Forest Holidays Group Limited

Directors' report and consolidated financial statements

Registered number 08159281

26 February 2015

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Company information

Directors	Mr P Phillipson Mr B McKendrick Mr R Faith Mr R Palmer Ms J Grinsted Mr M Draper Mr A Grove Mr B McIntosh Ms M Lucas Mr G Fletcher
Company number	08159281
Registered office	Bath Yard Bath Lane Moira Derbyshire DE12 6BA
Auditor	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ
Bankers	Lloyds TSB PLC 114-116 Colmore Row Birmingham West Midlands B3 3BD
Solicitors	Wragge & Co LLP 55 Colmore Row Birmingham B3 2AS

Directors' report

The directors present the audited consolidated financial statements for Forest Holidays Group Limited ('the Company') for the year ended 26 February 2015

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

Directors

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

Mr P Phillipson
Mr B McKendrick (appointed 12 August 2014)
Mr R Faith
Mr R Palmer
Ms R Grinsted
Mr M Draper
Mr A Grove
Mr B McIntosh
Ms M Lucas
Mr G Fletcher

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
Moira
Derbyshire
DE12 6BA

Dated 24 November 2015

Strategic report

Results for the year

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

Total profit before interest and tax of £2,819,000 *(2014 £540,000)*

Earnings (as adjusted for finance lease repayments and ground rent accruals) before interest, tax, depreciation and amortisation ('EBITDA') of the consolidated group is £6,072,000, up 84% from 2014 of £3,313,000

	Recurring	
	Full year 2015 £000	Full year 2014 £000
Revenue	**25,588**	18,663
Cost of sales	**(17,130)**	(13,951)
Gross profit	**8,458**	4,712
Administrative expenses	**(4,859)**	(4,120)
Profit before interest and tax	**3,599**	592
Add back depreciation and amortisation	**5,110**	2 721
Add back ground rent accrual	**623**	-
Less finance lease repayments	**(3,260)**	-
Underlying EBITDA	**6,072**	3,313

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 EBITDA of 84% (before depreciation, amortisation, interest and tax) This performance is ahead of the expectations set originally in 2012 and ahead of budget approved in 2014

Further development of cabin locations has taken place with the launch of a new site at Thorpe, Thetford Forest, Norfolk and extensions on existing cabin sites at Cropton, Forest of Dean and Sherwood Overall there has been an expansion of 32% in cabins from 427 to 562 Occupancy levels are down 1% to 90% (2014 91%) with average rentals being up 14% in line with the company's strategy of providing an all year round short to medium term holiday breaks

Further expansion plans are being investigated in line with business plans, with the expectation that no new sites or extensions will open within the next financial year Forecast occupancy levels are in line with original business plans of 90%

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

Strategic report *(continued)*

Principal risks and uncertainties

The company'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 especially on the loans drawn down to meet financial obligations around development of sites In accordance with it banking facilities, for a minimum of 66% of the value of these loans the interest rate is hedged over the life of the loan period

On behalf of the board

Bruce McKendrick
Director

Registered Office:

Bath Yard
Bath Lane
Moira
Derbyshire
DE12 6BA

Dated 24 November 2015

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

The directors are responsible for preparing the Director's Report, 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

KPMG

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 year ended 26 February 2015 set out on pages 7 to 31 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 web-site 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 26 February 2015 and of the group's loss for the year 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 year for which the financial statements are prepared is consistent with the financial statements

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

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 26th November 2015

Consolidated statement of comprehensive income
for the year ended 26 February 2015

	Note	2015 Recurring £000	2015 Non-recurring £000	2015 Total £000	2014 Recurring £000	2014 Non-recurring £000	2014 Total £000
Revenue	*1*	**25,588**	**13,121**	**38,709**	18,663	-	18,663
Cost of sales		**(17,130)**	**(10,537)**	**(27,667)**	(13,951)	-	(13,951)
Gross profit		**8,458**	**2,584**	**11,042**	4,712	-	4,712
Administrative expenses		**(4,859)**	**-**	**(4,859)**	(4,120)	(52)	(4,172)
Non-current write off		**-**	**(3,364)**	**(3,364)**	-	-	-
Profit/(loss) before interest and tax	*4*	**3,599**	**(780)**	**2,819**	592	(52)	540
Financial expenses	*5*			**(8,411)**			(3,391)
Loss before tax for the year				**(5,592)**			(2,851)
Tax	*6*			**451**			538
Loss after tax and total comprehensive income for the year				**(5,141)**			(2,313)

