

Forest Holidays Limited

**Directors' report and financial
statements**

Registered number 08159308

28 February 2019

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Company information

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

Directors' report

The directors present the audited financial statements for Forest Holidays Limited ("the Company") for the period ended 28 February 2019.

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 period and to the date of this report are as follows:

Mr B McKendrick
Mr J Ellis

Political contributions

The Company made no (2018: *£nil*) political contributions during the period.

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



Jon Ellis
Director

Registered Office:

Bath Yard
Bath Lane
Moir
Derbyshire
DE12 6BA

Dated: . 15th August 2019.

Strategic report

Overview

Forest Holidays' purpose is to create authentic experiences in Britain's amazing forests, connecting people, nature and local communities through offering 'back to nature' cabin breaks in ten beautiful locations across the UK.

Protecting and enhancing the environment is at the core of the Group's values and the directors believe the Group's aims and activities are entirely consistent with the targets set out in the Government's 25-year Environment Plan. The Group funds vital conservation projects across the UK including the recent re-introduction of Eurasian beavers into the Forest of Dean, 400 years after the species was driven to extinction.

The Group is part owned by the Forestry Commission, constituting a long-standing relationship that delivers value to the taxpayer whilst supporting our commitment to bio-diversity in, and public access to, Britain's public forest estate.

In addition, the Group creates much needed all year-round jobs and inbound tourism in rural communities across the UK, vital components in helping them thrive.

Results for the year

The financial results for the year are set out on page 8.

Profit before interest and tax for the period was £933,000 (2018: £6,010,000) with adjusted profit before interest and tax of £4,497,000 (2018: £7,020,000).

Adjusted earnings (as adjusted for finance lease repayments and ground rent accruals which the Board believe is more reflective of the trading position of the Company) before interest, tax and depreciation ('EBITD') of the Company is £9,328,000 down 9% from 2018 of £10,275,000

	Full Year 2019 £000	Adjusted Full Year 2018 £000
Revenue	36,795	36,768
Cost of sales	(24,882)	(22,309)
Gross profit	11,913	14,459
Administrative expenses	(7,416)	(7,439)
Profit before interest and tax	4,497	7,020
Add back: depreciation and amortisation	9,0084	7,561
Add back: ground rent accrual	13	63
Addback Intercompany Management Charge	65	-
Less: finance lease repayments	(4,331)	(4,369)
Adjusted EBITD	9,328	10,275

Strategic report (continued)

Business review

The directors are pleased to report a stable performance despite challenging trading conditions arising from wider economic, political uncertainty during the year and significant one off cost increases.

June 2019 saw the opening of our 10th location in Beddgelert in the Snowdonia national park. Beddgelert has performed very well exceeding budgeted expectations delivered through strong performance in both occupancy and rate per night achieved. In addition, investment in an estate wide upgrade of cabins has been completed and a considerable proportion of profit continues to be re-invested into the maintenance, development and improvement of the estate and customer offer on an annual basis.

In line with the company's strategy of providing an all year round short to medium term holiday breaks, occupancy levels were maintained at 2018 levels of 91%.

Further expansion plans continue to be explored with our eleventh location currently under development and due to be operational in the autumn of 2020.

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

Following the refinancing and investment from Phoenix Equity Partners in December 2017, three additional group companies were incorporated in November 2017; Canopy Bidco Limited, Canopy Midco Limited and Canopy Holdco Limited. 2019 is the first year in which consolidated accounts for the new corporate structure have been prepared on a long accounting date basis covering the period December 2017 to February 2019.

Principal Risks and Uncertainties

The directors have performed a review of the possible impact of Brexit and do not expect it to have a material effect on either the Company's financial position or performance.

The company's activities expose it to a variety of financial risk 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 financially material value, by the executive directors.

Interest rate risk - The group is exposed to movements in the level of interest rates particularly on the loans drawn down to meet financial obligations around development of sites. In order to manage the risk associated with increases in interest rates on the 31 May 2018 the group entered into an interest rate cap which terminates 28 February 2022.

On behalf of the board



Jon Ellis
Director

Registered Office:

Bath Yard
Bath Lane
Moir
Derbyshire
DE12 6BA

Dated: ..15th August 2019.

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 International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.



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

Opinion

We have audited the financial statements of Forest Holidays Limited ("the company") for the period ended 28 February 2019 which comprise the statement of profit and loss and other comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.



