent	1,161	1,027	-	-

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Property, plant and equipment deferred tax	1,557	1,913	-	-
Revaluation of property, plant and equipment	4,056	4,295	-	-
Accruals and deferred income	(219)	(299)	-	-
Tax losses carried forward	(261)	(679)	-	-
Net deferred tax liabilities	5,133	5,230	-	-

Movement in deferred tax during the year

	Opening Balance £000	Recognised in income £000	Recognised in OCI £000	2 March 2017 £000
Property, plant and equipment deferred tax	1,913	(356)	-	1,557
Revaluation of property, plant and equipment	4,295	-	(239)	4,056
Accruals and deferred income	(299)	80	-	(219)
Tax losses carried forward	(679)	418	-	(261)
	5,230	142	(239)	5,133

Movement in deferred tax during the prior year

	Opening balance £000	Recognised in income £000	Recognised in OCI £000	25 February 2016 £000
Property, plant and equipment deferred tax	2,151	(238)	-	1,913
Revaluation of property, plant and equipment	-	-	4,295	4,295
Accruals and deferred income	(431)	132	-	(299)
Tax losses carried forward	(737)	58	-	(679)
	983	(48)	4,295	5,230

Notes (continued)

19 Capital and reserves

Called up share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
119,750 A ordinary shares at £0.20 each	24	24
40,000 B ordinary shares at £0.20 each	8	8
46,013 (2016: 45,653) ordinary shares at £1 each	46	46
18,250 (2016: 22,750) E ordinary shares at £1 each	18	22
	<hr/> 96	<hr/> 100
	<hr/>	<hr/>

The A ordinary shares, B ordinary shares and ordinary shares rank pari passu in relation to the payment of dividends. The E ordinary shares received a preferred dividend at a rate of LIBOR, multiplied by the nominal value of the shares. Dividends on all classes of share require the pre-approval of at least 50% of the A ordinary shareholders.

The A ordinary shares, B ordinary shares, ordinary shares and E ordinary shares each receive 1 vote per share, however the total voting rights of the A ordinary shares are limited to 49.9% of the total voting rights, and the total voting rights of the B ordinary shares are limited to 20% of the total voting rights.

The right to receive capital equal to the issue price (including premium paid) is in the order of A ordinary shares, B ordinary shares, E ordinary shares and ordinary shares. After this, any remaining capital is distributed to the A ordinary shares, B ordinary shares and ordinary shares in proportion of the total of these shares (ranked pari passu).

The share capital redeemed in the year was repaid with a premium of £nil (2016: £5,000) whilst share capital issued in the year was issued at a premium of £1,000 (2016: £4,000).

20 Financial assets, liabilities, derivatives and non-current financial instruments

(a) Fair values of financial instruments

Trade and other receivables, trade and other payables and finance lease liabilities

Fair values are estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

All interest-bearing loans and borrowings are at floating rates. Therefore, the fair value of these loans and borrowings is their carrying value. In the prior period, as discussed below, the group hedged a significant proportion of its interest-bearing loans with a fixed rate interest swaps. These matured during the current period and have not been renewed

Other financial liabilities

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Notes (continued)

20 Financial assets, liabilities, derivatives and non-current financial instruments (continued)

The interest rate swap was a level 2 financial instrument measured at fair value, i.e. the valuation technique was based on inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
<i>IAS 39 categories of financial instruments</i>				
<i>Loans and receivables</i>				
Cash and cash equivalents (note 13)	8,556	7,880	8	28
Other loans and receivables (note 11)	981	979	20,827	18,641
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets	9,537	8,859	20,835	18,669
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Financial liabilities measured at amortised cost</i>				
Interest-bearing loans and borrowings (note 15)	52,116	51,126	22,177	19,837
Trade and other payable (note 14)	2,631	1,746	-	-
Finance lease liabilities (note 16)	41,610	41,268	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities measured at amortised cost	96,357	94,140	22,177	19,837
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Financial liabilities at fair value through profit and loss</i>				
Other financial liabilities (note 12)	-	99	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities at fair value through profit and loss	-	99	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities	96,357	94,239	22,177	19,837
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial instruments	(86,820)	(85,380)	(1,342)	(1,168)
	<hr/>	<hr/>	<hr/>	<hr/>

The carrying value is equal to the fair value in all cases.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The carrying amount of financial assets represents the maximum credit exposure. Therefore the maximum exposure to credit risk at the balance sheet date was £981,000 (2016: £979,000).

Ageing beyond contractual due date

The ageing beyond contractual due date of the group's trade receivables is:

	Within terms	Up to three months overdue	Between three months and one year overdue	More than one year overdue	Total
	£000	£000	£000	£000	£000
2017					
Other loans and receivables	2,470	-	38	-	2,508
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

20 Financial assets, liabilities, derivatives and non-current financial instruments (continued)

(b) Credit risk (continued)

2016	Within terms £000	Up to three months overdue £000	Between three months and one year overdue £000	More than one year overdue £000	Total £000
Other loans and receivables	2,719	-	-	-	2,719

Trade receivables represent the primary source of the Group's credit risk and are all denominated in Sterling.

A bad debt provision of £nil is calculated based on a best estimate of the likely future cash flows arising.