Consolidated statement of financial position
as at 26 February 2015

	Note	2015 £000	2014 £000
Non-current assets			
Property, plant and equipment	7	**93,136**	48,894
Other non-current assets	9	**-**	3,364
		93,136	52,258
Current assets			
Inventories	10	**166**	166
Trade and other receivables	11	**2,581**	1,902
Cash and cash equivalents	13	**11,399**	5,513
		14,146	7,581
Total assets		**107,282**	59,839
Current liabilities			
Trade and other payables	14	**(14,924)**	(13,927)
Borrowings	15	**(767)**	(2,229)
Finance lease obligations	16	**(4,175)**	-
Derivative financial instruments	12	**(161)**	(86)
		(20,027)	(16,242)
Non-current liabilities			
Borrowings	15	**(50,357)**	(38,486)
Finance lease obligations	16	**(36,728)**	-
Accruals	17	**(623)**	-
Deferred tax liabilities	18	**(983)**	(1,434)
		(88,691)	(39,920)
Total liabilities		**(108,718)**	(56,162)
Net (liabilities) / assets		**(1,436)**	3,677
Shareholders' funds – equity			
Ordinary shares	19	**100**	90
Share premium		**137**	119
Retained earnings		**(1,673)**	3,468
Total equity		**(1,436)**	3,677

These financial statements were approved by the Board of Directors and authorised for issue on 24 November 2015 and signed on its behalf by

Ross Faith
Director

Registered number 08159281

Company statement of financial position
as at 26 February 2015

	Note	2015 £000	2014 £000
Non-current assets			
Investments in subsidiaries	*8*	-	-
		-	-
Current assets			
Trade and other receivables	*11*	**30,016**	25,272
Cash and cash equivalents	*13*	-	12
Deferred tax asset	*18*	-	83
Total assets		**30,016**	25,367
Current liabilities			
Trade and other payables	*14*	-	(4)
		-	(4)
Non-current liabilities			
Borrowings	*15*	**(30,744)**	(26,202)
		(30,744)	(26,202)
Total liabilities		**(30,744)**	(26,206)
Net liabilities		**(728)**	(839)
Shareholders' funds – equity			
Ordinary shares	*19*	**100**	90
Share premium		**137**	119
Retained earnings		**(965)**	(1,048)
Total equity		**(728)**	(839)

These financial statements were approved by the Board of Directors and authorised for issue on 24 November 2015 and signed on its behalf by

Ross Faith
Director

Registered number 08159281

Consolidated statement of cash flows
for the year ended 26 February 2015

	Note	2015 £000	2014 £000
Cash flows from operating activities			
Loss after tax for the year		**(5,141)**	(2,313)
Adjustments for			
Tax	*6*	**(451)**	(538)
Financial expenses	*5*	**8,411**	3,391
Non-current asset write off		**3,364**	-
Amortisation	*9*	**-**	100
Depreciation	*7*	**5,110**	2,621
(Increase)/decrease in receivables		**(679)**	547
Increase in inventories		**-**	(98)
Increase in payables		**1,488**	1,703
Cash inflow from operations		**12,102**	5,413
Interest paid		**(946)**	(781)
Net cash inflow from operating activities		**11,156**	4,632
Purchase of property, plant and equipment	*7*	**(9,602)**	(19,492)
Net cash outflow from investing activities		**(9,602)**	(19,492)
Net proceeds from drawdown on new bank loans and loan notes		**9,027**	14 702
Finance lease repayments		**(3,260)**	-
Proceeds from share issue		**27**	11
Net cash inflow from financing activities		**5,794**	14,713
Net cash inflow/(outflow)		**7,348**	(147)
Cash and cash equivalents at beginning of year		**3,284**	3,431
Cash and cash equivalents at end of year	*13*	**10,632**	3,284