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

Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

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: 15th August 2019

Statement of profit and loss and other comprehensive income
for the period ended 28 February 2019

	Note	2019			2018		
		Adjustments			Adjustments		
		Adjusted £000	(note 5) £000	£000	Adjusted £000	(note 5) £000	£000
Revenue	4	36,795	-	36,795	36,768	-	36,768
Cost of sales		(24,882)	-	(24,882)	(22,309)	-	(22,309)
Gross profit		11,913	-	11,913	14,459	-	14,459
Administrative expenses	5	(7,416)	(3,564)	(10,980)	(7,439)	(1,010)	(8,449)
Profit before interest and tax	6	4,497	(3,564)	933	7,020	(1,010)	6,010
Financial expenses	7			(5,023)			(7,444)
Loss before tax for the period				(4,090)			(1,434)
Tax on loss	8			285			(251)
Loss after tax for the period				(3,805)			(1,685)
Total comprehensive loss for the period				(3,805)			(1,685)
Items that will not be classified to profit or loss:							
Revaluation in the period				27,697			-
Taxation on items that will not be classified to profit or loss				(4,708)			-
Other comprehensive income for the period, net of tax				22,989			-
Total comprehensive profit/(loss) for the period				19,184			(1,685)

Statement of financial position
as at 28 February 2019

	<i>Note</i>	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	9	134,753	108,729
Planning costs	9	9,050	7,730
Investments in subsidiaries	10	-	-
		<hr/> 143,803 <hr/>	<hr/> 116,459 <hr/>
Current assets			
Inventories	11	449	317
Trade and other receivables	12	4,732	2,370
Cash and cash equivalents	13	2,419	6,804
		<hr/> 7,600 <hr/>	<hr/> 9,491 <hr/>
Total assets		<hr/> 151,403 <hr/>	<hr/> 125,950 <hr/>
Current liabilities			
Trade and other payables	14	(13,916)	(13,750)
Other payables due to related parties	14	(59,063)	(57,593)
Finance lease obligations	16	(4,504)	(4,433)
		<hr/> (77,483) <hr/>	<hr/> (75,776) <hr/>
Non-current liabilities			
Finance lease obligations	16	(37,578)	(37,428)
Accruals	17	(1,234)	(1,223)
Deferred tax liabilities	18	(9,417)	(5,016)
		<hr/> (48,229) <hr/>	<hr/> (43,667) <hr/>
Total liabilities		<hr/> (125,712) <hr/>	<hr/> (119,443) <hr/>
Net assets		<hr/> 25,691 <hr/>	<hr/> 6,507 <hr/>
Shareholders' funds – equity			
Ordinary shares	19	-	-
Revaluation reserve		42,797	19,808
Retained earnings		(17,106)	(13,301)
		<hr/> 25,691 <hr/>	<hr/> 6,507 <hr/>
Total equity		<hr/> 25,691 <hr/>	<hr/> 6,507 <hr/>

These financial statements were approved by the Board of Directors and authorised for issue on 15th August 2019 and signed on its behalf by:

Jon Ellis

Jon Ellis
Director

Registered number: 08159308

Statement of cash flows
for the period ended 28 February 2019

	<i>Note</i>	2019 £000	2018 £000
Cash flows from operating activities			
Loss after tax for the period		(3,805)	(1,685)
Adjustments for:			
Tax	8	(285)	251
Financial expenses	7	5,023	7,444
Depreciation	9	9,084	7,561
(Increase)/decrease in receivables		(2,362)	138
Increase in inventories		(132)	(41)
Decrease/(increase) in trade and other payables		941	(683)
Increase in non-current accruals		11	62
Non-recurring deal costs written off		1,045	815
		<hr/>	<hr/>
Cash inflow from operations		9,520	13,862
Interest paid		(371)	(1,209)
Taxation paid		(372)	
		<hr/>	<hr/>
Net cash inflow from operating activities		8,777	12,653
		<hr/>	<hr/>
Purchase of property, plant and equipment	9	(8,731)	(6,442)
		<hr/>	<hr/>
Net cash outflow from investing activities		(8,731)	(6,442)
		<hr/>	<hr/>
Repayment of bank loan		-	(30,863)
Receipt of related party loan advanced from group companies		-	27,278
Finance lease repayments		(4,431)	(4,370)
		<hr/>	<hr/>
Net cash outflow from financing activities		(4,431)	(7,955)
		<hr/>	<hr/>
Net cash outflow		(4,385)	(1,744)
		<hr/>	<hr/>
Cash and cash equivalents at beginning of period		6,804	8,548
		<hr/>	<hr/>
Cash and cash equivalents at end of period	13	2,419	6,804
		<hr/>	<hr/>

