Forest Holidays Limited

Directors' report and financial statements

Registered number 08159308

25 February 2016

Contents

Company information

Directors	Mr B McKendrick Mr G Fletcher Mr R Faith Mr R Palmer Ms J Grinsted
Company number	08159308
Registered office	Bath Yard Bath Lane Moira Derbyshire DE12 6BA
Auditor	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ
Bankers	Lloyds Bank PLC 114-116 Colmore Row Birmingham West Midlands B3 3BD
Solicitors	Gowling WLG (UK) LLP Two Snowhill Birmingham B4 6WR

Directors' report

The directors present the audited financial statements for Forest Holidays Limited ('the Company') for the year ended 25 February 2016.

Principal activity

The principal activity of the Company 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 B McKendrick
Mr G Fletcher
Mr R Faith
Mr R Palmer
Ms J Grinsted

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: 5 July 2016

Strategic report

Results for the year

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

Total profit before interest and tax was £6,579,000 *(2015: £2,761,000).*

Recurring earnings (as adjusted for finance lease repayments and ground rent accruals) before interest, tax, depreciation and amortisation ('EBITDA') of the Company is £8,636,000, up 44% from 2015 of £6,014,000.

	Recurring	
	Full Year 2016 £000	Full Year 2015 £000
Revenue	**31,925**	25,588
Cost of sales	**(19,388)**	(17,130)
Gross profit	**12,537**	8,458
Administrative expenses	**(5,958)**	(4,917)
Profit before interest and tax	**6,579**	3,541
Add back: depreciation	**5,701**	5,110
Add back: ground rent accrual	**404**	623
Less: finance lease repayments	**(4,048)**	(3,260)
Underlying adjusted EBITDA	**8,636**	6,014

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 44% (before depreciation, amortisation, interest and tax). This performance is ahead of the expectations set originally in 2012 and ahead of budget approved in 2015.

Further developments continued with investment in a further 11 cabins at Strathyre in Scotland and further upgrade investments across the existing 562 cabins. In line with the company's strategy of providing an all year round short to medium term holiday breaks, occupancy levels were maintained at 2015 levels of 90% with average rentals up 11% year on year.

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

The position of the 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, as 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: 5 July 2016

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Forest Holidays Limited

We have audited the financial statements of Forest Holidays Limited for the year ended 25 February 2016 set out on pages 7 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 25 February 2016 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the 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: 15 JULY 2016

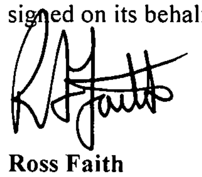
Statement of comprehensive income
for the year ended 25 February 2016

	Note	2016 Recurring £000	2016 Non-recurring £000	2016 Total £000	2015 Recurring £000	2015 Non-recurring £000	2015 Total £000
Revenue	3	**31,925**	**601**	**32,526**	25,588	13,121	38,709
Cost of sales		**(19,388)**	**(601)**	**(19,989)**	(17,130)	(10,537)	(27,667)
Gross profit		**12,537**	**-**	**12,537**	8,458	2,584	11,042
Administrative expenses		**(5,958)**	**-**	**(5,958)**	(4,917)	-	(4,917)
Non-current asset write off		**-**	**-**	**-**	-	(3,364)	(3,364)
Profit/(loss) before interest and tax	5	**6,579**	**-**	**6,579**	3,541	(780)	2,761
Financial expenses	6			**(8,315)**			(8,520)
Loss before tax for the year				**(1,736)**			(5,759)
Tax on loss on ordinary activities	7			**48**			534
Loss after tax and total comprehensive income for the year				**(1,688)**			(5,225)