Company statement of cash flows
for the year ended 26 February 2015

	2015 £000	2014 £000
Cash flows from operating activities		
Profit/(loss) after tax for the year	**83**	(231)
Adjustments for		
Tax	**83**	(83)
Financial income	**(2,895)**	(2,016)
Financial expenses	**2,786**	2,377
Decrease in receivables	**12**	-
(Decrease)/increase in payables	**(4)**	4
Net cash (outflow) / inflow from operating activities	**65**	51
Related party loan advanced to subsidiary	**(1,591)**	(4,241)
Net cash outflow from investing activities	**(1,591)**	(4,241)
Net proceeds from drawdown on new bank loans and loan notes	**1,444**	4,191
Proceeds from share issue	**70**	11
Net cash inflow from financing activities	**1,514**	4,202
Net cash inflow	**(12)**	12
Cash and cash equivalents at beginning of year	**12**	-
Cash and cash equivalents at end of year	**-**	12

Consolidated statement of changes in equity
for the year ended 26 February 2015

Group	**Share capital £000**	**Share premium £000**	**Retained earnings £000**	**Total £000**
Balance at 28 February 2014	90	119	3,468	3,677
Loss after tax for the year	-	-	(5,141)	(5,141)
Shares issued in year	10	18	-	28
Balance at 26 February 2015	**100**	**137**	**(1,673)**	**(1,436)**

	Share capital £000	**Share premium £000**	**Retained earnings £000**	**Total £000**
Balance at 1 March 2013	88	110	5,781	5,979
Loss after tax for the year	-	-	(2,313)	(2,313)
Shares issued in year	2	9	-	11
Balance at 27 February 2014	**90**	**119**	**3,468**	**3,677**

Statement of changes in equity
for the year ended 26 February 2015

Company	**Share capital £000**	**Share premium £000**	**Retained earnings £000**	**Total £000**
Balance at 28 February 2014	90	119	(1,048)	(839)
Profit after tax for the year	-	-	83	83
Shares issued in year	10	18	-	28
Balance at 26 February 2015	**100**	**137**	**(965)**	**(728)**

	Share capital £000	**Share premium £000**	**Retained earnings £000**	**Total £000**
Balance at 1 March 2013	88	110	(817)	(619)
Loss after tax for the year	-	-	(231)	(231)
Shares issued in year	2	9	-	11
Balance at 27 February 2014	90	119	(1,048)	(839)

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 25

Measurement convention

The financial statements are prepared on the historical cost basis except derivative financial instruments that are stated at their fair value

Going concern

Notwithstanding net liabilities of the Company of £728,000 and net current liabilities of the Group of £5,881,000, the financial statements have been prepared on a going concern basis Since its incorporation, the group has secured financing from Lloyds Development Capital ('LDC'), part of Lloyds Banking Group ('LBG'), to purchase FH England LLP and FH (Scotland) LLP and has secured additional facilities to further develop five existing sites and acquire and develop further sites Additional facilities, including overdraft facilities, have been provided and are not repayable within the next twelve months

The directors have prepared forecasts for the 12 months from the date of the signing of these financial statements which demonstrates the group operating within its facility covenants On this basis the directors,, have concluded it is appropriate to prepare the financial statements 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

Notes *(continued)*

1 Accounting policies *(continued)*

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

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 company 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

Notes *(continued)*

1 Accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses

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

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 Land is not depreciated The estimated useful lives 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 26 February 2015 included within the net book value of leasehold buildings are £367,000 *(2014 £nil)* Borrowing costs have been capitalised using the interest rate accrued in relation to bank borrowings (note 15)

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, investment properties 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

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment excluding inventories, investment properties and deferred tax assets (continued)

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

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

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

Negative goodwill

Negative goodwill arising on acquisition is credited to the statement of comprehensive income immediately

Non-current assets

Within non-current assets, the group includes the difference between the market value of a lease on the acquisition of a business and the underlying lease terms as a fair value adjustment This amount is amortised over the term of the lease and reviewed for impairment annually

Notes *(continued)*

1 Accounting policies *(continued)*

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 2015 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	
	2015	2014
Administration	**53**	44
Operations	**451**	138
	504	182

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

	2015	2014
	£000	£000
Wages and salaries	**6,124**	3,969
Social security costs	**459**	352
Other pension costs	**169**	80
	6,752	4,401

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

	2015	2014
	£000	£000
Remuneration for management services	**1,005**	838
Other pension costs	**54**	44
	1,059	882

Additionally, Lloyds Development Capital ('LDC') received £100,000 *(2014 £100,000)* for management services and Forestry Commission ('FC') received £18,000 *(2014 £18,000)* for management services

In relation to the highest paid director

	2015	2014
	£000	£000
Remuneration for management services	**170**	202
Other pension costs	**11**	14
	181	216

