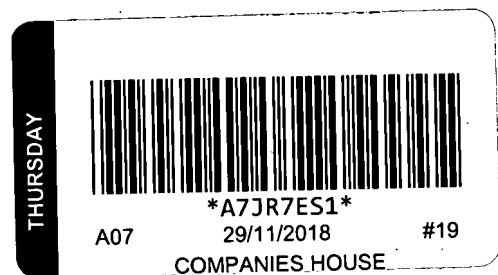


**Forest Holidays Group Limited**

**Directors' report and consolidated  
financial statements**

**Registered number 08159281**

**1 March 2018**



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## **Company information**

### **Directors**

Mr B McKendrick  
Mr J Ellis

### **Company number**

08159281

### **Registered office**

Bath Yard  
Bath Lane  
Moirā  
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 consolidated financial statements for Forest Holidays Group Limited ('the Group') for the period ended 1 March 2018.

### 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.

### Political contributions

The Group made no (2017: £nil) political contributions during the period.

### Directors

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

Mr P Phillipson – resigned 18 December 2017

Mr B McKendrick

Mr J Ellis

Mr R Palmer – resigned 18 December 2017

Ms J Grinsted – resigned 18 December 2017

Mr M Draper – resigned 18 December 2017

Mr A Grove – resigned 18 December 2017

Ms M Lucas – resigned 18 December 2017

Mr G Fletcher – resigned 18 December 2017

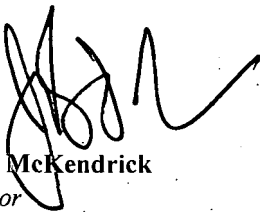
### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board



**Bruce McKendrick**  
Director

### Registered Office:

Bath Yard  
Bath Lane  
Moir  
Derbyshire  
DE12 6BA

Dated: 24/7/2018

## Strategic report

### Overview

Forest Holidays' Purpose is to create memorable experiences in Britain's amazing forests, connecting people, nature and local communities. Protecting and enhancing the environment is at the core of the Group's values.

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 public-private partnership that delivers value to the taxpayer whilst supporting our commitment to increasing 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 consolidated financial results for the year are set out on page 8.

Profit before interest and tax for the period was £5,858,000 (2017: £6,880,000) with underlying profit before interest and tax of £7,057,000 (2017: £7,389,000).

Earnings (as adjusted for finance lease repayments and ground rent accruals which the Board believe is more reflective of the true trading position of the Group) before interest, tax and depreciation ('EBITD') of the consolidated group is £10,312,000, down 1% from 2017 of £10,434,000.

	Full year 2018 £000	Underlying Full year 2017 £000
Revenue	36,768	36,203
Cost of sales	(22,314)	(21,279)
	<hr/>	<hr/>
Gross profit	14,454	14,924
Administrative expenses	(7,397)	(7,535)
	<hr/>	<hr/>
Profit before interest and tax	7,057	7,389
Add back depreciation and amortisation	7,561	7,153
Add back: ground rent accrual	63	134
Less: finance lease repayments	(4,369)	(4,242)
	<hr/>	<hr/>
Underlying adjusted EBITD	<u>10,312</u>	<u>10,434</u>

The directors do not recommend the payment of a dividend.

### Business review

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

Investment in the ancillary offer in both Keldy and Deerpark delivered strong growth. In addition the Group invested in an estate wide upgrade to the in-cabin entertainment package which was completed during the year.

In line with the company's strategy of providing an all year round short to medium term holiday breaks, occupancy levels were maintained at 2017 levels of 93% with average rentals up 3% year on year.

## Strategic report *(continued)*

Further expansion plans continue to be explored with planning permissions for four new locations being approved, the first of which will be operational in June 2018. Forecast occupancy levels are in line with original business plans of 90%.