Statement of financial position
as at 25 February 2016

	Note	2016 £000	2015 £000
Non-current assets			
Property, plant and equipment	*8*	**118,088**	93,136
Investments in subsidiaries	*9*	**-**	-
		118,088	93,136
Current assets			
Inventories	*10*	**205**	166
Trade and other receivables	*11*	**2,719**	2,581
Cash and cash equivalents	*13*	**7,852**	11,399
		10,776	14,146
Total assets		**128,864**	107,282
Current liabilities			
Trade and other payables	*14*	**(40,404)**	(52,565)
Borrowings	*15*	**-**	(767)
Finance lease obligations	*16*	**(4,129)**	(4,175)
Derivative finance instruments	*12*	**(99)**	(161)
		(44,632)	(57,668)
Non-current liabilities			
Borrowings	*15*	**(31,288)**	(19,613)
Finance lease obligations	*16*	**(37,139)**	(36,728)
Accruals	*17*	**(1,027)**	(623)
Deferred tax liabilities	*18*	**(5,230)**	(983)
		(74,684)	(57,947)
Total liabilities		**(119,316)**	(115,615)
Net assets / (liabilities)		**9,548**	(8,333)
Shareholders' funds / (deficit) – equity			
Ordinary shares	*19*	**-**	-
Retained earnings		**(10,021)**	(8,333)
Revaluation reserve		**19,569**	-
Total equity		**9,548**	(8,333)

These financial statements were approved by the Board of Directors and authorised for issue on 5 July 2016 and signed on its behalf by:



Ross Faith
Director

Registered number : 08159308

Statement of cash flows
for the year ended 25 February 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Loss after tax for the year		**(1,688)**	(5,225)
Adjustments for:			
Tax	7	**(48)**	(534)
Financial expenses	6	**8,315**	8,520
Asset write off		**-**	3,364
Depreciation	8	**5,701**	5,110
Increase in receivables		**(138)**	(691)
Increase in inventories		**(39)**	-
(Decrease)/increase in trade and other payables		**(921)**	1,493
Increase in non-current accruals		**404**	-
Cash inflow from operations		**11,586**	12,037
Interest paid		**(1,150)**	(946)
Net cash inflow from operating activities		**10,436**	11,091
Purchase of property, plant and equipment	8	**(6,789)**	(9,602)
Net cash outflow from investing activities		**(6,789)**	(9,602)
Net proceeds from drawdown on new bank loans		**11,562**	7,270
Repayments of related party loan advanced from parent company		**(13,941)**	1,861
Finance lease repayments		**(4,048)**	(3,260)
Net cash (outflow)/inflow from financing activities		**(6,427)**	5,871
Net cash (outflow)/inflow		**(2,780)**	7,360
Cash and cash equivalents at beginning of year		**10,632**	3,272
Cash and cash equivalents at end of year	13	**7,852**	10,632

Statement of changes in equity
for the year ended 25 February 2016

	Share capital £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balance at 27 February 2015	-	-	(8,333)	(8,333)
Loss after tax for the year	-	-	(1,688)	(1,688)
Revaluation	-	19,569	-	19,569
Balance at 25 February 2016	**-**	**19,569**	**(10,021)**	**9,548**

	Share capital £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balance at 28 February 2014	-	-	(3,108)	(3,108)
Loss after tax for the year	-	-	(5,225)	(5,225)
Balance at 26 February 2015	-	-	(8,333)	(8,333)

Notes
(forming part of the consolidated financial statements)

1 Accounting policies

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

The company 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 that derivative financial instruments and the completed sites class of property, plant and equipment which are stated at their fair value.

Going concern

The directors have prepared forecasts for 12 months from the date of the signing of these financial statements which demonstrates the company operates within its facility covenants. On this basis, the directors have concluded it is appropriate to prepare the financial statements on a going concern basis.

Classification of financial instruments issued by the Company

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

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Non-derivative financial instruments (continued)

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.

Property, plant and equipment

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

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

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are initially stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment to its residual value once it is ready for its intended use. Land is not depreciated. The depreciation rates for the completed sites class are as follows:

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

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

Included in leasehold buildings are capitalised borrowing costs related to the construction of new cabin sites. Borrowing costs at 25 February 2016 included within the net book value of leasehold buildings are £373,000 *(2015: £367,000)*. 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.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment excluding inventories, investment properties and deferred tax assets

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

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

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

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

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

Reversals of impairment

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

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

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

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

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the 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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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 2016 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the financial statements of the Company. The Company 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 company were as follows:

	Number of employees 2016	Number of employees 2015
Administration	**52**	44
Operations	**520**	451
	572	495

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

	2016 £000	2015 £000
Wages and salaries	**6,140**	5,119
Social security costs	**396**	373
Other pension costs	**347**	116
	6,883	5,608

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

3 Segmental information

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

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

2016	**Cabin rentals and ancillary services £000**	**Build and sale activities £000**	**Total £000**
Revenue	31,925	601	32,526
Cost of sales	(19,388)	(601)	(19,989)
Gross profit	12,537	-	12,537
Administrative expenses	(5,958)	-	(5,958)
Segmental profit before non-recurring items, interest and tax	6,579	-	6,579
Financial expenses			(8,315)
Loss before tax for the year			(1,736)