Notes *(continued)*

3 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

	2015 £000	2014 £000
Within revenue		
Build and sale activities	**12,317**	-
Sale of lease rights	**804**	-
	13,121	-
Within cost of sales		
Build and sale activities	**(10,055)**	-
Sale of lease rights	**(58)**	-
Development team costs	**(354)**	-
Personnel costs	**(70)**	-
	(10,537)	-
Within administrative expenses		
Acquisition related costs	**-**	(52)
Non-current asset write off	**(3,364)**	(52)

4 Expenses and auditor's remuneration

The profit/(loss) before interest and tax is stated after charging the following

	2015 £000	2014 £000
Depreciation	**5,110**	2,621
Amortisation	**-**	100
Non-current asset write off	**3,364**	-
Acquisition related costs – non-recurring	**-**	52
Operating lease charges	**528**	3,049

	2015 £000	2014 £000
Audit of these financial statements	**5**	5
Amounts receivable by auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	**25**	23
Other services relating to taxation	**10**	7
All other services	**63**	-

Notes *(continued)*

5 Finance expenses

Finance expense	**2015** **£000**	2014 £000
Interest on loans and overdrafts	**1,154**	977
Amortisation of debt issue costs	**144**	117
Lease interest	**4,413**	-
Interest on loan notes	**2,700**	2,297
Total finance expense	**8,411**	3,391

6 Tax on profit on ordinary activities

Recognised in the statement of comprehensive income

	2015 **£000**	2014 £000
Current tax expense		
Current year	-	-
Current tax expense	-	-
Deferred tax credit		
Origination and reversals of temporary differences	**451**	538
Total tax credit	**451**	538

Reconciliation of tax credit

	2015 **£000**	2014 £000
Loss for the year	**(5,141)**	(2,313)
Total tax credit	**(451)**	(538)
Loss excluding taxation	**(5,592)**	(2,851)
Tax using the UK corporation tax rate of 21 17% *(2014 23 08%)*	**(1,184)**	(658)
Expenses not deductible for taxation	**127**	8
Fixed asset differences	**236**	312
Reduction in tax rates on deferred tax balances	**29**	(50)
Prior year adjustment on deferred tax	**310**	(150)
Other	**31**	-
Total tax credit	**(451)**	(538)

Notes *(continued)*

7 Property, plant and equipment

Group	Leasehold buildings £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
Cost				
At 28 February 2014	34,208	9 777	8,310	52,295
Additions	394	477	8,731	9 602
Finance lease capitalisation	36 318	3,432	-	39,750
Transfer	7,669	4,068	(11,737)	-
At 26 February 2015	78,589	17,754	5,304	101 647
Accumulated depreciation				
At 28 February 2014	1,027	2,374	-	3,401
Charge for the year	2,388	2,722	-	5,110
At 26 February 2015	3,415	5,096	-	8,511
Net book value				
At 26 February 2015	**75,174**	**12,658**	**5,304**	**93,136**
At 27 February 2014	33,181	7 403	8 310	48,894

The company has no property, plant and equipment

8 Investments in subsidiaries

	£000
Cost of investments	
At 28 February 2014 and 26 February 2015	-

The group has the following investments in subsidiaries

	Country of incorporation	Holding	Ownership % 2015	2014
Forest Holidays Limited	England	Direct	**100%**	100%
FH England LLP	England	Indirect	**100%**	100%
Forest Holidays (Scotland) LLP	Scotland	Indirect	**100%**	100%

Notes *(continued)*

9 Other non-current assets

Group

	£000
Cost	
At 28 February 2014	3,507
Impairment	(3,507)
At 26 February 2015	-
Accumulated depreciation	
At 28 February 2014	143
Impairment	(143)
At 26 February 2015	-
Net book value	
At 26 February 2015	**-**
At 28 February 2014	3,364

The non-current assets reflect the fair value of leases for cabin sites on the acquisition of the subsidiary undertakings These leases were renegotiated and terms amended at the beginning of the financial year They are now recognised as finance leases and the non-current assets have been written off due to the change in terms

The company has no non-current assets

10 Inventories

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Retail stock	**166**	166	**166**	-

During the year, £1,137,000 *(2014 £848,000)* has been recognised as an expense in the income statement

11 Trade and other receivables

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Other receivables due from related parties	**-**	-	**30,016**	25,272
Trade and other receivables	**629**	802	**-**	-
Prepayments and accrued income	**1,952**	1,100	**-**	-
	2,581	1,902	**30,016**	25,272