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

The Group successfully refinanced during the year securing investment from Phoenix Private Equity Partners as majority shareholders. Alongside this, a seven year debt package supported by RBS and Ares Management provides the Group with the long term financial capability to continue the development of new locations and investment in the existing estate. On this basis, the directors have concluded that it is appropriate to prepare the year end accounts as at 1 March 2018 on a going concern basis.

To facilitate 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. The new term debt held with RBS and Ares Management was drawn by Canopy Bidco and subsequently lent to Forest Holidays Group via an intercompany loan. Due to the date of incorporation of the new companies, and in line with accounting policies, the first consolidated accounts for the new corporate structure will be for the year ending February 2019, therefore the Forest Holidays Group accounts prepared for the year ending March 2018 show all the term debt as a related party loan repayable in less than one year. It is not envisaged by the directors of the group that this intercompany debt will be repaid until maturity of the agreements with RBS and Ares in 2024.

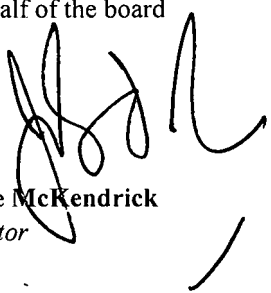
### Principal risks and uncertainties

The group'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 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 rate on 31 May 2018 the group entered into an interest rate cap which terminates on 28 February 2022.

On behalf of the board

  
**Bruce McKendrick**  
Director

**Registered Office:**

Bath Yard  
Bath Lane  
Moir  
Derbyshire  
DE12 6BA

Dated: 24 / 7 / 2018

## **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 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 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 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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent 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 group or the parent 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 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 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 group and to prevent and detect fraud and other irregularities.



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

### **Opinion**

We have audited the financial statements of Forest Holidays Group Limited ("the company") for the period ended 1 March 2018 which comprise the Consolidated statement of profit and loss and other comprehensible income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the company statement of cash flows, the consolidated statement of changes in equity, the company 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 group's and of the parent company's affairs as at 1 March 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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.

### **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 group 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.

### **Going concern**

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **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. 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 year 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 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.

We have nothing to report in these respects.





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

*(continued)*

### **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 group and parent 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 group or the parent 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](http://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: *24 July 2018*

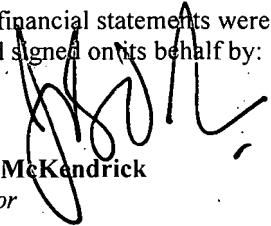
**Consolidated statement of profit and loss and other comprehensive income**  
*for the period ended 1 March 2018*

	Note	2018			2017		
		Underlying £000	Non- underlying (note 4) £000	Total £000	Underlying £000	Non- underlying (note 4) £000	Total £000
Revenue	3	36,768	-	36,768	36,203	317	36,520
Cost of sales		(22,314)	-	(22,314)	(21,279)	(317)	(21,596)
<b>Gross profit</b>		<b>14,454</b>	<b>-</b>	<b>14,454</b>	<b>14,924</b>	<b>-</b>	<b>14,924</b>
Administrative expenses		(7,397)	(1,199)	(8,596)	(7,535)	(509)	(8,044)
<b>Profit/(loss) before interest and tax</b>	5	<b>7,057</b>	<b>(1,199)</b>	<b>5,858</b>	<b>7,389</b>	<b>(509)</b>	<b>6,880</b>
Financial expenses	6			(7,221)			(8,466)
<b>Loss before tax for the period</b>				<b>(1,363)</b>			<b>(1,586)</b>
Tax on loss	7			(248)			(223)
<b>Loss after tax for the period</b>				<b>(1,611)</b>			<b>(1,809)</b>
<b>Other comprehensive income</b> <i>Items that will not be reclassified to profit or loss:</i>							
Taxation on items that will not be reclassified to profit or loss	7			-			239
Other comprehensive income for the period, net of tax				-			239
<b>Total comprehensive loss for the period</b>				<b>(1,611)</b>			<b>(1,570)</b>

