Forest Holidays Limited

Directors' report and consolidated financial statements

Registered number 08159308

26 February 2015

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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 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 ('the Company') for the year ended 26 February 2015.

Principal activity

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

Directors

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

Mr B McKendrick (appointed 12 August 2014)
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: 24 November 2015

Strategic report

Results for the year

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

Recurring profit before interest and tax was £3,541,000 (2014: £543,000).

Earnings (as adjusted for finance lease repayments and ground rent accruals) before interest, tax, depreciation and amortisation ('EBITDA') of the consolidated group is £6,014,000, up 84% from 2014 of £3,264,000.

		Recurring
	Full Year 2015 £000	Full Year 2014 £000
Revenue	**25,588**	18,663
Cost of sales	**(17,130)**	(13,951)
Gross profit	**8,458**	4,712
Administrative expenses	**(4,917)**	(4,169)
Profit before interest and tax	**3,541**	543
Add back: depreciation and amortisation	**5,110**	2,721
Add back: ground rent accrual	**623**	-
Less: finance lease repayments	**(3,260)**	-
Underlying EBITDA	**6,014**	3,264

The directors do not recommend the payment of a dividend.

Business review

The directors are pleased to report that performance has continued to improve with a further growth in underlying adjusted EBITDA of 84% (before depreciation, amortisation, interest and tax). This performance is ahead of the expectations set originally in 2012 and ahead of budget approved in 2014.

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

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

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

Strategic report *(continued)*

Principal risks and uncertainties

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

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

Interest rate risk - The group is exposed to movements in the level of interest rates especially on the loans drawn down to meet financial obligations around development of sites. In accordance with it banking facilities, 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: 24 November 2015

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that year. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

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

We have audited the financial statements of Forest Holidays Limited for the year ended 26 February 2015 set out on pages 7 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and of the parent company's affairs as at 26 February 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anthony Hambleton

Anthony Hambleton *(Senior Statutory Auditor)*

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

Dated: 26th November 2015

Consolidated statement of comprehensive income

for the year ended 26 February 2015

	Note	2015 Recurring 2015 £000	2015 Non-recurring 2015 £000	2015 Total 2015 £000	2014 Recurring 2014 £000	2014 Non-recurring 2014 £000	2014 Total 2014 £000
Revenue	*3*	**25,588**	**13,121**	**38,709**	18,663	-	18,663
Cost of sales		**(17,130)**	**(10,537)**	**(27,667)**	(13,951)	-	(13,951)
Gross profit		**8,458**	**2,584**	**11,042**	4,712	-	4,712
Administrative expenses		**(4,917)**	**-**	**(4,917)**	(4,169)	(52)	(4,221)
Non-current asset write off	*10*	**-**	**(3,364)**	**(3,364)**	-	-	-
Profit/(loss) before interest and tax		**3,541**	**(780)**	**2,761**	543	(52)	491
Financial expenses	*6*			**(8,520)**			(3,029)
Loss before tax for the year				**(5,759)**			(2,538)
Tax	*7*			**534**			455
Loss after tax and total comprehensive income for the year				**(5,225)**			(2,083)

Consolidated statement of financial position

as at 26 February 2015

	Note	**2015**	2014
		£000	£000
Non-current assets			
Property, plant and equipment	*8*	**93,136**	48,894
Other non-current assets	*10*	**-**	3,364
		93,136	52,258
Current assets			
Inventories	*11*	**166**	166
Trade and other receivables	*12*	**2,581**	1,890
Cash and cash equivalents	*14*	**11,399**	5,501
		14,146	7,557
Total assets		**107,282**	59,815
Current liabilities			
Trade and other payables	*15*	**(44,944)**	(39,186)
Borrowings	*16*	**(767)**	(2,229)
Finance lease obligations	*17*	**(4,175)**	-
Derivative financial instruments	*13*	**(161)**	(86)
		(50,047)	(41,501)
Non-current liabilities			
Borrowings	*16*	**(19,613)**	(12,284)
Finance lease obligations	*17*	**(36,728)**	-
Accruals	*18*	**(623)**	-
Deferred tax liabilities	*19*	**(983)**	(1,517)
		(57,947)	(13,801)
Total liabilities		**(107,994)**	(55,302)
Net (liabilities) / assets		**(712)**	4,513
Shareholders' funds – equity			
Ordinary shares	*20*	**-**	-
Retained earnings		**(712)**	4,513
Total equity		**(712)**	4,513

