Forest Holidays Group Limited

Directors' report and consolidated financial statements

Registered number 08159281

27 February 2014

Contents

Company information

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

Directors' report

The directors present the audited consolidated financial statements for Forest Holidays Group Limited ('the Company') for the year ended 27 February 2014.

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

Mr P Phillipson
Mr G Fletcher
Mr R Faith
Mr R Palmer
Ms R Grinsted
Mr M Draper
Mr A Grove
Mr B McIntosh
Ms M Lucas

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

Gary Fletcher
Director

Registered Office:

Bath Yard
Bath Lane
Moira
Derbyshire
DE12 6BA

Dated: 26 June 2014

Strategic report

Results for the period

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

Total profit before interest and tax of £540,000 (2013: £6,722,000 which was for the period of ownership from 22 September).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') of the consolidated group is £3,313,000, up from a proforma basis in 2013 of £815,000:

	Recurring Full Year 2014 £000	Proforma Full Year 2013 £000
Revenue	18,663	12,470
Cost of sales	(13,951)	(10,895)
Gross profit	4,712	1,575
Administrative expenses	(4,120)	(2,804)
Profit/(loss) before interest and tax	592	(1,229)
Add back depreciation and amortisation	2,721	2,044
Underlying EBITDA	3,313	815

The directors do not recommend the payment of a dividend.

Business review

The directors are pleased to report a first full year of new ownership has driven a 307% increase in underlying profits (before depreciation, amortisation, interest and tax). This performance is ahead of the business plans that were signed off as part of the original acquisition of the trading assets in September 2012.

Further development of cabin locations has taken place with the launch of a new site at Blackwood, Hampshire and extensions on existing cabin sites at Argyll and Cropton. Overall there has been an expansion of 36% in cabins from 315 to 427. Occupancy levels are up 4% to 93% (2013: 89%), in line with the company's strategy of providing an all year round short to medium term holiday breaks.

Further expansion has been identified for the coming year with a new site opening at Thorpe, Thetford Forest, Norfolk and further extensions at Cropton, Forest of Dean and Sherwood, all of which will see a further cabin expansion in cabin capacity of 32%. Forecast occupancy levels are in line with original business plans of 88%.

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

Strategic report *(continued)*

Principal risks and uncertainties

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

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

Interest rate risk - The group is exposed to movements in the level of interest rates especially on the loans drawn down to meet financial obligations around development of sites. In accordance with it banking facilities, for a minimum of 66% of the value of these loans the interest rate is hedged over the life of the loan period.

On behalf of the board

Gary Fletcher
Director

Registered Office:

Bath Yard
Bath Lane
Moira
Derbyshire
DE12 6BA

Dated: 26 June 2014

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 period. In preparing each of the group and parent company financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;

• make judgements and estimates that are reasonable and prudent;

• state whether they have been prepared in accordance with IFRSs as adopted by the EU; and

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

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

KPMG

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

We have audited the financial statements of Forest Holidays Group Limited for the year ended 27 February 2014 set out on pages 7 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 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 27 February 2014 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Philip Charles *(Senior Statutory Auditor)*

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

Dated: 26 June 2014

Consolidated statement of comprehensive income
for the year ended 27 February 2014

	Note	2014 Recurring £000	2014 Non-recurring £000	2014 Total £000	2013 Recurring £000	2013 Non-recurring £000	2013 Total £000
Revenue	3	**18,663**	**-**	**18,663**	4,683	-	4,683
Cost of sales		**(13,951)**	**-**	**(13,951)**	(4,644)	-	(4,644)
Gross profit		**4,712**	**-**	**4,712**	39	-	39
Administrative expenses		**(4,120)**	**(52)**	**(4,172)**	(1,242)	(895)	(2,137)
Negative goodwill		**-**	**-**	**-**	-	8,820	8,820
Profit/(loss) before interest and tax	4	**592**	**(52)**	**540**	(1,203)	7,925	6,722
Financial expenses	5			**(3,391)**			(1,260)
(Loss)/profit before tax for the period				**(2,851)**			5,462
Tax	6			**538**			319
(Loss)/profit after tax and total comprehensive income for the period				**(2,313)**			5,781