**Consolidated statement of financial position**  
as at 1 March 2018

	Note	2018 £000	2017 £000
<b>Non-current assets</b>			
Property, plant and equipment	8	116,459	117,578
		<u>116,459</u>	<u>117,578</u>
<b>Current assets</b>			
Inventories	10	317	276
Trade and other receivables	11	2,370	2,508
Cash and cash equivalents	12	6,821	8,556
		<u>9,508</u>	<u>11,340</u>
<b>Total assets</b>		<u>125,967</u>	<u>128,918</u>
<b>Current liabilities</b>			
Trade and other payables	13	(13,443)	(14,422)
Other payables due to related parties	13	(51,269)	-
Current tax liabilities		(364)	(81)
Borrowings	14	-	(52,116)
Finance lease obligations	15	(4,433)	(4,197)
		<u>(69,509)</u>	<u>(70,816)</u>
<b>Non-current liabilities</b>			
Finance lease obligations	15	(37,428)	(37,413)
Accruals	16	(1,223)	(1,161)
Deferred tax liabilities	17	(5,016)	(5,133)
		<u>(43,667)</u>	<u>(43,707)</u>
<b>Total liabilities</b>		<u>(113,176)</u>	<u>(114,523)</u>
<b>Net assets</b>		<u>12,791</u>	<u>14,395</u>
<b>Shareholders' funds – equity</b>			
Ordinary shares	18	103	96
Share premium		142	142
Other reserves		1	1
Revaluation reserve		19,808	19,808
Retained earnings		(7,263)	(5,652)
<b>Total equity</b>		<u>12,791</u>	<u>14,395</u>

These financial statements were approved by the Board of Directors and authorised for issue on 24/7/2018  
... and signed on its behalf by:

  
**Bruce McKendrick**  
Director

Registered number : 08159281

**Company statement of financial position**  
*as at 1 March 2018*

	<i>Note</i>	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Non-current assets</b>			
Investments in subsidiaries	9	-	-
		-	-
<b>Current assets</b>			
Trade and other receivables	11	48,176	20,827
Current tax assets		3	-
Cash and cash equivalents	12	17	8
<b>Total assets</b>		<b>48,196</b>	<b>20,835</b>
<b>Current liabilities</b>			
Current tax liabilities		-	(81)
Trade and other payables	13	(49,534)	-
Borrowings	14	-	(22,177)
		(49,534)	(22,258)
<b>Total liabilities</b>		<b>(49,534)</b>	<b>(22,258)</b>
<b>Net liabilities</b>		<b>(1,338)</b>	<b>(1,423)</b>
<b>Shareholders' deficit – equity</b>			
Ordinary shares	18	103	96
Share premium		142	142
Other reserves		1	1
Retained earnings		(1,584)	(1,662)
<b>Total equity</b>		<b>(1,338)</b>	<b>(1,423)</b>

These financial statements were approved by the Board of Directors and authorised for issue on **24/7/2018**  
... and signed on its behalf by:

  
**Bruce McKendrick**  
Director

Registered number : 08159281

**Consolidated statement of cash flows**  
*for the period ended 1 March 2018*

		2018 £000	2017 £000
<b>Cash flows from operating activities</b>			
Loss after tax for the year		(1,611)	(1,809)
Adjustments for:			
Tax	7	248	223
Financial expenses	6	7,221	8,466
Depreciation	8	7,561	7,153
Decrease in receivables		138	211
Increase in inventories		(41)	(71)
(Decrease)/increase in trade and other payables		(616)	290
Increase in long term accruals		62	134
Non-recurring deal costs written off		1,004	-
<b>Cash inflow from operations</b>		<b>13,966</b>	<b>14,597</b>
Interest paid		(1,209)	(1,523)
Taxation paid		(81)	(38)
<b>Net cash inflow from operating activities</b>		<b>12,676</b>	<b>13,036</b>
<b>Purchase of property, plant and equipment</b>	8	<b>(6,442)</b>	<b>(6,643)</b>
<b>Net cash outflow from investing activities</b>		<b>(6,442)</b>	<b>(6,643)</b>
Repayment of bank loan		(30,863)	(1,960)
Net proceeds from drawdown on new bank loans and loan notes		-	488
Repayments of loan notes		(23,981)	-
Related party loan advanced by parent company		51,245	-
Finance lease repayments		(4,370)	(4,242)
Proceeds from share issues		-	1
Repurchase of own shares		-	(4)
<b>Net cash outflow from financing activities</b>		<b>(7,969)</b>	<b>(5,717)</b>
<b>Net cash (outflow)/inflow</b>		<b>(1,735)</b>	<b>676</b>
Cash and cash equivalents at beginning of year		8,556	7,880
<b>Cash and cash equivalents at end of year</b>	12	<b>6,821</b>	<b>8,556</b>