Statement of changes in equity
for the period ended 28 February 2019

	Share capital £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balance at 3 March 2017	-	19,808	(11,616)	8,192
Total comprehensive income for the period				
Loss after tax for the period	-	-	(1,685)	(1,685)
Balance at 1 March 2018	-	19,808	(13,301)	6,507

	Share capital £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balance at 2 March 2018	-	19,808	(13,301)	6,507
Total comprehensive income for the period				
Loss after tax for the period	-	-	(3,805)	(3,805)
Revaluation in the period (net of tax)	-	22,989	-	22,989
Balance at 28 February 2019	-	42,797	(17,106)	25,691

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 registered number is 08159308 and the registered address is Bath Yard, Bath Lane, Moira, Derbyshire, DE12 6BA.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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 periods presented in these financial statements.

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

1.1. Change in accounting policy

The company has adopted the following IFRSs in these financial statements:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contract with Customers

There has been no impact from the adoption of the above standards.

1.2. 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.

1.3. Going concern

Notwithstanding net current liabilities of £69.9 million as at 28 February 2019 and a loss for the period of £3.8 million, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reason.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. The company generated net cash inflows from operations in the year of £8.8 million, with the net current liability position driven by £59.1 million of amounts owed to group undertakings, £8 million of deferred income relating to cash received in relation to future occupancy at the sites and £1.4 million deferred income in relation to membership credits.

Whilst the amounts owed to group undertakings are repayable on demand there is no intention on the part of the group to recall this amount until the earlier of 2032 or exiting of the business by the owners. A letter of support has been issued by the directors of Canopy Holdco Limited to this effect.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore the financial statements have been prepared on a going concern basis.

Notes (continued)

1 Accounting policies (continued)

1.4. Financial instruments (policy applicable from 1 March 2018)

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Investments in subsidiaries are carried at cost less impairment.

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 Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.4 Financial instruments (policy applicable from 1 March 2018) (continued)

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

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.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(iii) Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Notes (continued)

1 Accounting policies (continued)

1.4. Financial instruments (policy applicable from 1 March 2018) (continued)

(iv) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Notes (continued)

1 Accounting policies (continued)

1.5 Financial instruments (policy applicable prior to 1 March 2018)

(i) 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:

- (c) 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
- (d) 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.

(ii) 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.

(iii) 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)

1.6 Property, plant and equipment

The completed sites class of assets were revalued to fair value on 18 December 2017. Prior to this date these assets were measured on cost less accumulated depreciation and accumulated impairment losses.

Within completed site assets are a range of property, plant and equipment each class of which have different useful lives and they are accounted for as separate items of property, plant and equipment.

Leases in which the Company 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.

1.7 Planning costs

Planning costs that are directly attributable in bringing a new, or extended, site into use are capitalised. These are not depreciated but are reviewed annually for impairment by the Board.

Management believe that through the rigorous appraisal of potential planning opportunities, the wealth of potential new developments available to Forest Holidays and the existing relationships with local communities and government it is probable that current planning applications will deliver economic benefit to Forest Holidays in the future, whether they be in new or existing locations.

In the prior year they were classified as property, plant and equipment but the directors consider it more appropriate to be separately disclosed in the statement of financial position.

1.8 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.

1.9 Impairment excluding inventories 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.

Notes (continued)

1 Accounting policies (continued)

1.9. Impairment excluding inventories 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.

1.10. 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.

1.11. 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.

1.12. Expenses

Operating lease payments

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

Finance lease payments

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

Financing expenses

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

1.13. 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.

Notes (continued)

1 Accounting policies (continued)

1.14. Taxation

Tax on the profit or loss for the period 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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.

1.15. 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 2019 and have not been applied in preparing these consolidated financial statements. The Company chose not to adopt any of the below standards and interpretations early.

IFRS 16: Leases.

For leases previously classified as operating leases, a right of use asset and associated lease liability will be recognised on the balance sheet. The Company intends to adopt the modified retrospective approach which will mean that the Company will not restate comparative periods. This will have a significant impact on the profit and loss account and balance sheet of the Company and work is currently being undertaken to quantify that amount.

2 Revenue from contracts with customers

(i) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition.