Consolidated statement of financial position
as at 27 February 2014

	Note	2014 £000	2013 £000
Non-current assets			
Property, plant and equipment	*7*	**48,894**	32,023
Other non-current assets	*9*	**3,364**	3,464
		52,258	35,487
Current assets			
Inventories	*10*	**166**	68
Trade and other receivables	*11*	**1,902**	2,449
Cash and cash equivalents	*13*	**5,513**	4,673
		7,581	7,190
Total assets		**59,839**	42,677
Current liabilities			
Trade and other payables	*14*	**(13,927)**	(12,028)
Borrowings	*15*	**(2,229)**	(1,242)
Derivative financial instruments	*12*	**(86)**	(86)
		(16,242)	(13,356)
Non-current liabilities			
Borrowings	*15*	**(38,486)**	(21,370)
Deferred tax liabilities	*16*	**(1,434)**	(1,972)
		(39,920)	(23,342)
Total liabilities		**(56,162)**	(36,698)
Net assets		**3,677**	5,979
Shareholders' funds – equity			
Ordinary shares	*17*	**90**	88
Share premium		**119**	110
Retained earnings		**3,468**	5,781
Total equity		**3,677**	5,979

These financial statements were approved by the Board of Directors and authorised for issue on 26 June 2014 and signed on its behalf by:

R A Faith

Ross Faith
Director

Registered number : 08159281

Company statement of financial position

as at 27 February 2014

	Note	2014 £000	2013 £000
Non-current assets			
Investments in subsidiaries	8	-	-
		-	-
Current assets			
Trade and other receivables	11	25,272	18,994
Cash and cash equivalents	13	12	-
Deferred tax asset	16	83	-
Total assets		25,367	18,994
Current liabilities			
Trade and other payables	14	(4)	-
		(4)	-
Non-current liabilities			
Borrowings	15	(26,202)	(19,613)
		(26,202)	(19,613)
Total liabilities		(26,206)	(19,613)
Net liabilities		(839)	(619)
Shareholders' funds – equity			
Ordinary shares	17	90	88
Share premium		119	110
Retained earnings		(1,048)	(817)
Total equity		(839)	(619)

These financial statements were approved by the Board of Directors and authorised for issue on 26 June 2014 and signed on its behalf by:

Ross Faith
Director

Registered number : 08159281

Consolidated statement of cash flows
for the year ended 27 February 2014

	Note	2014 £000	2013 £000
Cash flows from operating activities			
(Loss)/profit after tax for the period		**(2,313)**	5,781
Adjustments for:			
Tax	*6*	**(538)**	(319)
Financial expenses	*5*	**3,391**	1,260
Negative goodwill		**-**	(8,820)
Amortisation	*9*	**100**	43
Depreciation	*7*	**2,621**	780
Decrease/(increase) in receivables		**547**	(70)
(Increase)/decrease in inventories		**(98)**	10
Increase in payables		**1,703**	3,136
Cash inflow from operations		**5,413**	1,801
Interest paid		**(781)**	(285)
Net cash inflow from operating activities		**4,632**	1,516
Purchase of property, plant and equipment	*7*	**(19,492)**	(7,317)
Purchase of subsidiary net of cash acquired		**-**	5,300
Net cash outflow from investing activities		**(19,492)**	(2,017)
Net proceeds from drawdown on new bank loans and loan notes		**14,702**	20,481
Repayment of loans		**-**	(16,747)
Proceeds from share issue		**11**	198
Net cash inflow from financing activities		**14,713**	3,932
Net cash (outflow)/inflow		**(147)**	3,431
Cash and cash equivalents at beginning of year		**3,431**	-
Cash and cash equivalents at end of year	*13*	**3,284**	3,431

Company statement of cash flows
for the year ended 27 February 2014

	2014 £000	2013 £000
Cash flows from operating activities		
Loss after tax for the period	**(231)**	(817)
Adjustments for:		
Tax	**(83)**	-
Financial income	**(2,016)**	(792)
Financial expenses	**2,377**	884
Increase in receivables	**-**	(332)
Decrease in payables	**4**	-
Net cash inflow/(outflow) from operating activities	**51**	(1,057)
Related party loan advanced to subsidiary	**(4,241)**	(17,870)
Net cash outflow from investing activities	**(4,241)**	(17,870)
Net proceeds from drawdown on new bank loans and loan notes	**4,191**	18,729
Proceeds from share issue	**11**	198
Net cash inflow from financing activities	**4,202**	18,927
Net cash inflow	**12**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**12**	-

Consolidated statement of changes in equity
for the year ended 27 February 2014

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

	Share capital £000	**Share premium £000**	**Retained earnings £000**	**Total £000**
Balance on incorporation	-	-	-	-
Profit after tax for the period	-	-	5,781	5,781
Shares issued in period	88	110	-	198
Balance at 28 February 2013	88	110	5,781	5,979

