

**Forest Holidays Limited**  
*(formerly Willoughby (712) Limited)*

**Directors' report and consolidated  
financial statements**

Registered number 08159308

28 February 2013

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## **Company information**

### **Directors**

Mr G Fletcher  
Mr R Faith  
Mr R Palmer  
Ms J Grinstead

### **Company number**

08159308

### **Registered office**

Bath Yard  
Bath Lane  
Moirs  
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 Limited (formerly Willoughby (712) Limited) ('the Company') for the period from 27 July 2012 to 28 February 2013

### Company incorporation and change of name

The company was incorporated on 27 July 2012 as Willoughby (712) Limited, on 22 March 2013 the company changed its name to Forest Holidays Limited

### 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

### Results for the period

The consolidated financial results for the period are set out on page 6

On 21 September 2012, the company acquired 99% of the members capital of FH England LLP (formerly Forest Holidays LLP) and Forest Holidays (Scotland) LLP. The fair value of the net assets acquired was £8,820,000

Profit before interest and tax of £7,445,000 for the period of ownership is after taking into account non-recurring profits of £8,665,000, resulting in a recurring loss for the period of £1,220,000

The directors do not recommend the payment of a dividend

The underlying full year "proforma" trading earnings before interest, tax, depreciation and amortisation ('EBITDA') of the consolidated group as if the acquisition has occurred on 1 March 2012 is £839,000 as illustrated by the table below

	Recurring (per financial statements) £000	Adjustment 1 Mar to 21 Sep 2012 £000	Proforma Full Year £000
Revenue	4,683	7,787	12,470
Cost of sales	(4,644)	(6,251)	(10,895)
Gross profit	39	1,536	1,575
Administrative expenses	(1,259)	(1,562)	(2,821)
Loss before interest and tax	(1,220)	(26)	(1,246)
Add back depreciation and amortisation	823	1,221	2,044
Underlying EBITDA	(397)	1,195	798

### Business review

The directors are pleased to report an underlying "proforma" 12 month performance which is in line with plans, despite the disruption of an elongated acquisition process (when the Group acquired the trading assets of FH England LLP and Forest Holidays (Scotland) LLP)

The assets acquired included a new site at Sherwood Forest, Nottinghamshire, which increased overall capacity by 26%. Occupancy levels at 89% are in line with the company's strategy of maintaining an all year round short to medium term holiday break

The company has already secured financing to further develop the Forest Holidays business model by organically growing on new forest sites and extending, where possible, existing sites. The coming financial year will see a further cabin expansion in capacity of 37%, occupancy levels are forecast to be in line with previous periods

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

## **Directors' 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 its banking facilities, as for a minimum of 66% of the value of these loans the interest rate is hedged over the life of the loan period.

### **Directors**

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

Mr G Fletcher	(appointed on incorporation)
Mr R Faith	(appointed on 21 September 2012)
Mr R Palmer	(appointed on 21 September 2012)
Ms J Grinstead	(appointed on 21 September 2012)

### **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**

KPMG LLP were appointed first auditor of the company by the Directors. 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



**Gary Fletcher**  
*Director*

### **Registered Office:**

Bath Yard  
Bath Lane  
Moir  
Derbyshire  
DE12 6BA

31 July 2013

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the Director's 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 period. 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 Limited (formerly Willoughby (712) Limited)**

We have audited the financial statements of Forest Holidays Limited for the period from 27 July 2012 to 28 February 2013 set out on pages 6 to 30. 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 4, 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 (APB'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](http://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 28 February 2013 and of the group's profit 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' Report for the financial period 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.

**Philip Charles** (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

31 July 2013

**Consolidated statement of comprehensive income**  
*for the period ended 28 February 2013*

	<i>Note</i>	2013		
		Recurring £000	Non- recurring £000	Total £000
Revenue	3	4,683	-	4,683
Cost of sales		(4,644)	-	(4,644)
Gross profit		39	-	39
Administrative expenses		(1,259)	(155)	(1,414)
Negative goodwill	7	-	8,820	8,820
(Loss)/profit before interest and tax		(1,220)	8,665	7,445
Financial expenses	5			(1,168)
Profit before tax for the period				6,277
Tax	6			319
Profit after tax and total comprehensive income for the period				6,596