	2019 £000	2018 £000
Major products		
Rental of holiday lodges	36,795	36,768

3 Employees and directors' remuneration

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

	Number of employees 2019	Number of employees 2018
Administration	80	83
Operations	572	529
	<u>652</u>	<u>612</u>

Notes (continued)

3 Employees and directors' remuneration (continued)

The employee costs for the company during the period were as follows:

	2019 £000	2018 £000
Wages and salaries	8,426	8,068
Social security costs	578	564
Other pension costs (note 21)	549	493
	<u>9,553</u>	<u>9,125</u>

The directors are remunerated by another company in the group.

4 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 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.

2019	£000	Adjusted items £000	Adjusted £000
Revenue	36,795	-	36,795
Cost of sales	(24,882)	-	(24,882)
Gross profit	11,913	-	11,913
Administrative expenses	(7,416)	(3,564)	(10,980)
Segmental profit before interest and tax	<u>4,497</u>	<u>(3,564)</u>	933
Financial expenses			(5,023)
Loss before tax for the period			<u>(4,090)</u>
2018	£000	Adjusted items £000	Adjusted £000
Revenue	36,768	-	36,768
Cost of sales	(22,309)	-	(22,309)
Gross profit	14,459	-	14,459
Administrative expenses	(7,439)	(1,010)	(8,449)
Segmental profit before interest and tax	<u>7,020</u>	<u>(1,010)</u>	6,010
Financial expenses			(7,444)
Loss before tax for the period			<u>(1,434)</u>

Notes (continued)

5 Adjusted items

Adjusted 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:

	2019 £000	2018 £000
<i>Within administrative expenses:</i>		
Write off of deal costs	(1,045)	(815)
Rebranding costs	(684)	(191)
Development team costs	(1,224)	-
Abortive costs of refinancing	(423)	-
Restructuring and personnel costs	(188)	(4)
	<u>(3,564)</u>	<u>(1,010)</u>

During the prior period the Company repaid the bank loan funding and consequently wrote off costs in relation to this loan of £815,000. In this current period a further £1,045,000 of deal fees were written off. In addition, the Company is working on a large scale rebranding project and incurred costs in this regard of £684,000 (2018: £191,000).

During the current period the services of the development team were deployed in alternative activities resulting in £1,224,000 (2018: £nil) of costs associated with this work being expensed rather than capitalised.

Abortive costs of refinancing of £423,000 (2018: £nil) were expensed in the period.

Restructuring and personnel costs of £188,000 (2018: £nil) were expensed in the period. These relate to the restructuring, work to ensure compliance with GDPR and the set up of a new payroll/HR system.

6 Expenses and auditor's remuneration

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

	2019 £000	2018 £000
Depreciation	9,084	7,561
Operating lease charges	1,045	913
	<u>10,129</u>	<u>8,474</u>

Auditor's remuneration

	2019 £000	2018 £000
Audit of these financial statements	31	31
<i>Amounts receivable by auditors and their associates in respect of:</i>		
Audit-related assurance services	-	1
Other assurance services	4	3
Taxation compliance services	20	8
Other tax advisory services	10	21
	<u>35</u>	<u>63</u>

Notes (continued)

7 Finance income and expenses

	2019 £000	2018 £000
Interest on loans and overdrafts		848
Amortisation of debt issue costs	-	109
Finance lease interest (note 16)	4,652	4,621
Interest on amounts due to related parties	371	1,866
	<hr/>	<hr/>
Total finance expenses	5,023	7,444
	<hr/>	<hr/>

8. Tax on loss

Recognised in the income statement

	2019 £000	2018 £000
<i>Current tax expense</i>		
Current tax expense	-	368
Adjustment in respect of prior periods	22	-
	<hr/>	<hr/>
	22	368
<i>Deferred tax expense (note 18)</i>		
Origination and reversals of temporary differences	(325)	(1)
Adjustment in respect of prior period	18	(116)
	<hr/>	<hr/>
Deferred tax credit	(307)	(117)
	<hr/>	<hr/>
Total tax (credit) / charge in income statement	(285)	251
	<hr/>	<hr/>

Recognised in other comprehensive income

	2019 £000	2018 £000
Revaluation of property, plant and equipment	(4,708)	-
	<hr/>	<hr/>

Notes (continued)