Statement of changes in equity
for the year ended 27 February 2014

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

	Share capital £000	**Share premium £000**	**Retained earnings £000**	**Total £000**
Balance on incorporation	-	-	-	-
Profit after tax for the period	-	-	(817)	(817)
Shares issued in period	88	110	-	198
Balance at 28 February 2013	88	110	(817)	(619)

Notes

(forming part of the consolidated financial statements)

1 Accounting policies

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

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

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

Measurement convention

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

Going concern

Notwithstanding net liabilities of the Company of £839,000 and net current liabilities of the Group of £8,661,000, the financial statements have been prepared on a going concern basis. Since its incorporation, the group has secured financing from Lloyds Development Capital ('LDC'), part of Lloyds Banking Group ('LBG'), to purchase FH England LLP and FH (Scotland) LLP and has secured additional facilities to further develop five existing sites and acquire and develop further sites. Additional facilities, including overdraft facilities, have been provided and are not repayable within the next twelve months.

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

Basis of consolidation

Subsidiaries

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Group

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

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

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

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

Non-derivative financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Derivative financial instruments and hedging

Derivative financial instruments

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

Property, plant and equipment

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

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

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

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

Leasehold buildings	- 1.33% to 5% per annum
Fixtures, fittings and equipment	- 5% to 33% per annum

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

Included in the assets under construction are capitalised borrowing costs related to the construction of new cabin sites. Borrowing costs at 27 February 2014 included within the net book value of assets under construction are £nil, as borrowing costs incurred in relation to developments in the period post acquisition are immaterial.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

Impairment excluding inventories, investment properties and deferred tax assets

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

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

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

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

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

Reversals of impairment

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

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

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

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit plans

The group has no defined benefit plans.

Revenue

Revenue comprises receipts for short break stays at cabin sites and ancillary services provided to guests which are recognised at the point the service is provided with all deposits deferred until this point.

Expenses

Operating lease payments

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

Financing expenses

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

Forest Holidays Membership Club

The Forest Holidays Membership Club is now a closed scheme. It was set up as an exclusive scheme whereby members paid advanced amounts of money in return for membership points which they can then redeem against holidays over several years. Accrual and matching concepts are applied to this revenue stream, both income and associated costs are recognised in the profit and loss at the point that the service is provided and members utilise their points. Receipts and directly attributable costs are deferred until this point.

Members also pay an annual membership fee and booking fees. These are recognised upon receipt and holiday start date respectively.

Negative goodwill

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

Non-current assets

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

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.
A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Standards, amendments and interpretations to published standards endorsed but not yet effective

The following standards have been published, endorsed by the EU and available for early adoption but have not yet been applied by the Group in these financial statements:

- IFRS 10 Consolidated financial statements (applicable for our February 2015 financial statements): This standard provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12.
- IFRS 11 Joint Arrangements (applicable for our February 2015 financial statements): This standard carves out from IAS 31, those cases in which there is a separate vehicle but that separation is overcome by form, contract or other facts and circumstances and removes the choice of equity or proportionate accounting for jointly controlled entities (as was under IAS 31).
- IFRS 12 Disclosure of Interests in Other Entities (applicable for our February 2015 financial statements): Contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and / or unconsolidated structured entities.
- IAS 27 Separate Financial Statements 2011 (applicable for our February 2015 financial statements): IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications.
- IAS 28 Investments in Associates and Joint Ventures 2011 (applicable for our February 2015 financial statements): Amendments relating to held for sale interests and changes of classification.
- Amendments to IAS 32 and IFRS 7 for Offsetting Financial Assets and Financial Liabilities (likely to be applied at the same time as IFRS 10): Amendments to clarify offsetting criteria and specific disclosures.

The above standards are not expected to have a significant impact on the financial statements of the Group.

Notes *(continued)*

2 Employees and directors' remuneration

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

	Number of employees	
	2014	2013
Administration	**44**	36
Operations	**138**	77
	182	113

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

	2014	2013
	£000	£000
Wages and salaries	**3,969**	1,444
Social security costs	**352**	97
Other pension costs	**80**	50
	4,401	1,591

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

	2014	2013
	£000	£000
Remuneration for management services	**838**	246
Other pension costs	**44**	15
	882	261

Additionally, Lloyds Development Capital ('LDC') received £100,000 (2013: £44,000) for management services and Forestry Commission ('FC') received £18,000 (2013: £7,900) for management services.