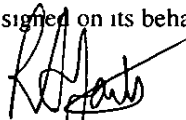


## Consolidated statement of financial position

as at 28 February 2013

	<i>Note</i>	2013 £000
<b>Non-current assets</b>		
Property, plant and equipment	8	32,023
Other non-current assets	10	3,464
		<hr/> 35,487 <hr/>
<b>Current assets</b>		
Inventories	11	68
Trade and other receivables	12	2,449
Cash and cash equivalents	14	4,673
		<hr/> 7,190 <hr/>
<b>Total assets</b>		<hr/> 42,677 <hr/>
<b>Current liabilities</b>		
Trade and other payables	15	(31,023)
Borrowings	16	(1,242)
Derivative financial instruments	13	(86)
		<hr/> (32,351) <hr/>
<b>Non-current liabilities</b>		
Borrowings	16	(1,758)
Deferred tax liabilities	17	(1,972)
		<hr/> (3,730) <hr/>
<b>Total liabilities</b>		<hr/> (36,081) <hr/>
<b>Net assets</b>		<hr/> 6,596 <hr/>
<b>Shareholders' funds – equity</b>		
Ordinary shares	18	-
Retained earnings		6,596
		<hr/> 6,596 <hr/>
<b>Total equity</b>		<hr/> 6,596 <hr/>

These financial statements were approved by the Board of Directors and authorised for issue on 31 July 2013 and signed on its behalf by



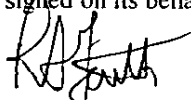
**Ross Faith**  
Director

Registered number 08159308

**Company statement of financial position**  
*as at 28 February 2013*

	<i>Note</i>	<b>2013</b> <b>£000</b>
<b>Non-current assets</b>		
Property, plant and equipment	8	32,023
Investments in subsidiaries	9	-
Other non-current assets	10	3,464
		<hr/> 35,487 <hr/>
<b>Current assets</b>		
Inventories	11	68
Trade and other receivables	12	2,449
Cash and cash equivalents	14	4,673
		<hr/> 7,190 <hr/>
<b>Total assets</b>		<hr/> 42,677 <hr/>
<b>Current liabilities</b>		
Trade and other payables	15	(38,644)
Borrowings	16	(1,242)
Derivative finance instruments	13	(86)
		<hr/> (39,972) <hr/>
<b>Non-current liabilities</b>		
Borrowings	16	(1,758)
Deferred tax liabilities	17	(1,972)
		<hr/> (3,730) <hr/>
<b>Total liabilities</b>		<hr/> (43,702) <hr/>
<b>Net liabilities</b>		<hr/> (1,025) <hr/>
<b>Shareholders' deficit – equity</b>		
Ordinary shares	18	-
Retained earnings		(1,025)
		<hr/> (1,025) <hr/>
<b>Total equity</b>		<hr/> (1,025) <hr/>

These financial statements were approved by the Board of Directors and authorised for issue on 31 July 2013 and signed on its behalf by



**Ross Faith**  
*Director*

Registered number 08159308

**Consolidated statement of cash flows**  
*for the period ended 28 February 2013*

	<i>Note</i>	<b>2013</b> <b>£000</b>
<b>Cash flows from operating activities</b>		
<b>Profit after tax for the period</b>		<b>6,596</b>
<i>Adjustments for</i>		
Tax	6	(319)
Financial expenses	5	1,168
Negative goodwill	7	(8,820)
Amortisation	10	43
Depreciation	8	780
Increase in receivables		(70)
Decrease in inventories		10
Decrease in payables		(13,277)
<b>Cash outflow from operations</b>		<b>(13,889)</b>
Interest paid	5	(285)
<b>Net cash outflow from operating activities</b>		<b>(14,174)</b>
 Purchase of property, plant and equipment		 (7,317)
Purchase of subsidiary net of cash acquired		5,300
<b>Net cash outflow from investing activities</b>		<b>(2,017)</b>
 Net proceeds from drawdown on new bank loans		 1,752
Proceeds from related party loan advanced from parent company		17,870
<b>Net cash inflow from financing activities</b>		<b>19,622</b>
<b>Net cash inflow</b>		<b>3,431</b>
Cash and cash equivalents at beginning of year		-
<b>Cash and cash equivalents at end of year</b>	<b>14</b>	<b>3,431</b>