**Company statement of cash flows**  
*for the period ended 1 March 2018*

	2018 £000	2017 £000
<b>Cash flows from operating activities</b>		
<b>Profit / (Loss) after tax for the year</b>	78	(214)
<i>Adjustments for:</i>		
Tax	(3)	81
Financial income	(1,837)	(2,131)
Financial expenses	1,615	2,335
Increase in trade and other payables	60	-
Non-recurring deal costs written off	189	-
	<hr/>	<hr/>
<b>Cash inflow from operations</b>	102	71
Taxation paid	(81)	(38)
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	21	33
	<hr/>	<hr/>
Related party loan advanced to subsidiary	(25,512)	(50)
	<hr/>	<hr/>
<b>Net cash outflow from investing activities</b>	(25,512)	(50)
	<hr/>	<hr/>
Repayment of loan notes	(23,981)	-
Proceeds from share issue	-	1
Repurchase of own shares	-	(4)
Related party loan advanced from parent company	49,481	-
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from financing activities</b>	25,500	(3)
	<hr/>	<hr/>
<b>Net cash inflow/(outflow)</b>	9	(20)
	<hr/>	<hr/>
Cash and cash equivalents at beginning of year	8	28
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	17	8
	<hr/>	<hr/>

**Consolidated statement of changes in equity**  
*for the period ended 1 March 2018*

	Share capital £000	Share premium £000	Treasury share reserve £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balance at 26 February 2016	100	141	1	19,569	(3,843)	15,968
<b>Total comprehensive income for the period</b>						
Loss after tax	-	-	-	-	(1,809)	(1,809)
Other comprehensive income	-	-	-	239	-	239
<b>Total comprehensive loss for the period</b>	-	-	-	239	(1,809)	(1,570)
<b>Transactions with owners recorded directly in equity</b>						
Shares repurchased in year	(4)	-	-	-	-	(4)
Shares issued in year	-	1	-	-	-	1
<b>Total transactions with owners</b>	(4)	1	-	-	-	(3)
<b>Balance at 2 March 2017</b>	<b>96</b>	<b>142</b>	<b>1</b>	<b>19,808</b>	<b>(5,652)</b>	<b>14,395</b>

	Share capital £000	Share premium £000	Treasury share reserve £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balance at 3 March 2017	96	142	1	19,808	(5,652)	14,395
<b>Total comprehensive income for the period</b>						
Loss after tax	-	-	-	-	(1,611)	(1,611)
<b>Total comprehensive loss for the period</b>	-	-	-	-	(1,611)	(1,611)
<b>Transactions with owners recorded directly in equity</b>						
Shares issued in year	7	-	-	-	-	7
<b>Total transactions with owners</b>	7	-	-	-	-	7
<b>Balance at 1 March 2018</b>	<b>103</b>	<b>142</b>	<b>1</b>	<b>19,808</b>	<b>(7,263)</b>	<b>12,791</b>