8 Tax on loss (continued)

Reconciliation of tax expense

	2019	2018
	£000	£000
Loss for the period	(3,805)	(1,685)
Total tax (credit) / charge	(285)	251
Loss excluding taxation	(4,090)	(1,434)
Tax using the UK corporation tax rate of 19% (2018: 19.08%)	(777)	(274)
Expenses not deductible for taxation	310	(35)
Fixed asset differences	623	517
Group relief	(521)	-
Interest restriction	-	229
Tax movement on revaluation of fixed assets	-	(138)
Other timing differences	40	68
Adjustment in respect of prior period	40	(116)
Total tax (credit)/charge in income statement	(285)	251

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) was substantively enacted on 16 March 2016 with an additional reduction to 17% (effective 1 April 2020) being substantively enacted on 6 September 2016. This will reduce the Company's future current tax expenses accordingly. The deferred tax asset at 28 February 2019 has been calculated based on these rates.

Notes (continued)

9 Property, plant and equipment

	Completed sites £000	Assets in the course of construction £000	Total £000	Planning £000	Total £000
<i>Cost or valuation</i>					
At 26 February 2017	125,288	3,268	128,556	6,121	134,677
Additions	526	4,307	4,833	1,609	6,442
Transfer	5,322	(5,322)	-	-	-
At 2 March 2018	131,136	2,253	133,389	7,730	141,119
At 3 March 2018	131,136	2,253	133,389	7,730	141,119
Additions	1,299	5,353	6,652	2,079	8,731
Revaluation	27,697	-	27,697	-	27,697
Transfer	8,113	(7,354)	759	(759)	-
At 28 February 2019	168,245	252	168,497	9,050	177,547
<i>Accumulated depreciation</i>					
At 26 February 2016	17,099	-	17,099	-	17,099
Charge for the period	7,561	-	7,561	-	7,561
At 2 March 2018	24,660	-	24,660	-	24,660
At 3 March 2018	24,660	-	24,660	-	24,660
Charge for the period	9,084	-	9,084	-	9,084
At 28 February 2019	33,744	-	33,744	-	33,744
<i>Net book value</i>					
At 28 February 2019	134,501	252	134,753	9,050	143,803
At 2 March 2018	106,476	2,253	108,729	7,730	116,459
At 26 February 2017	108,189	3,268	111,457	6,121	117,578

'Completed sites' are held at valuation. A revaluation was performed in the period with an effective date of the valuation being 18 December 2017. The valuation was performed by Jones Lang Lasalle, an independent valuer in accordance with the RICS Valuation Standards. If the 'Completed sites' class of assets were held under the cost model, the carrying amount would be £93,654,000 (2018: £84,242,000). The Directors have considered this valuation at 28 February 2019 and have confirmed that they consider the value still materially correct.

At the period end the net carrying amount of leased completed site assets was £33,248,000 (2018: £34,574,000). Depreciation charged in the period on these assets was £1,293,000 (2018: £1,294,000).

Notes (continued)

10 Investments in subsidiaries

	2019 £000	2018 £000
Cost of investments		
At 2 March 2018 and 28 February 2019	-	-

The Company has the following investments in subsidiaries.

	Registered office address	Country of incorporation	Ownership %
FH England LLP	Bath Yard, Bath Lane, Moira, Derbyshire, DE12 6BA	England	99%
Forest Holidays (Scotland) LLP	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ	Scotland	99%

11 Inventories

	2019 £000	2018 £000
Retail stock	449	317

During the period, £1,676,000 (2018: £1,614,000) has been recognised as an expense in the statement of profit and loss.

12 Trade and other receivables

	2019 £000	2018 £000
Trade and other receivables	694	1,447
Prepayments and accrued income	2,609	923
Amounts due from group companies (note 25)	1,337	-
Other debtors	92	-
	<u>4,732</u>	<u>2,370</u>

13 Cash and cash equivalents and bank overdrafts

	2019 £000	2018 £000
Cash and cash equivalents per statement of financial position	2,419	6,804
Cash and cash equivalents per the statement of cash flows	<u>2,419</u>	<u>6,804</u>

Notes (continued)

14 Trade and other payables

	2019 £000	2018 £000
<i>Current</i>		
Trade and other payables	3,027	1,969
Current tax liabilities	17	367
Accruals and deferred income	10,872	11,414
Amount due to group companies (note 25)	59,063	57,593
	<u>72,979</u>	<u>71,343</u>

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.

	2019 £000	2018 £000
<i>Current liabilities</i>		
Other payables due to related parties (note 25)	59,063	57,593
	<u>59,063</u>	<u>57,593</u>

Secured bank loans

As part of the group restructure, the secured bank loan was repaid in full in December 2017.