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The following are the contractual maturities of financial liabilities, excluding estimated interest payments and excluding the effect of netting agreements:

			2017			
	Carrying amount £000	Effective rate %	1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
<i>Non-derivative financial liabilities</i>						
Secured bank loans	(29,939)	<i>Note 15</i>	(29,939)	-	-	-
Trade and other payables	(2,631)	<i>Note 14</i>	(2,631)	-	-	-
Loan notes	(22,177)	<i>Note 15</i>	(22,177)	-	-	-
Finance lease liabilities	(41,610)	<i>Note 16</i>	(4,197)	(4,266)	(13,223)	(19,924)
<i>Derivative financial liabilities</i>						
Interest rate swaps used for hedging: Outflow	-	<i>Note 12</i>	-	-	-	-
	<u>(96,357)</u>		<u>(58,944)</u>	<u>(4,266)</u>	<u>(13,223)</u>	<u>(19,924)</u>
	<u><u>(96,357)</u></u>		<u><u>(58,944)</u></u>	<u><u>(4,266)</u></u>	<u><u>(13,223)</u></u>	<u><u>(19,924)</u></u>

			2016			
	Carrying amount £000	Effective rate %	1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
<i>Non-derivative financial liabilities</i>						
Secured bank loans	(31,288)	<i>Note 15</i>	-	(31,288)	-	-
Trade and other payables	(1,746)	<i>Note 14</i>	(1,746)	-	-	-
Loan notes	(19,837)	<i>Note 15</i>	-	(19,837)	-	-
Finance lease liabilities	(41,268)	<i>Note 16</i>	(4,129)	(4,197)	(13,009)	(19,933)
<i>Derivative financial liabilities</i>						
Interest rate swaps used for hedging: Outflow	(99)	<i>Note 12</i>	-	(99)	-	-
	<u>(94,238)</u>		<u>(5,875)</u>	<u>(55,421)</u>	<u>(13,009)</u>	<u>(19,933)</u>
	<u><u>(94,238)</u></u>		<u><u>(5,875)</u></u>	<u><u>(55,421)</u></u>	<u><u>(13,009)</u></u>	<u><u>(19,933)</u></u>

Notes (continued)

20 Financial assets, liabilities, derivatives and non-current financial instruments (continued)

(d) Market risk

Financial risk management

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. All of the group's operations are sterling denominated and it does not hold equity investments. Therefore it does not face foreign exchange risk and equity price risk.

Market risk – Interest rate risk

Profile

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

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
<i>Hedged and fixed rate instruments</i>				
Financial liabilities	22,437	52,519	22,437	20,184
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Variable rate instruments</i>				
Financial liabilities	30,863	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Sensitivity analysis

An increase of 100 basis points in interest rates at the balance sheet date would have decreased group equity and profit or loss by £309,000 (2016: £nil). 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 remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss and the fixed rate element of interest rate swaps.

(e) Capital management

The Company's objectives when managing capital are:

- i) to safeguard the entity's ability to continue as a going concern, enabling it to continue to provide returns for shareholders and benefits to other stakeholders
- ii) to provide an adequate return to shareholders by (a) pricing products and services commensurate with the level of risk and (b) ensuring the returns on new investment programmes will maintain or increase shareholder returns. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or return capital to shareholders.

21 Pension contribution

The Group operates a defined contribution pension plan. The total expense relating to this plan in the current period was £488,000 (2016: £405,000).

Notes (continued)

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Less than one year	722	719	-	-
Between one and five years	3,135	3,327	-	-
More than five years	57,026	57,711	-	-
	<u>60,883</u>	<u>61,757</u>	<u>-</u>	<u>-</u>

The operating leases held by the Group relate to long leases held with the Forestry Commission and third parties for sites operated by the Group.

During the year £874,000 (2016: £657,000) was recognised as an expense in the consolidated statement of comprehensive income in respect of operating leases.

23 Commitments

Capital commitments

During the year ended 2 March 2017, the group entered into a contract to purchase property, plant and equipment for £nil (2016: £568,000). These commitments are expected to be settled in the following financial year.

The company has no capital commitments.

24 Contingencies

The company, together with its subsidiaries, is part of a group for arranging borrowing requirements and has cross guarantees for the facilities set out in note 15.

25 Related party disclosures and ultimate controlling parties

The ultimate controlling party is Lloyds Development Capital ('LDC') (part of Lloyds Banking Group).

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and not disclosed in this note.

During the year the following transactions took place with LDC:

	2017	2016
	£000	£000
<i>Transactions:</i>		
Monitoring fees payable to LDC	100	100
Interest on loan notes	1,937	2,717
	<u>2,037</u>	<u>2,817</u>
<i>Year end balance:</i>		
Loan notes held by LDC	(19,161)	(17,224)
	<u>(19,161)</u>	<u>(17,224)</u>

Notes (continued)

25 Related party disclosures and ultimate controlling parties (continued)

During the year the following transactions took place with the Forestry Commission:

	2017 £000	2016 £000
<i>Transactions:</i>		
Interest on loan notes	242	221
Operating lease charge	874	657
	<hr/>	<hr/>
<i>Year end balance:</i>		
Loan notes held by Forestry Commission	(2,553)	(2,311)
	<hr/>	<hr/>

Transactions with key management personnel

The key management personnel of the Company are considered to be the Directors. At the end of the year, the following balances were held with the Directors:

	2017 £000	2016 £000
<i>Transactions:</i>		
Interest on loan notes	73	61
	<hr/>	<hr/>
<i>Year end balance:</i>		
Loan notes	(723)	(650)
	<hr/>	<hr/>

26 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The primary area of judgement considered by the directors is the allocation of useful economic lives of project spend.