**Company statement of changes in equity**  
*for the period ended 1 March 2018*

	Share capital £000	Share premium £000	Treasury share reserve £000	Retained earnings £000	Total £000
Balance at 26 February 2016	100	141	1	(1,448)	(1,206)
<b>Total comprehensive income for the period</b>					
Loss after tax for the year	-	-	-	(214)	(214)
Total comprehensive loss for the period	-	-	-	(214)	(214)
<b>Transactions with owners recorded directly in equity</b>					
Shares repurchased in year	(4)	-	-	-	(4)
Shares issued in year	-	1	-	-	1
Total transactions with owners	(4)	1	-	-	(3)
<b>Balance at 2 March 2017</b>	<b>96</b>	<b>142</b>	<b>1</b>	<b>(1,662)</b>	<b>(1,423)</b>

	Share capital £000	Share premium £000	Treasury share reserve £000	Retained earnings £000	Total £000
Balance at 3 March 2017	96	142	1	(1,662)	(1,423)
<b>Total comprehensive income for the period</b>					
Profit after tax for the year	-	-	-	78	78
Total comprehensive loss for the period	-	-	-	(1,584)	(1,345)
<b>Transactions with owners recorded directly in equity</b>					
Shares issued in year	7	-	-	-	7
Total transactions with owners	7	-	-	-	7
<b>Balance at 1 March 2018</b>	<b>103</b>	<b>142</b>	<b>1</b>	<b>(1,584)</b>	<b>(1,338)</b>



## **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 registered number is 08159281 and the registered address is Bath Yard, Bath Lane, Moira, Derbyshire, DE12 6BA.

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

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

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

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

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

The financial statements are prepared on the historical cost basis except derivative financial instruments and the completed sites class of property, plant and equipment which are stated at their fair value.

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

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

#### ***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.

#### ***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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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 group to hedge its exposure to movements in interest rates.

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

#### *Property, plant and equipment*

The completed sites class of assets were revalued to fair value on 25 February 2016. Prior to this date these assets were measured on cost less accumulated depreciation and accumulated impairment losses.

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

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

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

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

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

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

## **Notes (continued)**

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

#### ***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 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.

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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 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.

#### *Taxation*

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

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

A number of new standards, amendments to standards and interpretations are effective for annual years beginning after 1 January 2018 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group. The Group chose not to adopt any of the above standards and interpretations early.

The IFRS9 and IFRS15 transition project is in progress, the impact has not yet been quantified but it is not expected to have a material impact.

The impact of IFRS16 has not yet been quantified, see operating lease note for current position.

## Notes (continued)

### 2 Employees and directors' remuneration

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

	Number of employees 2018	2017
Administration	92	75
Operations	529	560
	<u>621</u>	<u>635</u>

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

	2018 £000	2017 £000
Wages and salaries	8,797	8,802
Social security costs	637	668
Other pension costs (note 20)	520	488
	<u>9,954</u>	<u>9,958</u>

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

	2018 £000	2017 £000
Remuneration for management services	800	1,331
Other pension costs	28	69
	<u>828</u>	<u>1,400</u>

Additionally, Lloyds Development Capital ('LDC') received £79,000 (2017: £100,000) for management services and the Forestry Commission ('FC') received £nil (2017: £nil) for management services.

In relation to the highest paid director:

	2018 £000	2017 £000
Remuneration for management services	264	420
Other pension costs	-	24
	<u>264</u>	<u>444</u>

## Notes (continued)

### 3 Segmental information

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

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

2018	Underlying £000	Non-underlying £000	Total £000
Revenue	36,768	-	36,768
Cost of sales	(22,314)	-	(22,314)
Gross profit	14,454	-	14,454
Administrative expenses	(7,397)	(1,199)	(8,596)
Segmental profit before interest and tax	7,057	(1,199)	5,858
Financial income			961
Financial expenses			(8,182)
Loss before tax for the period			(1,363)
2017	Underlying £000	Non-underlying £000	Total £000
Revenue	36,203	317	36,520
Cost of sales	(21,279)	(317)	(21,596)
Gross profit	14,924	-	14,924
Administrative expenses	(7,535)	(509)	(8,044)
Segmental profit before interest and tax	7,389	(509)	6,880
Financial expenses			(8,466)
Loss before tax for the year			(1,586)