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

Ross Faith
Director

Registered number : 08159308

Company statement of financial position
as at 26 February 2015

	Note	2015 £000	2014 £000
Non-current assets			
Property, plant and equipment	*8*	**93,136**	48,894
Investments in subsidiaries	*9*	-	-
Other non-current assets	*10*	-	3,364
		93,136	52,258
Current assets			
Inventories	*11*	**166**	166
Trade and other receivables	*12*	**2,581**	1,890
Cash and cash equivalents	*14*	**11,399**	5,501
		14,146	7,557
Total assets		**107,282**	59,815
Current liabilities			
Trade and other payables	*15*	**(52,565)**	(46,807)
Borrowings	*16*	**(767)**	(2,229)
Finance lease obligations	*17*	**(4,175)**	-
Derivative finance instruments	*13*	**(161)**	(86)
		(57,668)	(49,122)
Non-current liabilities			
Borrowings	*16*	**(19,613)**	(12,284)
Finance lease obligations	*17*	**(36,728)**	-
Accruals	*18*	**(623)**	-
Deferred tax liabilities	*19*	**(983)**	(1,517)
		(57,947)	(13,801)
Total liabilities		**(115,615)**	(62,923)
Net liabilities		**(8,333)**	(3,108)
Shareholders' deficit – equity			
Ordinary shares	*20*	-	-
Retained earnings		**(8,333)**	(3,108)
Total equity		**(8,333)**	(3,108)

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

Ross Faith
Director

Registered number : 08159308

Consolidated statement of cash flows

for the year ended 26 February 2015

	Note	**2015**	2014
		£000	£000
Cash flows from operating activities			
Profit after tax for the year		**(5,225)**	(2,083)
Adjustments for:			
Tax	*7*	**(534)**	(455)
Financial expenses	*6*	**8,520**	3,029
Asset write off		**3,364**	-
Amortisation	*10*	**-**	100
Depreciation	*8*	**5,110**	2,621
(Increase)/decrease in receivables		**(691)**	559
Increase in inventories		**-**	(98)
Increase in payables		**1,493**	1,701
Cash inflow from operations		**12,037**	5,374
Interest paid		**(946)**	(781)
Net cash inflow from operating activities		**11,091**	4,593
Purchase of property, plant and equipment	*8*	**(9,602)**	(19,492)
Net cash outflow from investing activities		**(9,602)**	(19,492)
Net proceeds from drawdown on new bank loans		**7,270**	10,490
Proceeds from related party loan advanced from parent company		**1,861**	4,250
Finance leases repayments		**(3,260)**	-
Net cash inflow from financing activities		**5,871**	14,740
Net cash inflow/(outflow)		**7,360**	(159)
Cash and cash equivalents at beginning of year		**3,272**	3,431
Cash and cash equivalents at end of year	*14*	**10,632**	3,272

Company statement of cash flows

for the year ended 26 February 2015

	Note	**2015**	2014
		£000	£000
Cash flows from operating activities			
Loss after tax for the year		**(5,225)**	(2,083)
Adjustments for:			
Tax	*7*	**(534)**	(455)
Financial expenses	*6*	**8,520**	3,029
Asset write off		**3,364**	-
Amortisation	*10*	**-**	100
Depreciation	*8*	**5,110**	2,621
(Increase)/decrease in receivables		**(691)**	559
Increase in inventories		**-**	(98)
Decrease in payables		**1,493**	1,701
Cash inflow from operations		**12,037**	5,374
Interest paid		**(946)**	(781)
Net cash inflow from operating activities		**11,091**	4,593
Purchase of property, plant and equipment	*8*	**(9,602)**	(19,492)
Net cash outflow from investing activities		**(9,602)**	(19,492)
Net proceeds from drawdown on new bank loans		**7,270**	10,490
Proceeds from related party loan advanced from parent company		**1,861**	4,250
Finance lease repayments		**(3,260)**	-
Net cash inflow from financing activities		**5,871**	14,740
Net cash inflow/(outflow)		**7,360**	(159)
Cash and cash equivalents at beginning of year		**3,272**	3,431
Cash and cash equivalents at end of year		**10,632**	3,272

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

Group	Share capital £000	Retained earnings £000	Total £000
Balance at 28 February 2014	-	4,513	4,513
Loss after tax for the year	-	(5,225)	(5,225)
Balance at 26 February 2015	**-**	**(712)**	**(712)**

	Share capital £000	Retained earnings £000	Total £000
Balance at 1 March 2013	-	6,596	6,596
Loss after tax for the year	-	(2,083)	(2,083)
Balance at 27 February 2014	-	4,513	4,513

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

Company	Share capital £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)**

	Share capital £000	Retained earnings £000	Total £000
Balance at 1 March 2013	-	(1,025)	(1,025)
Profit after tax for the year	-	(2,083)	(2,083)
Balance at 27 February 2014	-	(3,108)	(3,108)

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

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

Measurement convention

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

Going concern

Notwithstanding net liabilities of the Company of £8,333,000 and net current liabilities of the Group of £35,901,000, 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 Forest Holidays (Scotland) LLP and has secured additional facilities to further develop five existing sites and acquire and develop further sites. Additional facilities, including overdraft facilities, have been provided and are not repayable within the next twelve months.