**Company statement of cash flows**  
*for the period ended 28 February 2013*

	<i>Note</i>	<b>2013</b> <b>£000</b>
<b>Cash flows from operating activities</b>		
Loss after tax for the period		(1,025)
Adjustments for		
Tax		(319)
Financial expenses		1,205
Decrease in receivables		560
Decrease in payables		(13,335)
		<hr/>
<b>Cash inflow from operations</b>		(12,914)
Interest paid		(326)
		<hr/>
<b>Net cash outflow from operating activities</b>		(13,240)
		<hr/>
Purchase of trade and assets of subsidiary net of cash acquired		(2,951)
		<hr/>
<b>Net cash outflow from investing activities</b>		(2,951)
		<hr/>
Net proceeds from drawdown on new bank loans		1,752
Proceeds from related party loan advanced from parent company		17,870
		<hr/>
<b>Net cash inflow from financing activities</b>		19,622
		<hr/>
<b>Net cash inflow</b>		3,431
Cash and cash equivalents at beginning of year		-
		<hr/>
<b>Cash and cash equivalents at end of year</b>		<b>3,431</b>
		<hr/> <hr/>

**Consolidated statement of changes in equity**  
*for the period ended 28 February 2013*

	Share capital £000	Retained earnings £000	Total £000
Balance on incorporation	-	-	-
Profit after tax for the period	-	6,596	6,596
	<hr/>	<hr/>	<hr/>
Balance at 28 February 2013	-	6,596	6,596
	<hr/>	<hr/>	<hr/>

## **Notes**

*(forming part of the consolidated financial statements)*

### **1 Accounting policies**

Forest Holidays Limited (formerly Willoughby (712) 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 periods 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 24

#### ***Measurement convention***

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

#### ***Going concern***

Notwithstanding net liabilities of the Company of £1,025,000 and net current liabilities of the Group of £25,161,000, 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 coming financial year which shows the group operating within these facilities with sufficient headroom, once appropriate sensitivities are applied. The directors, having taken into account the above, 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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***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.

##### ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, in accordance with IAS 16.

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. As set out below, a policy of revaluation was adopted for all aircraft including those under finance leases. 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
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 the assets under construction are capitalised borrowing costs related to the construction of new cabin sites. Borrowing costs at 28 February 2013 included within the net book value of assets under construction are £nil, as borrowing costs incurred in relation to developments in the period since acquisition are immaterial.

##### ***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.



## **Notes (continued)**

### **1 Accounting policies (continued)**

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

##### ***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 company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the 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

##### ***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 fee. 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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***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.

#### ***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***

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

- Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' (mandatory for year commencing on or after 1 July 2012)
- Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2013)
- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (mandatory for year commencing on or after 1 January 2014)
- IFRS 13 Fair Value Measurement (mandatory for year commencing on or after 1 January 2013)
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2014)

## Notes (continued)

### 2 Employees and directors' remuneration

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

	Number of employees 2013
Administration	31
Operations	77
	<hr/> 108 <hr/>

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

	2013 £000
Wages and salaries	1,444
Social security costs	97
Other pension costs	50
	<hr/> 1,591 <hr/>

The directors are remunerated by the Company's immediate parent company

### 3 Revenue

	2013 £000
Cabin rentals and ancillary services	4,683
	<hr/>

### 4 Expenses and auditor's remuneration

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

	2013 £000
Depreciation	780
Amortisation	43
Negative goodwill (note 7)	(8,820)
Acquisition related costs (note 7)	155
Operating lease charges	1,130
<i>Auditor's remuneration</i>	
	2013 £000
Audit of these financial statements	5
Amounts receivable by auditors and their associates in respect of Audit of financial statements of subsidiaries pursuant to legislation	23
Other services relating to taxation	7
All other services	23
	<hr/>

## Notes (continued)

### 5 Finance expenses

	2013 £000
Interest on loans and overdrafts	285
Amortisation of debt issue costs	5
Net loss on derivative financial instruments	86
Interest on amounts due to related parties	792
	<hr/>
Total finance expense	1,168
	<hr/>