## Notes (continued)

### 4 Non-recurring items

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

	2018 £000	2017 £000
<i>Within revenue:</i>		
Build and sale activities	-	317
	<hr/>	<hr/>
	-	317
	<hr/>	<hr/>
<i>Within cost of sales:</i>		
Build and sale activities	-	(317)
	<hr/>	<hr/>
	-	(317)
	<hr/>	<hr/>
<i>Within administrative expenses:</i>		
Write off of deal costs on repayment of bank loan and loan stock (note 14)	(1,004)	-
Rebranding costs	(191)	-
Legal fees re share buyback	-	(5)
Development team costs	-	(284)
Personnel costs	(4)	(220)
	<hr/>	<hr/>
	(1,199)	(509)
	<hr/>	<hr/>

During the period the Company repaid the bank loan and loan stock funding and consequently wrote off costs in relation to this of £1,004,000 (2017: £nil). In addition, the Company is working on a large scale rebranding project and incurred costs in the regard of £191,000 (2017: £nil).

During the prior period the Group had incurred costs in relation to a share repurchase to a value of £5,000.

Changes in the management structure during the prior period had resulted in a one-off charge of £220,000.

During the prior period the services of the development team had been deployed in alternative activities resulting in £284,000 of costs associated with this work being expensed rather than capitalised.

### 5 Expenses and auditor's remuneration

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

	2018 £000	2017 £000
Depreciation	7,561	7,153
Operating lease charges	913	874
	<hr/>	<hr/>
	2018 £000	2017 £000
Audit of these financial statements	8	5
<i>Amounts receivable by auditors and their associates in respect of:</i>		
Audit of financial statements of subsidiaries pursuant to legislation	31	27
Audit related assurance services	1	1
Other assurance services	3	3
Taxation compliance services	8	8
Other tax advisory services	21	27
	<hr/>	<hr/>

## Notes (continued)

### 6 Finance income and expenses

	2018 £000	2017 £000
Interest on loans and overdrafts	848	1,424
Amortisation of debt issue costs (note 14)	180	209
Lease interest (note 15)	4,621	4,584
Interest on loan notes	1,543	2,249
Interest on amounts due to related parties	29	-
	<hr/>	<hr/>
Total finance expense	7,221	8,466
	<hr/>	<hr/>

### 7 Tax on loss

#### Recognised in the income statement

	2018 £000	2017 £000
<i>Current tax expense</i>		
Current year	421	91
Adjustment in relation to prior year	(56)	(10)
	<hr/>	<hr/>
Current tax expense	365	81
<i>Deferred tax credit (note 17)</i>		
Origination and reversals of temporary differences	(1)	193
Reduction in tax rate	-	(51)
Adjustment in relation to prior year	(116)	-
	<hr/>	<hr/>
Deferred tax (credit)/charge	(117)	142
	<hr/>	<hr/>
Total tax charge in income statement	248	223
	<hr/>	<hr/>

#### Recognised in other comprehensive income

	2018 £000	2017 £000
Reduction in tax rate	-	(239)
	<hr/>	<hr/>
Total tax credit in other comprehensive income	-	(239)
	<hr/>	<hr/>



## Notes (continued)

### 7 Tax on loss (continued)

#### Reconciliation of tax charge

	2018 £000	2017 £000
Loss for the year	(1,611)	(1,809)
Total tax charge	248	223
	<hr/>	<hr/>
Loss excluding taxation	(1,363)	(1,586)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19.08% (2017: 20%)	(260)	(317)
Expenses not deductible for taxation	(35)	121
Fixed asset differences	517	439
Change in tax rates on deferred tax balances	-	(85)
Prior year adjustment on tax	(172)	(10)
Other timing differences	67	75
Interest restriction	269	-
Tax movement on revalued fixed assets	(138)	-
	<hr/>	<hr/>
Total tax charge	248	223
	<hr/>	<hr/>

#### Factors that may affect future tax charges

Reductions in the UK corporation tax rate to 17% (effective from 1 April 2020) were substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly.