Notes *(continued)*

3 Segmental information *(continued)*

2015	Cabin rentals and ancillary services £000	Build and sale activities £000	Total £000
Revenue	26,392	12,317	38,709
Cost of sales	(17,612)	(10,055)	(27,667)
Gross profit	8,780	2,262	11,042
Administrative expenses	(4,917)	-	(4,917)
Segmental profit before non-recurring items, interest and tax	3,863	2,262	6,125
Non-current asset write off			(3,364)
Financial expenses			(8,520)
Loss before tax for the year			(5,759)

4 Non-recurring items

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

	2016 £000	2015 £000
Within revenue:		
Build and sale activities	**601**	12,317
Sale of lease rights	-	804
	601	13,121
Within cost of sales:		
Build and sale activities	**(601)**	(10,055)
Sale of lease rights	-	(58)
Development team costs	-	(354)
Personnel costs	-	(70)
	(601)	(10,537)
Within administrative expenses:		
Non-current asset write off	-	(3,364)

In the prior year, non-current assets which reflected the fair value of leases for cabin sites on the acquisition of subsidiary undertakings were written off. This was a result of a renegotiation of the leases.

Notes *(continued)*

5 Expenses and auditor's remuneration

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

	2016 £000	2015 £000
Depreciation	**5,701**	5,110
Non-current asset write off	**-**	3,364
Operating lease charges	**657**	528

Auditor's remuneration

	2016 £000	2015 £000
Audit of these financial statements	**27**	25
Amounts receivable by auditors and their associates in respect of:		
Other services relating to taxation	**10**	10
All other services	**40**	63

6 Finance expenses

	2016 £000	2015 £000
Interest on loans and overdrafts	**1,221**	1,154
Amortisation of debt issue costs	**114**	59
Finance lease interest	**4,412**	4,413
Interest on amounts due to related parties	**2,568**	2,894
Total finance expense	**8,315**	8,520

Notes *(continued)*

7 Tax on loss on ordinary activities

Recognised in the statement of comprehensive income

	2016 £000	2015 £000
Current tax expense		
Current tax expense	-	-
Deferred tax expense		
Origination and reversals of temporary differences	**(48)**	534
Total tax credit	**(48)**	534

Recognised in statement of changes in equity

	2016 £000	2015 £000
Revaluation of property, plant and equipment	**(4,295)**	-

Reconciliation of tax expense

	2016 £000	2015 £000
Loss for the year	**(1,688)**	(5,225)
Total tax credit	**(48)**	(534)
Loss excluding taxation	**(1,736)**	(5,759)
Tax using the UK corporation tax rate of 20.08% *(2015: 21.17%)*	**(349)**	(1,219)
Expenses not deductible for taxation	**4**	2
Fixed asset differences	**436**	236
Increase in tax rate on deferred tax balances	**(112)**	45
Prior year adjustment on deferred tax	**(27)**	230
Group relief surrendered	-	157
Other	-	15
Total tax credit	**(48)**	(534)

Notes *(continued)*

8 Property, plant and equipment

	Completed sites £000	Planning £000	Assets in the course of construction £000	Total £000
Cost or valuation				
At 28 February 2014	43,205	1,222	7,088	51,515
Additions	871	1,023	7,708	9,602
Finance lease capitalisation	39,750	-	-	39,750
Transfer	11,737	-	(11,737)	-
At 26 February 2015	95,563	2,245	3,059	100,867
At 27 February 2015	95,563	2,245	3,059	100,867
Additions	299	1,716	4,774	6,789
Transfer	4,445	(573)	(3,872)	-
Revaluation	20,378	-	-	20,378
At 25 February 2016	120,685	3,388	3,961	128,034
Accumulated depreciation				
At 28 February 2014	2,621	-	-	2,621
Charge for the year	5,110	-	-	5,110
At 26 February 2015	7,731	-	-	7,731
At 27 February 2015	7,731	-	-	7,731
Charge for the year	5,701	-	-	5,701
Revaluation	(3,486)	-		(3,486)
At 25 February 2016	9,946	-	-	9,946
Net book value				
At 25 February 2016	**110,739**	**3,388**	**3,961**	**118,088**
At 26 February 2015	87,832	2,245	3,059	93,136
At 27 February 2014	40,584	1,222	7,088	48,894

Completed sites are held at valuation. The effective date of the valuation was 25 February 2016. The valuation was performed by Jones Lang Lasalle, an independent valuer in accordance with the RICS Valuation Standards. Were Completed sites class of assets held under the cost model the carry amount would be £86,875,000.