### 6 Tax on profit on ordinary activities

#### Recognised in the statement of comprehensive income

	2013 £000
<i>Current tax expense</i>	
Current tax expense	-
<i>Deferred tax expense</i>	
Origination and reversals of temporary differences	319
	<hr/>
Total tax credit	319
	<hr/>

#### Reconciliation of tax expense

	2013 £000
Profit for the period	6,596
Total tax credit	(319)
	<hr/>
Profit excluding taxation	6,277
	<hr/>
Tax using the UK corporation tax rate of 24%	1,507
Expenses not deductible for taxation	154
Reduction in tax rates on deferred tax balances	14
Depreciation in excess of capital allowances	136
Group relief claimed	(13)
Negative goodwill not chargeable for tax purposes	(2,117)
	<hr/>
Total tax credit	(319)
	<hr/>

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly and reduce the deferred tax liability at 28 February 2013 (which has been calculated based on the rate of 23% substantively enacted at the balance sheet date) by £257,000.

**Notes (continued)**

**7 Acquisitions**

- a) On 21 September 2012, the Group acquired 99% of the members capital of FH England LLP and Forest Holidays (Scotland) LLP. Negative goodwill of £8,820,000 was recognised on this transaction.

	<b>Recognised fair values on acquisition £000</b>
<b>Fixed assets</b>	
Tangible	24,657
Non-current asset	3,507
<b>Current assets</b>	
Stock	78
Debtors	2,379
Cash	5,300
<b>Total assets</b>	<b>35,921</b>
<b>Liabilities</b>	
Creditors	(27,101)
<b>Total liabilities</b>	<b>(27,101)</b>
<b>Net assets</b>	<b>8,820</b>
 Assets acquired	 8,820
Purchase consideration	-
<b>Negative goodwill</b>	<b>8,820</b>

The acquired combined undertakings made a loss before tax of £216,000 from the beginning of its financial year to the date of acquisition. In its previous financial year commencing on 1 March 2011, the loss before tax was £895,000.

For the period from acquisition to the year end, the acquired undertakings made a loss before tax of £964,000.

In accordance with IFRS 3 (revised) the negative goodwill figure has been released to the statement of comprehensive income in the year. The group has incurred acquisition related costs of £155,000, related to legal and due diligence activity. These costs have been included in non-recurring administrative expenses in the statement of comprehensive income.

## Notes (continued)

### 7 Acquisitions (continued)

- b) On 28 February 2013, the company acquired the trade and assets of both FH England LLP and Forest Holdings (Scotland) LLP. The details of this transaction are as follows

	<b>Recognised fair values on acquisition £000</b>
<b>Fixed assets</b>	
Tangible	32,023
Non-current asset	3,464
<b>Current assets</b>	
Stock	68
Debtors	3,009
Cash	4,673
<b>Total assets</b>	<b>43,237</b>
<b>Liabilities</b>	
Creditors	(35,613)
<b>Total liabilities</b>	<b>(35,613)</b>
<b>Net (liabilities)/assets</b>	<b>7,624</b>
<b>Assets acquired</b>	<b>7,624</b>
Purchase consideration paid	(7,624)
<b>Goodwill</b>	<b>-</b>

## Notes (continued)

### 8 Property, plant and equipment

Group	Leasehold buildings £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
<i>Cost or revaluation</i>				
On incorporation	-	-	-	-
Acquisition of subsidiary	15,751	5,805	3,101	24,657
Additions	5	228	7,913	8,146
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2013	15,756	6,033	11,014	32,803
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>				
On incorporation	-	-	-	-
Charge in the period	195	585	-	780
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2013	195	585	-	780
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 28 February 2013	15,561	5,448	11,014	32,023
	<hr/>	<hr/>	<hr/>	<hr/>
On incorporation	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
 Company				
	Leasehold buildings £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
<i>Cost or revaluation</i>				
On incorporation	-	-	-	-
Acquisition of trade and assets from subsidiary undertakings	15,561	5,448	11,014	32,023
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2013	15,561	5,448	11,014	32,023
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>				
On incorporation	-	-	-	-
Charge for the period	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2013	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 28 February 2013	15,561	5,448	11,014	32,023
	<hr/>	<hr/>	<hr/>	<hr/>
On incorporation	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 9 Investments in subsidiaries