## Notes (continued)

### 8 Property, plant and equipment

Group	Completed sites £000	Planning £000	Assets in the course of construction £000	Total £000
<b>Cost or valuation</b>				
At 26 February 2016	120,685	3,388	3,961	128,034
Additions	936	2,193	3,514	6,643
Transfer	3,667	540	(4,207)	-
At 2 March 2017	125,288	6,121	3,268	134,677
At 3 March 2017	125,288	6,121	3,268	134,677
Additions	526	1,609	4,307	6,442
Transfer	5,322	-	(5,322)	-
At 1 March 2018	131,136	7,730	2,253	141,119
<b>Accumulated depreciation</b>				
At 26 February 2016	9,946	-	-	9,946
Charge for the year	7,153	-	-	7,153
At 2 March 2017	17,099	-	-	17,099
At 3 March 2017	17,099	-	-	17,099
Charge for the year	7,561	-	-	7,561
At 1 March 2018	24,660	-	-	24,660
<b>Net book value</b>				
At 1 March 2018	106,476	7,730	2,253	116,459
At 2 March 2017	108,189	6,121	3,268	117,578
At 26 February 2016	110,739	3,388	3,961	118,088

The company has no property, plant and equipment.

'Completed sites' are held at valuation. The effective date of the valuation was 25 February 2016. The valuation was performed by Jones Lang Lasalle, an independent valuer in accordance with the RICS Valuation Standards. If the 'Completed sites' class of assets were held under the cost model, the carrying amount would be £84,242,000 (2017: £85,140,000). The Directors have considered this valuation at 1 March 2018 and confirmed that the value is still materially correct.

At the period end the net carrying amount of leased Completed site assets was £34,574,000 (2017: £35,868,000). Depreciation charged in the year on these assets was £1,294,000 (2017: £1,294,000).

## Notes (continued)

### 9 Investments in subsidiaries

	£000
Cost of investments	
At 2 March 2017 and 1 March 2018	-

The group has the following investments in subsidiaries.

	Registered office address	Country of incorporation	Holding	Ownership % 2018	Ownership % 2017
Forest Holidays Limited	Bath Yard, Bath Lane, Moira, Derbyshire, DE12 6BA	England	Direct	100%	100%
FH England LLP	Bath Yard, Bath Lane, Moira, Derbyshire, DE12 6BA	England	Indirect	100%	100%
Forest Holidays (Scotland) LLP	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ	Scotland	Indirect	100%	100%

	Trading status	Net assets at 1 Mar 2018 £000	Result for the period to 1 Mar 2018 £000
Forest Holidays Limited	Trading	6,507	(1,685)
FH England LLP	Dormant	4,970	-
Forest Holidays (Scotland) LLP	Dormant	2,654	-

### 10 Inventories

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Retail stock	317	276	-	-

During the year, £1,614,000 (2017: £1,531,000) has been recognised as an expense in the statement of profit and loss.

### 11 Trade and other receivables

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Amounts due from group companies	-	-	48,176	20,827
Trade and other receivables	1,447	981	-	-
Prepayments and accrued income	923	1,527	-	-
	2,370	2,508	48,176	20,827

## Notes (continued)

### 12 Cash and cash equivalents

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash and cash equivalents per statement of financial position	6,821	8,556	17	8
Cash and cash equivalents per the statement of cash flows	6,821	8,556	17	8

### 13 Trade and other payables

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Current</b>				
Trade and other payables	2,029	2,631	60	-
Other payables due to related parties (note 14)	51,269	-	49,474	-
Accruals and deferred income	11,414	11,791	-	-
	64,712	14,422	49,534	-

### 14 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 19.

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Current liabilities</b>				
Secured bank loans	-	29,939	-	-
Loan notes	-	22,177	-	22,177
Other payables due to related parties (note 24)	51,269	-	49,474	-
	51,269	52,116	49,474	22,177

During the period as part of the group restructure the secured bank loan and loan notes were repaid in full in December 2017.