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

Basis of consolidation

Subsidiaries

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Group

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

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

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

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

Non-derivative financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Derivative financial instruments and hedging

Derivative financial instruments

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, 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. Lease payments are accounted for as described below.

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

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

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

Included in leasehold buildings are capitalised borrowing costs related to the construction of new cabin sites. Borrowing costs at 26 February 2015 included within the net book value of leasehold buildings are £367,000 *(2014: £nil)*. Borrowing costs have been capitalised using the interest rate accrued in relation to bank borrowings (note 16).

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.

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

A number of new standards, amendments to standards and interpretations are effective for annual years beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group. The Group chose not to adopt any of the above standards and interpretations early.

Notes *(continued)*

2 Employees and directors' remuneration

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

	Number of employees 2015	Number of employees 2014
Administration	**44**	35
Operations	**451**	138
	495	173

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

	2015 £000	2014 £000
Wages and salaries	**5,119**	3,131
Social security costs	**373**	252
Other pension costs	**116**	36
	5,608	3,419

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

3 Segmental information

The group has only one business activity from which it may earn revenues and incur expenses on an ongoing basis. This activity is for the provision of providing luxury and spacious cabins across the UK. During the current year the group completed one off build and sale activities to 3rd parties, which has been disclosed as a separate reportable segment.

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

2015	**Cabin rentals and ancillary services £000**	**Build and sale activities £000**	**Total £000**
Revenue	26,392	12,311	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)

Notes *(continued)*

3 Segmental information *(continued)*

2014	Cabin rentals and ancillary services £000	Build and sale activities £000	Total £000
Revenue	18,663	-	18,663
Cost of sales	(13,951)	-	(13,951)
Gross profit	4,712	-	4,712
Administrative expenses	(4,169)	-	(4,169)
Segmental profit before non-recurring items, interest and tax	543	-	543
Acquisition related costs			(52)
Financial expenses			(3,029)
Loss before tax for the year			(2,538)

4 Non-recurring items

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

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

Notes *(continued)*

5 Expenses and auditor's remuneration

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

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

Included in 2014 operating lease charges are costs of £2,734,000 that relate to leases that have been renegotiated at the start of the financial year and are now being treated as a finance lease.

Auditor's remuneration

	2015	2014
	£000	£000
Audit of these financial statements	**25**	23
Amounts receivable by auditors and their associates in respect of:		
Other services relating to taxation	**10**	7
All other services	**63**	29

6 Finance expenses

	2015	2014
	£000	£000
Interest on loans and overdrafts	**1,154**	977
Amortisation of debt issue costs	**59**	36
Finance lease interest	**4,413**	-
Interest on amounts due to related parties	**2,894**	2,016
Total finance expense	**8,520**	3,029

Notes *(continued)*

7 Tax on loss on ordinary activities

Recognised in the statement of comprehensive income

	2015 £000	2014 £000
Current tax expense		
Current tax expense	-	-
Deferred tax expense		
Origination and reversals of temporary differences	**534**	455
Total tax credit	**534**	455

Reconciliation of tax expense

	2015 £000	2014 £000
Loss for the year	**(5,225)**	(2,083)
Total tax credit	**(534)**	(455)
Loss excluding taxation	**(5,759)**	(2,538)
Tax using the UK corporation tax rate of 21.17% *(2014: 23.08%)*	**(1,219)**	(586)
Expenses not deductible for taxation	**2**	19
Fixed asset differences	**236**	312
Increase in tax rate on deferred tax balances	**45**	(50)
Prior year adjustment on deferred tax	**230**	(150)
Group relief surrendered	**157**	-
Other	**15**	-
Total tax credit	**(534)**	(455)