	£000
Cost of investments	
At 28 February 2013	-

The group has the following investments in subsidiaries

	Country of incorporation	Ownership %
FH England LLP	England	99%
Forest Holidays (Scotland) LLP	Scotland	99%

### 10 Other non-current assets

#### Group

	£000
Cost	
On incorporation	-
On acquisition of subsidiary	3,507
At 28 February 2013	3,507

#### Depreciation

On incorporation	-
Charge in period	43
At 28 February 2013	43

#### Net book value

At 28 February 2013	3,464
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On incorporation	-
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#### Company

	£000
Cost and net book value	
On incorporation	-
On acquisition of trade and assets from subsidiary undertakings	3,464
At 28 February 2013	3,464

On incorporation	-
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**Notes (continued)**

**11 Inventories**

	Group 2013 £000	Company 2013 £000
Retail stock	68	68

**12 Trade and other receivables**

	Group 2013 £000	Company 2013 £000
Trade and other receivables	1,454	1,454
Prepayments and accrued income	995	995
	<u>2,449</u>	<u>2,449</u>

**13 Derivative financial instruments – liabilities**

	Group 2013 £000	Company 2013 £000
<i>Current</i>		
Other financial liabilities (note 19)	86	86
	<u>86</u>	<u>86</u>

**14 Cash and cash equivalents and bank overdrafts**

	Group 2013 £000	Company 2013 £000
Cash and cash equivalents per statement of financial position	4,673	4,673
Bank overdraft (note 16)	(1,242)	(1,242)
	<u>3,431</u>	<u>3,431</u>

**15 Trade and other payables**

	Group 2013 £000	Company 2013 £000
<i>Current</i>		
Trade and other payables	2,906	2,906
Accruals and deferred income	9,123	9,123
Amount due to related parties (note 23)	18,994	26,615
	<u>31,023</u>	<u>38,644</u>

## Notes (continued)

### 16 Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost

	Group 2013 £000	Company 2013 £000
<i>Non-current liabilities</i>		
Secured bank loans	1,758	1,758
<i>Current liabilities</i>		
Bank overdraft	1,242	1,242
Amount due to related parties	17,870	17,870
	<u>19,112</u>	<u>19,112</u>

Included within secured bank loans above are £1,117,000 of capitalised debt 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

Interest is payable on the bank overdraft at a rate of Bank of England Base Rate plus 2.5%

Interest is payable on the amount due to related parties at a rate of 10%

Maturity of financial liabilities

	Amount due to related parties £000	Bank overdraft £000	Bank loans £000
28 February 2013			
Within one year	17,870	1,242	-
Between one and five years	-	-	2,875
After five years	-	-	-
	<u>17,870</u>	<u>1,242</u>	<u>2,875</u>
Unamortised cost of issue	-	-	(1,117)
	<u>17,870</u>	<u>1,242</u>	<u>1,758</u>

On 11 January 2013 the group hedged a significant proportion of its variable loans with a fixed rate interest swap at a rate of 0.99% for LIBOR. This hedge is in place to 11 January 2016

## Notes (continued)

### 17 Deferred tax assets and liabilities

#### *Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following

	Group 2013 £000	Company 2013 £000
Property, plant and equipment	2,258	2,258
Other non-current assets	797	797
Accruals and deferred income	(701)	(701)
Tax losses carried forward	(382)	(382)
	<hr/>	<hr/>
Net deferred tax liabilities	1,972	1,972
	<hr/>	<hr/>

#### *Movement in deferred tax during the year*

	Opening balance £000	Recognised on acquisition £000	Recognised in income £000	28 February 2013 £000
Property, plant and equipment	-	2,208	50	2,258
Other non-current assets	-	807	(10)	797
Accruals and deferred income	-	(724)	23	(701)
Tax losses carried forward	-	-	(382)	(382)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	2,291	(319)	1,972
	<hr/>	<hr/>	<hr/>	<hr/>

### 18 Capital and reserves

#### Called up share capital

	2013 £000
<i>Allotted, called up and fully paid</i>	
1 ordinary share of £1 each	-
	<hr/>