Notes *(continued)*

9 Investments in subsidiaries

	2016	2015
	£000	£000
Cost of investments		
At 27 February 2015 and 25 February 2016	**-**	-

The company has the following investments in subsidiaries.

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

10 Inventories

	2016	2015
	£000	£000
Retail stock	**205**	166

During the year, £1,237,000 *(2015: £1,137,000)* has been recognised as an expense in the income statement.

11 Trade and other receivables

	2016	2015
	£000	£000
Trade and other receivables	**979**	629
Prepayments and accrued income	**1,740**	1,952
	2,719	2,581

12 Derivative financial instruments – liabilities

	2016	2015
	£000	£000
Current		
Other financial liabilities (note 20)	**99**	161

13 Cash and cash equivalents and bank overdrafts

	2016	2015
	£000	£000
Cash and cash equivalents per statement of financial position	**7,852**	11,399
Bank overdraft (note 15)	**-**	(767)
Cash and cash equivalents per the statement of cash flows	**7,852**	10,632

Notes *(continued)*

14 Trade and other payables

	2016 £000	2015 £000
Current		
Trade and other payables	**1,746**	2,660
Accruals and deferred income	**12,390**	12,268
Amount due to related parties (note 24)	**26,268**	37,637
	40,404	52,565

15 Borrowings

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

	2016 £000	2015 £000
Non-current liabilities		
Secured bank loans	**31,288**	19,613
Current liabilities		
Bank overdraft	**-**	767
Amount due to related parties (note 24)	**26,268**	37,637
	26,268	38,404

Included within secured bank loans above are £1,047,000 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. 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%.

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

Interest is payable on the amount due to related parties at a rate of 10%, or is due on demand and no interest is charged.

Maturity of financial liabilities

	Amount due to related parties £000	Bank overdraft £000	Bank loans £000
25 February 2016			
Within one year	**26,268**	-	-
Between one and five years	-	-	**32,335**
After five years	-	-	-
	26,268	-	**32,335**
Unamortised cost of issue	-	-	**(1,047)**
	26,268	-	**31,288**

Notes *(continued)*

15 Borrowings *(continued)*

	Amount due to related parties £000	Bank overdraft £000	Bank loans £000
27 February 2015			
Within one year	37,637	767	-
Between one and five years	-	-	20,635
After five years	-	-	-
	37,637	767	20,635
Unamortised cost of issue	-	-	(1,022)
	37,637	767	19,613

16 Finance lease obligations

Future minimum payments under finance leases are as follows:

	2016 £000	2015 £000
Within one year	**4,129**	4,175
In more than one year, but not more than five years	**17,206**	17,388
In more than five years	**128,298**	136,189
Total gross payments	**149,633**	157,752
Less: finance charges included above	**(108,365)**	(116,849)
	41,268	40,903
Due within less than one year	**4,129**	4,175
Due within greater than one year	**37,139**	36,728
	41,268	40,903

Gross payments represent both the future interest expense and capital element.

17 Long term accruals

	2016 £000	2015 £000
Deferred rent	**1,027**	623

Notes *(continued)*

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2016 **£000**	2015 £000
Fair value adjustment on property, plant and equipment	**1,913**	2,151
Revaluation of property, plant and equipment	**4,295**	-
Accruals and deferred income	**(299)**	(431)
Tax losses carried forward	**(679)**	(737)
Net deferred tax liabilities	**5,230**	983

Movement in deferred tax during the year

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

Movement in deferred tax during the prior year

	Opening balance £000	Recognised in income £000	26 February 2015 £000
Property, plant and equipment	2,162	(11)	2,151
Other non-current assets	673	(673)	-
Accruals and deferred income	(408)	(23)	(431)
Tax losses carried forward	(910)	173	(737)
	1,517	(534)	983

19 Capital and reserves

Called up share capital

	2016 **£000**	2015 £000
Allotted, called up and fully paid		
1 ordinary share of £1 each	-	-

Notes *(continued)*

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

(a) Fair values of financial instruments

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

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

Cash and cash equivalents

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

Interest-bearing borrowings

All interest-bearing loans and borrowings are at floating rates. Therefore, the fair value of these loans and borrowings is their carrying value. As discussed below the group hedged a significant proportion of its interest-bearing loans with a fixed rate interest swaps that vary in end dates between 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).