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

Company	Leasehold buildings £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
Cost				
At 27 February 2014	34,013	9,192	8,310	51,515
Additions	394	477	8,731	9,602
Finance lease capitalisation	36,318	3,432	-	39,750
Transfer	7,669	4,068	(11,737)	-
At 26 February 2015	78,394	17,169	5,304	100,867
Accumulated depreciation				
At 27 February 2014	832	1,789	-	2,621
Charge for the year	2,388	2,722	-	5,110
At 26 February 2015	3,220	4,511	-	7,731
Net book value				
At 26 February 2015	**75,174**	**12,658**	**5,304**	**93,136**
At 27 February 2014	33,181	7,403	8,310	48,894

Notes *(continued)*

9 Investments in subsidiaries

	£000
Cost of investments	
At 27 February 2014 and 26 February 2015	-

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:	
At 27 February 2014	3,507
Impairment	(3,507)
At 26 February 2015	-
Depreciation:	
At 27 February 2014	143
Impairment	(143)
At 26 February 2015	-
Net book value:	
At 26 February 2015	-
At 27 February 2014	3,364

Notes *(continued)*

10 Other non-current assets *(continued)*

Company

	£000
Cost:	
At 27 February 2014	3,464
Impairment	(3,464)
At 26 February 2015	-
Depreciation:	
At 27 February 2014	100
Impairment	(100)
At 26 February 2015	-
Net book value:	
At 26 February 2015	**-**
At 27 February 2014	3,364

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

11 Inventories

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

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

12 Trade and other receivables

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Trade and other receivables	**629**	789	**629**	789
Prepayments and accrued income	**1,952**	1,101	**1,952**	1,101
	2,581	1,890	**2,581**	1,890

Notes *(continued)*

13 Derivative financial instruments – liabilities

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Current				
Other financial liabilities (note 21)	**161**	86	**161**	86

14 Cash and cash equivalents and bank overdrafts

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Cash and cash equivalents per statement of financial position	**11,399**	5,501	**11,399**	5,501
Bank overdraft (note 16)	**(767)**	(2,229)	**(767)**	(2,229)
Cash and cash equivalents per the statement of cash flows	**10,632**	3,272	**10,632**	3,272

15 Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Current				
Trade and other payables	**2,660**	3,008	**2,660**	3,008
Accruals and deferred income	**12,268**	10,918	**12,268**	10,918
Amount due to related parties (note 25)	**30,016**	25,260	**37,637**	32,881
	44,944	39,186	**52,565**	46,807

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		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Non-current liabilities				
Secured bank loans	**19,613**	12,284	**19,613**	12,284
Current liabilities				
Bank overdraft	**767**	2,229	**767**	2,229
Amount due to related parties	**30,016**	25,260	**30,016**	25,260
	30,783	27,489	**30,783**	27,489

Included within secured bank loans above are £1,022,000 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%.

Notes *(continued)*

16 Borrowing *(continued)*

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**
27 February 2015			
Within one year	**30,016**	**767**	**-**
Between one and five years	**-**	**-**	**20,635**
After five years	**-**	**-**	**-**
	30,016	**767**	**20,635**
Unamortised cost of issue	**-**	**-**	**(1,022)**
	30,016	**767**	**19,613**

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

	Amount due to related parties £000	Bank overdraft £000	Bank loans £000
28 February 2014			
Within one year	25,260	2,229	-
Between one and five years	-	-	13,365
After five years	-	-	-
	25,260	2,229	13,365
Unamortised cost of issue	-	-	(1,081)
	25,260	2,229	12,284

Notes *(continued)*

17 Finance lease obligations

Future minimum payments under finance leases are as follows:

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

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

18 Long term accruals

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

19 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Property, plant and equipment	**2,151**	2,162	**1,860**	2,162
Other non-current assets	**-**	673	**-**	673
Accruals and deferred income	**(431)**	(408)	**(54)**	(408)
Tax losses carried forward	**(737)**	(910)	**(737)**	(910)
Net deferred tax liabilities	**983**	1,517	**983**	1,517

Notes *(continued)*

19 Deferred tax assets and liabilities *(continued)*

Movement in deferred tax during the year

	Opening balance £000	Recognised in income £000	27 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

Movement in deferred tax during the prior year

	Opening balance £000	Recognised in income £000	28 February 2014 £000
Property, plant and equipment	2,258	(96)	2,162
Other non-current assets	797	(124)	673
Accruals and deferred income	(701)	293	(408)
Tax losses carried forward	(382)	(528)	(910)
	1,972	(455)	1,517

20 Capital and reserves

Called up share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
1 ordinary share of £1 each	-	-

21 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.

Notes *(continued)*

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

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).