In relation to the highest paid director:

	2014	2013
	£000	£000
Remuneration for management services	**202**	115
Other pension costs	**14**	5
	216	120

3 Revenue and other operating income

	2014	2013
	£000	£000
Cabin rentals and ancillary services	**18,663**	4,683

Notes *(continued)*

4 Expenses and auditor's remuneration

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

	2014 £000	2013 £000
Depreciation	2,621	780
Amortisation	100	43
Negative goodwill	-	(8,820)
Acquisition related costs – non-recurring	52	895
Operating lease charges	3,049	1,130

	2014 £000	2013 £000
Audit of these financial statements	5	5
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	23	23
Other services relating to taxation	7	7
All other services	-	23

5 Finance expenses

Finance expense	2014 £000	2013 £000
Interest on loans and overdrafts	977	285
Amortisation of debt issue costs	117	69
Net loss on derivative financial instruments	-	86
Interest on loan notes	2,297	820
Total finance expense	3,391	1,260

6 Tax on profit on ordinary activities

Recognised in the statement of comprehensive income

	2014 £000	2013 £000
Current tax expense		
Current period	-	-
Current tax expense	-	-
Deferred tax credit		
Origination and reversals of temporary differences	538	319
Total tax credit	538	319

Notes *(continued)*

6 Tax on profit on ordinary activities *(continued)*

Reconciliation of tax credit

	2014	2013
	£000	£000
(Loss)/profit for the period	**(2,313)**	5,781
Total tax credit	**(538)**	(319)
(Loss)/profit excluding taxation	**(2,851)**	5,462
Tax using the UK corporation tax rate of 23.08% *(2013: 24%)*	**(658)**	1,311
Expenses not deductable for taxation	**8**	421
Depreciation in excess of capital allowances	**312**	136
Income not chargeable to taxation	**-**	(95)
Reduction in tax rates on deferred tax balances	**(50)**	14
Prior year adjustment on deferred tax	**(150)**	-
Tax losses carried forward	**-**	11
Negative goodwill not chargeable for tax purposes	**-**	(2,117)
Total tax credit	**(538)**	(319)

7 Property, plant and equipment

Group	**Leasehold buildings**	**Fixtures, fittings and equipment**	**Assets in the course of construction**	**Total**
	£000	**£000**	**£000**	**£000**
Cost or revaluation				
At 1 March 2013	15,756	6,033	11,014	32,803
Additions	-	196	19,296	19,492
Transfer	18,452	3,548	(22,000)	-
At 27 February 2014	34,208	9,777	8,310	52,295
Accumulated depreciation				
At 1 March 2013	195	585	-	780
Charge for the year	832	1,789	-	2,621
At 27 February 2014	1,027	2,374	-	3,401
Net book value				
At 27 February 2014	**33,181**	**7,403**	**8,310**	**48,894**
At 28 February 2013	15,561	5,448	11,014	32,023

The company has no property, plant and equipment.

Notes *(continued)*

8 Investments in subsidiaries

	£000
Cost of investments	
At 1 March 2013 and 27 February 2014	-

The group has the following investments in subsidiaries.

	Country of incorporation	Holding	Ownership %	
			2014	2013
Forest Holidays Limited	England	Direct	**100%**	100%
FH England LLP	England	Indirect	**100%**	100%
Forest Holidays (Scotland) LLP	Scotland	Indirect	**100%**	100%

9 Other non-current assets

Group

	£000
Cost:	
At 1 March 2013 and at 27 February 2014	3,507
Accumulated depreciation:	
At 1 March 2013	43
Charge in period	100
At 27 February 2014	143
Net book value:	
At 27 February 2014	**3,364**
At 28 February 2013	3,464

The groups non current assets reflect the fair value of leases for cabin sites which were fair valued on the acquisition. The fair value is amortised over the term of the lease.

The company has no non-current assets.

10 Inventories

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Retail stock	**166**	68	-	-

During the year, £848,000 *(period ending 28 February 2013: £235,000)* has been recognised as an expense in the income statement.