Interest was payable on the secured bank loans at a rate of LIBOR plus 3.3%, and they were secured against the assets to which they related.

Amounts due to related parties

There is interest payable on amount due to related parties of £6,391,000 (2018: £1,795,000) at a rate of 8% and no interest was charged on the remaining balance. All amounts due to related parties are due on demand.

Maturity of financial liabilities

	<i>Amount due to group companies</i>	
	2019 £000	2018 £000
Within one year	<u>59,063</u>	<u>57,593</u>

Notes (continued)

16 Finance lease obligations

Future minimum payments under finance leases are as follows:

	2019 £000	2018 £000
Within one year	4,504	4,433
In more than one year, but not more than five years	18,768	18,198
In more than five years	119,040	123,055
	<hr/>	<hr/>
Total gross payments	142,312	145,686
Less: finance charges included above	(100,230)	(103,825)
	<hr/>	<hr/>
	42,082	41,861
	<hr/>	<hr/>
Due within less than one year	4,504	4,433
Due within greater than one year	37,578	37,428
	<hr/>	<hr/>
	42,082	41,861
	<hr/>	<hr/>

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

17 Long term accruals

	2019 £000	2018 £000
Deferred rent	1,234	1,223
	<hr/>	<hr/>

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2019 £000	2018 £000
Property, plant and equipment deferred tax	1,432	1,448
Revaluation of property, plant and equipment	8,163	3,780
Accruals and deferred income	(156)	(190)
Tax losses carried forward	(22)	(22)
	<hr/>	<hr/>
Net deferred tax liabilities	9,417	5,016
	<hr/>	<hr/>

Notes (continued)

18 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the period

	Opening balance £000	Recognised in income £000	Recognised in OCI £000	1 March 2019 £000
Property, plant and equipment deferred tax	1,448	(16)	-	1,432
Revaluation of property, plant and equipment	3,780	(325)	4,708	8,163
Accruals and deferred income	(190)	34	-	(156)
Tax losses carried forward	(22)	-	-	(22)
	<u>5,016</u>	<u>(307)</u>	<u>4,708</u>	<u>9,417</u>

Movement in deferred tax during the prior period

	Opening balance £000	Recognised in income £000	Recognised in OCI £000	2 March 2018 £000
Property, plant and equipment deferred tax	1,557	(109)	-	1,448
Revaluation of property, plant and equipment	4,056	(276)	-	3,780
Accruals and deferred income	(219)	29	-	(190)
Tax losses carried forward	(261)	239	-	(22)
	<u>5,133</u>	<u>(117)</u>	<u>-</u>	<u>5,016</u>

19 Capital and reserves

Called up share capital

	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	-	-

The holder of the ordinary share is entitled to receive dividends as declared from time to time.

Revaluation reserve

Where completed sites are revalued, the cumulative increase in fair value of the property at the date of valuation is included in the revaluation reserve.

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.

	2019 £000	2018 £000
<i>IFRS 9 categories of financial instruments</i>		
<i>Loans and receivables</i>		
Cash and cash equivalents (note 13)	2,419	6,804
Other loans and receivables (note 12)	694	1,447
Amounts due from group companies (note 12)	1,337	-
	<hr/>	<hr/>
Total financial assets	4,450	8,251
	<hr/>	<hr/>
<i>Financial liabilities measured at amortised cost</i>		
Trade and other payable (note 14)	3,027	1,969
Amount due to group companies (note 14)	59,063	57,593
Finance lease liabilities (note 16)	42,082	41,861
	<hr/>	<hr/>
Total financial liabilities measured at amortised cost	104,172	101,423
	<hr/>	<hr/>
Total financial instruments	(98,450)	(93,172)
	<hr/>	<hr/>

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

(b) Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. Therefore the maximum exposure to credit risk at the balance sheet date was £694,000 (2018: £1,447,000).