## Notes (continued)

### 19 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

##### *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 swap up to 11 January 2016

##### *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 2013 £000	Company 2013 £000
<b>IAS 39 categories of financial instruments</b>		
<i>Loans and receivables</i>		
Cash and cash equivalents (note 14)	4,673	4,673
Other loans and receivables (note 12)	1,454	1,454
	<hr/>	<hr/>
Total financial assets	6,127	6,127
	<hr/>	<hr/>
<i>Financial liabilities measured at amortised cost</i>		
Bank overdraft (note 16)	1,242	1,242
Interest-bearing loans and borrowings (note 16)	1,758	1,758
Trade and other payable (note 15)	2,906	2,906
Amount due to related parties (note 23)	18,994	26,615
	<hr/>	<hr/>
Total financial liabilities measured at amortised cost	24,900	32,521
	<hr/>	<hr/>
<i>Financial liabilities at fair value through profit and loss</i>		
Other financial liabilities (note 13)	86	86
	<hr/>	<hr/>
Total financial liabilities at fair value through profit and loss	86	86
	<hr/>	<hr/>
Total financial liabilities	24,986	32,607
	<hr/>	<hr/>
Total financial instruments	(18,859)	(26,480)
	<hr/>	<hr/>

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

## Notes (continued)

### 19 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

2013	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
Assets					
Other loans and receivables	2,269	180	-	-	2,449

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

	Carrying amount £000	Effective rate %	2013			
			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	(1,758)	Note 16	-	-	(1,758)	-
Bank overdrafts	(1,242)	Note 16	(1,242)	-	-	-
Trade and other payables	(2,906)	-	(2,906)	-	-	-
Amount due to related parties	(18,994)	Note 16	(18,994)	-	-	-
<i>Derivative financial liabilities</i>						
Interest rate swaps used for hedging						
Outflow	(86)	Note 16	-	-	(86)	-
	(24,986)		(23,142)	-	(1,844)	-

## Notes (continued)

### 19 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

	<b>Group 2013 £000</b>	<b>Company 2013 £000</b>
<i>Hedged and fixed rate instruments</i>		
Financial liabilities	2,875	2,875
Amount due to related parties	17,870	17,870
	<hr/>	<hr/>
Amount due to related parties	20,745	20,745
	<hr/>	<hr/>
<i>Variable rate instruments</i>		
Financial liabilities	1,242	1,242
	<hr/>	<hr/>

##### *Sensitivity analysis*

A decrease of 100 basis points in interest rates at the balance sheet date would have increased group equity and profit or loss by £17,000. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

#### (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.

## Notes (continued)

### 20 Operating leases

Non-cancellable operating lease rentals are payable as follows

	Group 2013 £000	Company 2013 £000
Less than one year	2,415	2,415
Between one and five years	9,660	9,660
More than five years	74,133	74,133
	<u>86,208</u>	<u>86,208</u>

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

During the period £1,130,000 was recognised as an expense in the consolidated statement of comprehensive income in respect of operating leases

### 21 Commitments

#### *Capital commitments*

During the period ended 28 February 2013, the group entered into a contract to purchase property, plant and equipment for £5,756,000. These commitments are expected to be settled in the following financial year

The company has no capital commitments

### 22 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 16

### 23 Related party transactions and ultimate controlling parties

The ultimate holding company is Lloyds Development Capital ('LDC'), part of the Lloyds Banking Group. The immediate parent company is Forest Holidays Group Limited, incorporated in England and Wales

There were no transactions with LDC within the period and no balance outstanding at the end of the period

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

#### *Transactions with key management personnel*

The key management personnel of the Company are considered to be the Directors. There were no transactions with the Directors within the period and no balance outstanding at the end of the period

Transactions with non-consolidated parties are as follows

	2013 £000
<i>Transactions</i>	
Interest payable to Forest Holidays Group Limited	792
	<u>          </u>
Loan from Forest Holdings Group Limited	18,994
	<u>          </u>

## **Notes** *(continued)*

### **24 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 on estimating the fair value of the assets and liabilities acquired during the period. This includes the sites from which the group operates (for which independent valuations underpinned the directors' estimates) and the liability of the group to the members of the Forest Holidays Membership Scheme.