Notes *(continued)*

11 Trade and other receivables

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Other receivables due from related parties	**-**	-	**25,272**	18,994
Trade and other receivables	**802**	1,454	**-**	-
Prepayments and accrued income	**1,100**	995	**-**	-
	1,902	2,449	**25,272**	18,994

12 Derivative financial instruments – liabilities

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Current				
Other financial liabilities (note 18)	**86**	86	**-**	-

13 Cash and cash equivalents and bank overdrafts

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Cash and cash equivalents per statement of financial position	**5,513**	4,673	**12**	-
Bank overdraft (note 15)	**(2,229)**	(1,242)	**-**	-
Cash and cash equivalents per the statement of cash flows	**3,284**	3,431	**12**	-

14 Trade and other payables

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Current				
Trade and other payables	**3,008**	2,906	**-**	-
Accruals and deferred income	**10,919**	9,122	**4**	-
	13,927	12,028	**4**	-

Notes *(continued)*

15 Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate risk, see note 18.

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Non-current liabilities				
Secured bank loans	**12,284**	1,757	**-**	-
Loan notes	**26,202**	19,613	**26,202**	19,613
	38,486	21,370	**26,202**	19,613
Current liabilities				
Bank overdraft	**2,229**	1,242	**-**	-

Included within secured bank loans and loan notes above are £1,598,000 (2013: £1,685,000) of debt issue costs as set out below.

Interest is payable on the secured bank loans at a rate of LIBOR plus 3.3%, and the loan is secured against the assets to which it relates. The bank loan is repayable in full by September 2017.

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

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

Maturity of financial liabilities

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

The group during the year entered into further fixed rate interest swaps that hedge the variable rate loans on the 14 May 2013 and two on the 25 February 2014 at rates of 0.96%, 1.495% and 1.515% for LIBOR respectively.

Notes *(continued)*

15 Borrowings *(continued)*

	Bank overdraft £000	Bank loans £000	Loan notes £000	Total £000
28 February 2013				
Within one year	1,242	-	-	1,242
Between one and five years	-	2,875	20,180	23,055
After five years	-	-	-	-
	1,242	2,875	20,180	24,297
Unamortised costs of issue	-	(1,118)	(567)	(1,685)
	1,242	1,757	19,613	22,612

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Property, plant and equipment	**2,162**	2,258	-	-
Other non-current assets	**673**	797	-	-
Accruals and deferred income	**(408)**	(701)	-	-
Tax losses carried forward	**(993)**	(382)	**(83)**	-
Net deferred tax liabilities	**1,434**	1,972	**(83)**	-

Movement in deferred tax during the year

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

Notes *(continued)*

16 Deferred tax assets and liabilities *(continued)*

Movement in deferred tax during the prior year

	Opening balance £000	Recognised on acquisition £000	Recognised in income £000	27 February 2013 £000
Property, plant and equipment	-	2,208	50	2,258
Other non-current assets	-	807	(10)	797
Accruals and deferred income	-	(724)	23	(701)
Tax losses carried forward	-	-	(382)	(382)
	-	2,291	(319)	1,972

17 Capital and reserves

Called up share capital

	2014 £000	2013 £000
Allotted, called up and fully paid		
119,750 A ordinary shares at £0.20 each	**24**	24
52,500 B ordinary shares at £0.20 each	**10**	8
37,750 ordinary shares at £1 each	**38**	38
18,250 E ordinary shares at £1 each	**18**	18
	90	88

The A ordinary shares, B ordinary shares and ordinary shares rank pari passu in relation to the payment of dividends. The E ordinary shares received a preferred dividend at a rate of LIBOR, multiplied by the nominal value of the shares. Dividends on all classes of share require the pre-approval of at least 50% of the A ordinary shareholders.

The A ordinary shares, B ordinary shares, ordinary shares and E ordinary shares each receive 1 vote per share, however the total voting rights of the A ordinary shares are limited to 49.9% of the total voting rights, and the total voting rights of the B ordinary shares are limited to 20% of the total voting rights.

The right to receive capital equal to the issue price (including premium paid) is in the order of A ordinary shares, B ordinary shares, E ordinary shares and ordinary shares. After this, any remaining capital is distributed to the A ordinary shares, B ordinary shares and ordinary shares in proportion of the total of these shares (ranked pari passu).

The share capital issued in the year was issued at a premium of £9,000 *(2013: £110,000)*.

Notes *(continued)*

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

(a) Fair values of financial instruments

Investments in unlisted equity securities

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

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

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

Cash and cash equivalents

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

Interest-bearing borrowings

All interest-bearing loans and borrowings are at floating rates. Therefore, the fair value of these loans and borrowings is their carrying value. As discussed below the group hedged a significant proportion of its interest-bearing loans with a fixed rate interest swaps that mature in 2016 and 2017.