	Group		Company	
	2015	2014	**2015**	2014
IAS 39 categories of financial instruments	**£000**	£000	**£000**	£000
Loans and receivables				
Cash and cash equivalents (note 14)	**11,399**	5,501	**11,399**	5,501
Other loans and receivables (note 12)	**629**	789	**629**	789
Total financial assets	**12,028**	6,290	**12,028**	6,290
Financial liabilities measured at amortised cost				
Bank overdraft (note 16)	**767**	2,229	**767**	2,229
Interest-bearing loans and borrowings (note 16)	**19,613**	12,284	**19,613**	12,284
Trade and other payable (note 15)	**2,660**	3,008	**2,660**	3,008
Amount due to related parties (note 16)	**30,016**	25,260	**37,637**	32,881
Finance lease liabilities (note 17)	**40,903**	-	**40,903**	-
Total financial liabilities measured at amortised cost	**93,959**	42,781	**101,580**	50,402
Financial liabilities at fair value through profit and loss				
Other financial liabilities (note 13)	**161**	86	**161**	86
Total financial liabilities at fair value through profit and loss	**161**	86	**161**	86
Total financial liabilities	**94,120**	42,867	**101,741**	50,488
Total financial instruments	**(82,092)**	(36,577)	**(89,713)**	(44,198)

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

Notes *(continued)*

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

(b) Credit risk

Ageing beyond contractual due date

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

2015	**Within terms £000**	**Up to three months overdue £000**	**Between three months and one year overdue £000**	**More than one year overdue £000**	**Total £000**
Assets					
Other loans and receivables	**2,581**	-	-	-	**2,581**

2014	Within Terms £000	Up to three months overdue £000	Between three months and one year overdue £000	More than one year overdue £000	Total £000
Assets					
Other loans and receivables	1,862	28	-	-	1,890

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

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

(c) Liquidity risk

Financial risk management

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

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

			2015			
	Carrying amount £000	**Effective rate %**	**1 year or less £000**	**1 to < 2 years £000**	**2 to < 5 years £000**	**5 years and over £000**
Non-derivative financial liabilities						
Secured bank loans	**(19,613)**	***Note 16***	-	-	**(19,613)**	-
Bank overdrafts	**(767)**	***Note 16***	**(767)**	-	-	-
Trade and other payables	**(2,660)**	-	**(2,660)**	-	-	-
Amount due to related parties	**(30,016)**	***Note 16***	**(30,016)**	-	-	-
Finance lease liabilities	**(40,903)**	***11.1***	**(4,175)**	**(4,175)**	**(12,525)**	**(20,028)**
Derivative financial liabilities						
Interest rate swaps used for hedging:						
Outflow	**(161)**	***Note 16***	-	-	**(161)**	-
	(94,120)		**(37,618)**	**(4,175)**	**(32,299)**	**(20,028)**

Notes *(continued)*

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

(c) Liquidity risk (continued)

	2014					
	Carrying amount £000	Effective rate %	1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
Non-derivative financial liabilities						
Secured bank loans	(12,284)	*Note 16*	-	-	(12,284)	-
Bank overdrafts	(2,229)	*Note 16*	(2,229)	-	-	-
Trade and other payables	(3,008)	-	(3,008)	-	-	-
Amount due to related parties	(25,260)	*Note 16*	(25,260)	-	-	-
Derivative financial liabilities						
Interest rate swaps used for hedging:						
Outflow	(86)	*Note 16*	-	-	(86)	-
	(42,867)		(30,497)	-	(12,370)	-

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. All of the group's operations are sterling denominated and it does not hold equity investments. Therefore it does not face foreign exchange risk and equity price risk.

Market risk – Interest rate risk

Profile

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

	Group		Company	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Hedged and fixed rate instruments				
Financial liabilities	**20,635**	13,365	**20,635**	13,365
Amount due to related parties	**30,016**	25,260	**30,016**	25,260
	50,651	38,625	**50,651**	38,625
Variable rate instruments				
Financial liabilities	**767**	2,229	**767**	2,229

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 £514,000 *(2014: £409,000)*. 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)*

21 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.

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

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

The operating leases held by the Group relate to long leases held with the Forestry Commission. In 2015, the group renegotiated its third party operating leases for sites operated by the Group resulting in these now being treated as finance leases.

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

23 Commitments

Capital commitments

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

The company has no capital commitments.

24 Contingencies

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

Notes *(continued)*

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

Transactions with non-consolidated parties are as follows:

	2015	2014
	£000	£000
Transactions:		
Interest payable to Forest Holidays Group Limited	**2,895**	2,016
Loan from Forest Holdings Group Limited	**30,016**	25,260

26 Accounting estimates and judgements

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

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