Notes (continued)

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

(b) Credit risk (continued)

Ageing beyond contractual due date

The ageing beyond contractual due date of the company's trade receivables and prepayments is:

	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
2019					
Assets					
Other loans and receivables	673	21	-	-	694
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2018					
Assets					
Other loans and receivables	2,357	-	13	-	2,370
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

A bad debt provision of £nil (2018: £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		2019			
			1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
<i>Non-derivative financial liabilities</i>						
Trade and other payables	(3,027)	Note 14	(3,027)	-	-	-
Other payables due to related parties	(59,063)	Note 15	(59,063)	-	-	-
Finance lease liabilities	(42,082)	Note 16	(4,504)	(4,578)	(14,190)	(18,810)
	<u> </u>		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(104,172)		(66,594)	(4,578)	(14,190)	(18,810)
	<u> </u>		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

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

(c) Liquidity risk (continued)

	Carrying amount £000	2018			
		1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
<i>Non-derivative financial liabilities</i>					
Trade and other payables	(1,969)	<i>Note 14</i> (1,969)	-	-	-
Other payables due to related parties	(57,593)	<i>Note 15</i> (57,593)	-	-	-
Finance lease liabilities	(41,861)	<i>Note 16</i> (4,433)	(4,498)	(13,700)	(19,230)
	<u>(101,423)</u>	<u>(63,995)</u>	<u>(4,498)</u>	<u>(13,700)</u>	<u>(19,230)</u>

(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:

	2019 £000	2018 £000
<i>Hedged and fixed rate instruments</i>		
Amount due to group companies	6,391	1,795
	<u>6,391</u>	<u>1,795</u>
<i>Variable rate instruments</i>		
Financial liabilities	-	-
	<u>-</u>	<u>-</u>

Sensitivity analysis

An increase of 100 basis points in interest rates at the balance sheet date would have decreased group equity and profit or loss by £722,000 (2018: £nil). This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

(e) Capital management

The Company's objectives when managing capital are:

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

Notes (continued)

21 Employee benefits

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current period was £549,000 (2018: £493,000).

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	892	831
Between one and five years	3,856	3,557
More than five years	64,532	59,121
	<hr/> 69,280 <hr/>	<hr/> 63,509 <hr/>

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 period £1,045,000 (2018: £913,000) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

23 Commitments

Capital commitments

During the period ended 28 February 2019, the company had not entered into any contracts to purchase property, plant and equipment (2018: £nil).

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.

The ultimate holding company is Phoenix Equity Partners LLP. The immediate parent company is Forest Holidays Group Limited, incorporated in England and Wales.

The registered office address of Forest Holidays Group Limited is Bath Yard, Bath Lane, Moira, Derbyshire, DE12 6BA.

There were no transactions with Phoenix Equity Partners LLP within the period and no balance outstanding at the end of the period.

Transactions with key management personnel

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

Notes (continued)

25 Related party transactions and ultimate controlling parties

Transactions with non-consolidated parties are as follows:

	2019 £000	2018 £000
<i>Transactions:</i>		
Interest payable to Forest Holidays Group Limited	-	(1,837)
Management charge paid to Forest Holidays Group Limited	-	(870)
Management charge payable to Canopy Bidco Limited	(1,060)	(137)
Interest payable to Canopy Bidco Limited	(371)	(29)
	<hr/>	<hr/>
Loan from Forest Holidays Group Limited	51,439	48,174
Loan from FH England LLP	4,970	4,970
Loan from Forest Holidays (Scotland) Limited	2,654	2,654
Loan from Canopy Bidco Limited	-	1,795
	<hr/>	<hr/>
	59,063	57,593
	<hr/>	<hr/>
Loan to Canopy Bidco Limited	(1,337)	-
	<hr/>	<hr/>
	(1,337)	-
	<hr/>	<hr/>
	57,726	57,593
	<hr/>	<hr/>

26 Accounting estimates and judgements

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

The critical areas of judgement considered by the directors are as follows:

Carrying value of planning costs

The Company has a number of different sites where planning permission is being sought at any one time. The costs incurred in this process are held on the balance sheet as a non-current asset. The stage of planning consent varies significantly. In some cases the sites have already obtained planning consent and are waiting for the final procedures to be completed before build commences and at some sites initial planning enquiries have just commenced. At each period end management assess the likelihood of planning consent being achieved on a site by site basis, which is based on the best evidence available at the time and ensure that only costs are only capitalised where planning consent is expected to be achieved.

Year-end carrying value of property, plant and equipment

The Board have assessed the year end carrying value of property, plant and equipment based on the model applied at acquisition updated to include actual performance for the period to June 2019 and updated forecasts beyond this period. Fluctuations of actual performance versus forecasts can impact significantly the year end valuation of property, plant and equipment. Management have based the calculations on the best available information at this point in time taking into account all internal and external factors that may impact future trade.