	2016	2015
IAS 39 categories of financial instruments	**£000**	£000
Loans and receivables		
Cash and cash equivalents (note 13)	**7,852**	11,399
Other loans and receivables (note 11)	**979**	629
Total financial assets	**8,831**	12,028
Financial liabilities measured at amortised cost		
Bank overdraft (note 15)	**-**	767
Interest-bearing loans and borrowings (note 15)	**31,288**	19,613
Trade and other payable (note 14)	**1,746**	2,660
Amount due to related parties (note 15)	**26,268**	37,637
Finance lease liabilities (note 16)	**41,268**	40,903
Total financial liabilities measured at amortised cost	**100,570**	101,580
Financial liabilities at fair value through profit and loss		
Other financial liabilities (note 12)	**99**	161
Total financial liabilities at fair value through profit and loss	**99**	161
Total financial liabilities	**100,669**	101,741
Total financial instruments	**(91,838)**	(89,713)

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 company's trade receivables is:

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

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
Assets					
Other loans and receivables	2,581	-	-	-	2,581

Trade receivables represent the primary source of the company'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 company 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	**2016** 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	**(31,288)**	*Note 15*	-	**(31,288)**	-	-
Bank overdrafts	-	*Note 15*	-	-	-	-
Trade and other payables	**(1,746)**	-	**(1,746)**	-	-	-
Amount due to related parties	**(26,268)**	*Note 15*	**(26,268)**	-	-	-
Finance lease liabilities	**(41,268)**	*11.1*	**(4,129)**	**(4,197)**	**(13,009)**	**(19,933)**
Derivative financial liabilities						
Interest rate swaps used for hedging:						
Outflow	**(99)**	*Note 12*	-	**(99)**	-	-
	(100,669)		**(32,143)**	**(35,584)**	**(13,009)**	**(19,933)**

Notes *(continued)*

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

(c) Liquidity risk (continued)

	Carrying amount £000	2015 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)	-	-	-
Amount due to related parties	(37,637)	*Note 15*	(37,637)	-	-	-
Finance lease liabilities	(40,903)	*11.1*	(4,175)	(4,175)	(13,213)	(19,340)
Derivative financial liabilities						
Interest rate swaps used for hedging:						
Outflow	(161)	*Note 12*	-	-	(161)	-
	(101,741)		(45,239)	(4,175)	(32,987)	(19,340)

(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 Company's income or the value of its holdings of financial instruments. All of the company'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 company's interest-bearing financial instruments was:

	2016 £000	2015 £000
Hedged and fixed rate instruments		
Financial liabilities	**32,335**	20,635
Amount due to related parties	**26,268**	37,637
	58,603	58,272
Variable rate instruments		
Financial liabilities	**-**	767

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 £587,000 *(2015: £583,000)*. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

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:

	2016	2015
	£000	£000
Less than one year	**719**	600
Between one and five years	**3,327**	3,194
More than five years	**57,711**	58,444
	61,757	62,238

The operating leases relate to long leases held with the Forestry Commission. In 2016, the company renegotiated its third party operating leases for sites operated by the company resulting in these now being treated as finance leases.

During the year £657,000 *(2015: £528,000)* was recognised as an expense in the statement of comprehensive income in respect of operating leases.

22 Commitments

Capital commitments

During the year ended 25 February 2016, the company entered into a contract to purchase property, plant and equipment for £568,000 (2015: £nil). These commitments are expected to be settled in the following financial year.

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 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 year and no balance outstanding at the end of the year.

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 year and no balance outstanding at the end of the year.

Transactions with non-consolidated parties are as follows:

	2016	2015
	£000	£000
Transactions:		
Interest payable to Forest Holidays Group Limited	**2,568**	2,895
Loan from Forest Holidays Group Limited	**18,644**	30,013
Loan from FH England LLP	**4,970**	4,970
Loan from Forest Holidays (Scotland) Limited	**2,654**	2,654
	26,268	37,637

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.