Notes *(continued)*

12 Derivative financial instruments – liabilities

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Current				
Other financial liabilities (note 20)	**161**	86	**161**	-

13 Cash and cash equivalents and bank overdrafts

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Cash and cash equivalents per statement of financial position	**11,399**	5,513	-	12
Bank overdraft (note 15)	**(767)**	(2,229)	-	-
Cash and cash equivalents per the statement of cash flows	**10,632**	3,284	-	12

14 Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Current				
Trade and other payables	**2,660**	3 008	-	-
Accruals and deferred income	**12,264**	10,919	-	4
	14,924	13,927	-	4

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	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Non-current liabilities				
Secured bank loans	**19,613**	12,284	-	-
Loan notes	**30,744**	26,202	**30,744**	26,202
	50,357	38,486	**30,744**	26,202
Current liabilities				
Bank overdraft	**767**	2,229	-	-

Notes *(continued)*

15 Borrowings *(continued)*

Included within secured bank loans and loan notes above are £1,454,000 *(2014 £1,598,000)* 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 September 2017

Interest is payable on the bank overdraft at a rate of Bank of England Base Rate plus 2 5%

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

Maturity of financial liabilities

	Bank overdraft £000	Bank loans £000	Loan notes £000	Total £000
26 February 2015				
Within one year	**767**	**-**	**-**	**767**
Between one and five years	**-**	**20,635**	**31,176**	**51,811**
After five years	**-**	**-**	**-**	**-**
	767	**20,635**	**31,176**	**52,578**
Unamortised costs of issue	**-**	**(1,022)**	**(432)**	**(1,454)**
	767	**19,613**	**30,744**	**51,124**

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

	Bank overdraft £000	Bank loans £000	Loan notes £000	Total £000
28 February 2014				
Within one year	2,229	-	-	2,229
Between one and five years	-	13,361	26,723	40,084
After five years	-	-	-	-
	2,229	13,361	26,723	42,313
Unamortised costs of issue	-	(1,081)	(517)	(1,598)
	2,229	12,280	26,206	40,715

Notes *(continued)*

16 Finance lease obligations

Future minimum payments under finance leases are as follows

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Within one year	**4,175**	-	-	-
In more than one year, but not more than five years	**17,388**	-	-	-
In more than five years	**179,313**	-	-	-
Total gross payments	**200,876**	-	-	-
Less finance charges included above	**(159,973)**	-	-	-
	40,903	-	-	-

17 Long term accruals

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Deferred rent	**623**	-	-	-

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Property, plant and equipment	**2,152**	2,162	-	-
Other non-current assets	-	673	-	-
Accruals and deferred income	**(431)**	(408)	-	-
Tax losses carried forward	**(737)**	(993)	-	(83)
Net deferred tax liabilities	**983**	1,434	-	(83)

Movement in deferred tax during the year

	Opening balance	Recognised in income	26 February 2015
	£000	**£000**	**£000**
Property, plant and equipment	2,162	(11)	**2,152**
Other non-current assets	673	(673)	-
Accruals and deferred income	(408)	(23)	**(431)**
Tax losses carried forward	(993)	256	**(737)**
	1,434	(451)	**983**

Notes *(continued)*

18 Deferred tax assets and liabilities *(continued)*

Movement in deferred tax during the prior year

	Opening balance £000	Recognised in income £000	27 February 2014 £000
Property, plant and equipment	2,258	(96)	2,162
Other non-current assets	797	(124)	673
Accruals and deferred income	(701)	293	(408)
Tax losses carried forward	(382)	(611)	(993)
	1,972	(538)	1,434

19 Capital and reserves

Called up share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
119,750 A ordinary shares at £0 20 each	**24**	24
40,000 B ordinary shares at £0 20 each	**8**	8
45,738 ordinary shares at £1 each	**46**	40
22,750 E ordinary shares at £1 each	**22**	18
	100	90

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 issued in the year was issued at a premium of £18,000 *(2014 £9,000)*

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

(a) Fair values of financial instruments

Investments in unlisted equity securities

The fair value of available-for-sale financial assets is determined by reference to the latest known price traded and using management's best estimates

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

Notes *(continued)*

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

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 As discussed below the group hedged a significant proportion of its interest-bearing loans with a fixed rate interest swaps that mature in 2016 and 2017