Other financial liabilities

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The interest rate swap is a level 2 financial instrument measured at fair value, i.e. the valuation technique is based on inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

	Group		Company	
	2014	2013	**2014**	2013
IAS 39 categories of financial instruments	**£000**	£000	**£000**	£000
Loans and receivables				
Cash and cash equivalents (note 13)	**5,513**	4,673	**12**	-
Other loans and receivables (note 11)	**802**	1,454	**25,272**	18,994
Total financial assets	**6,315**	6,127	**25,284**	18,994
Financial liabilities measured at amortised cost				
Bank overdraft (note 15)	**2,229**	1,242	**-**	-
Interest-bearing loans and borrowings (note 15)	**38,486**	21,370	**26,202**	19,613
Trade and other payable (note 14)	**3,008**	2,906	**-**	-
Total financial liabilities measured at amortised cost	**43,723**	25,518	**26,202**	19,613
Financial liabilities at fair value through profit and loss				
Other financial liabilities (note 12)	**86**	86	**-**	-
Total financial liabilities at fair value through profit and loss	**86**	86	**-**	-
Total financial liabilities	**43,809**	25,604	**26,202**	19,613
Total financial instruments	**(37,494)**	(19,477)	**(918)**	(619)

Notes *(continued)*

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

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

(b) Credit risk

Ageing beyond contractual due date

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

2014	**Within terms £000**	**Up to three months overdue £000**	**Between three months and one year overdue £000**	**More than one year Overdue £000**	**Total £000**
Other loans and receivables	**1,874**	**28**	**-**	**-**	**1,902**

2013	Within terms £000	Up to three months overdue £000	Between three months and one year overdue £000	More than one year Overdue £000	Total £000
Other loans and receivables	2,269	180	-	-	2,449

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

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

(c) Liquidity risk

Financial risk management

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

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

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

Notes *(continued)*

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

(c) *Liquidity risk (continued)*

	Carrying amount £000	Effective Rate %	2013 1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
Non-derivative financial liabilities						
Secured bank loans	1,757	*Note 15*	-	-	1,757	-
Bank overdrafts	1,242	*Note 15*	1,242	-	-	-
Trade and other payables	2,906	-	2,906	-	-	-
Loan notes	19,613	*Note 15*	-	-	19,613	-
Derivative financial liabilities						
Interest rate swaps used for hedging:						
Outflow	86	*Note 15*	-	-	86	-
	25,604		4,148	-	21,456	-

(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 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Hedged and fixed rate instruments				
Financial liabilities	**40,080**	23,055	**-**	-
Variable rate instruments				
Financial liabilities	**2,279**	1,242	**-**	-

Sensitivity analysis

A change of 100 basis points in interest rates at the balance sheet date would have increased group equity and profit or loss by £415,000. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss and the fixed rate element of interest rate swaps.

Notes *(continued)*

18 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.

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Less than one year	**3,030**	2,415	-	-
Between one and five years	**13,054**	9,660	-	-
More than five years	**122,868**	74,133	-	-
	138,952	86,208	-	-

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

During the year £3,049,000 *(2013: £1,130,000)* was recognised as an expense in the consolidated statement of comprehensive income in respect of operating leases.

20 Commitments

Capital commitments

During the period ended 27 February 2014, the group entered into a contract to purchase property, plant and equipment for £4,797,000 *(2013: £5,756,000)*. These commitments are expected to be settled in the following financial year.

The company has no capital commitments.

21 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)*

22 Related party disclosures and ultimate controlling parties

The ultimate controlling party is Lloyds Development Capital ('LDC') (part of Lloyds Banking Group).

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

During the period the following transactions took place with LDC:

	2014	2013
	£000	£000
Transactions:		
Monitoring fees payable to LDC	**100**	44
Interest on loan notes accrued	**2,125**	790
Year end balance:		
Loan notes held by LDC	**(24,343)**	(18,870)

During the period the following transactions took place with the Forestry Commission:

	2014	2013
	£000	£000
Transactions:		
Interest on loan notes	**135**	12
Operating lease charge	**231**	142
Year end balance:		
Loan notes held by Forestry Commission	**(1,892)**	(884)

Transactions with key management personnel

The key management personnel of the Company are considered to be the Directors. At the end of the period, the following balances were held with the Directors:

	2014	2013
	£000	£000
Transactions:		
Interest on loan notes	**44**	18
Year end balance:		
Loan notes	**(483)**	(426)

23 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 and the consideration of the fair values of the assets and liabilities acquired during the prior period, within the remeasurement period as determined by IFRS3.