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

The interest rate swap is a level 2 financial instrument measured at fair value, i e the valuation technique is 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	
	2015	2014	**2015**	2014
IAS 39 categories of financial instruments	**£000**	£000	**£000**	£000
Loans and receivables				
Cash and cash equivalents (note 13)	**11,399**	5,513	**11,399**	12
Other loans and receivables (note 11)	**629**	802	**30,016**	25,272
Total financial assets	**12,028**	6,315	**41,415**	25,284
Financial liabilities measured at amortised cost				
Bank overdraft (note 15)	**767**	2,229	**-**	-
Interest-bearing loans and borrowings (note 15)	**50,357**	38,486	**30,744**	26,202
Trade and other payable (note 14)	**2,660**	3,008	**-**	-
Finance lease liabilities (note 17)	**40,903**	-	**-**	-
Total financial liabilities measured at amortised cost	**94,687**	43,723	**30,744**	26 202
Financial liabilities at fair value through profit and loss				
Other financial liabilities (note 12)	**161**	86	**161**	-
Total financial liabilities at fair value through profit and loss	**161**	86	**161**	-
Total financial liabilities	**94,848**	43,809	**30,905**	26,202
Total financial instruments	**(82,820)**	(37,494)	**10,500**	(918)

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

Notes *(continued)*

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

(b) Credit risk

Ageing beyond contractual due date

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

2015	**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	**2,581**	-	-	-	**2,581**

2014	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	1,874	28	-	-	1,902

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

		2015				
	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**
Non-derivative financial liabilities						
Secured bank loans	**19,613**	***Note 15***	-	-	**19,613**	-
Bank overdrafts	**767**	***Note 15***	**767**	-	-	-
Trade and other payables	**2,660**	-	**2,660**	-	-	-
Loan notes	**30,744**	***Note 15***	-	-	**30,744**	-
Finance lease liabilities	**40,903**	***11 1***	**4,175**	**4,175**	**12,525**	**20,028**
Derivative financial liabilities						
Interest rate swaps used for hedging						
Outflow	**161**	-	-	-	**161**	-
	98,848		**7,602**	**4,175**	**63,043**	**20,028**

Notes *(continued)*

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

(c) *Liquidity risk (continued)*

	Carrying amount £000	2014 Effective Rate %	1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
Non-derivative financial liabilities						
Secured bank loans	12,284	*Note 15*	-	-	12,284	-
Bank overdrafts	2,229	*Note 15*	2,229	-	-	-
Trade and other payables	3,008	-	3,008	-	-	-
Loan notes	26,202	*Note 15*	-	-	26,202	-
Derivative financial liabilities						
Interest rate swaps used for hedging						
Outflow	86	-	-	-	86	-
	43,809		5 237	-	38,572	-

(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 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Hedged and fixed rate instruments				
Financial liabilities	**51,811**	40,080	-	-
Variable rate instruments				
Financial liabilities	**767**	2,229	-	-

Sensitivity analysis

A change of 100 basis points in interest rates at the balance sheet date would have increased group equity and profit or loss by £490,000 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

Notes *(continued)*

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

(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 Operating leases

Non-cancellable operating lease rentals are payable as follows

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Less than one year	**600**	3,030	-	-
Between one and five years	**3,194**	13,054	-	-
More than five years	**58,444**	122,868	-	-
	62,238	138,952	-	-

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 £528,000 *(2014 £3,049,000)* was recognised as an expense in the consolidated statement of comprehensive income in respect of operating leases

22 Commitments

Capital commitments

During the year ended 26 February 2015, the group entered into a contract to purchase property, plant and equipment for £nil *(2014 £4,797,000)* These commitments are expected to be settled in the following financial year

The company has no capital commitments

23 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

Notes *(continued)*

24 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

	2015 £000	2014 £000
Transactions		
Monitoring fees payable to LDC	**100**	100
Interest on loan notes accrued	**2,719**	2,125
Year end balance		
Loan notes held by LDC	**(28,507)**	(24,343)

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

	2015 £000	2014 £000
Transactions		
Interest on loan notes	**198**	135
Operating lease charge	**528**	231
Year end balance		
Loan notes held by Forestry Commission	**(2,090)**	(1,892)

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

	2015 £000	2014 £000
Transactions		
Interest on loan notes	**53**	44
Year end balance		
Loan notes	**(579)**	(483)

25 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