Included within secured bank loans and loan notes above are £nil (2017: £1,184,000) of debt issue costs as set out below. Of the prior year costs £180,000 have been amortised during the year (note 6) and the remaining balance of £1,004,000 was written off to non-recurring items (note 4) on repayment of the loans.

#### Secured bank loans

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

#### Loan notes

Interest was rolled up on the loan notes at a fixed rate of 10% per annum.

## Notes (continued)

### 14 Borrowings (continued)

#### *Amounts due to related parties*

Interest is payable on £1,795,000 of the amounts due to related parties at a rate of 8%. There is no interest charged on the remaining balance. All amounts due to related parties are due on demand.

#### Maturity of financial liabilities

	Amounts due to related parties £000	Bank loans £000	Loan notes £000	Total £000
<b>1 March 2018</b>				
Within one year	51,269	-	-	51,269
	<u>51,269</u>	<u>-</u>	<u>-</u>	<u>51,269</u>
Unamortised costs of issue	-	-	-	-
	<u>51,269</u>	<u>-</u>	<u>-</u>	<u>51,269</u>

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

	Bank loans £000	Loan notes £000	Total £000
<b>2 March 2017</b>			
Between one and five years	30,863	22,437	53,300
	<u>30,863</u>	<u>22,437</u>	<u>53,300</u>
Unamortised costs of issue	(924)	(260)	(1,184)
	<u>29,939</u>	<u>22,177</u>	<u>52,116</u>

### 15 Finance lease obligations

Future minimum payments under finance leases are as follows:

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Within one year	4,433	4,197	-	-
In more than one year, but not more than five years	18,198	17,489	-	-
In more than five years	123,055	123,836	-	-
	<u>145,686</u>	<u>145,522</u>	<u>-</u>	<u>-</u>
Total gross payments	145,686	145,522	-	-
Less: finance charges included above	(103,825)	(103,912)	-	-
	<u>41,861</u>	<u>41,610</u>	<u>-</u>	<u>-</u>
Due within less than one year	4,433	4,197	-	-
Due within greater than one year	37,428	37,413	-	-
	<u>41,861</u>	<u>41,610</u>	<u>-</u>	<u>-</u>

Gross payments represent both future interest expense and capital element.

## Notes (continued)

### 16 Long term accruals

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Deferred rent	1,223	1,161	-	-

### 17. Deferred tax assets and liabilities

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

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Property, plant and equipment deferred tax	1,448	1,557	-	-
Revaluation of property, plant and equipment	3,780	4,056	-	-
Accruals and deferred income	(190)	(219)	-	-
Tax losses carried forward	(22)	(261)	-	-
Net deferred tax liabilities	5,016	5,133	-	-

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

	Opening balance £000	Recognised in income £000	Recognised in OCI £000	1 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)
	5,133	(117)	-	5,016

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

	Opening balance £000	Recognised in income £000	Recognised in OCI £000	2 March 2017 £000
Property, plant and equipment deferred tax	1,913	(356)	-	1,557
Revaluation of property, plant and equipment	4,295	-	(239)	4,056
Accruals and deferred income	(299)	80	-	(219)
Tax losses carried forward	(679)	418	-	(261)
	5,230	142	(239)	5,133

## Notes (continued)

### 18 Capital and reserves

#### Called up share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid</i>		
119,750 A ordinary shares at £0.20 each	24	24
40,000 B ordinary shares at £0.20 each	8	8
45,378 (2017: 46,013) ordinary shares at £1 each	46	46
18,250 E ordinary shares at £1 each	18	18
7,561 (2017: nil) C ordinary shares	7	-
	<hr/> 103	<hr/> 96

The A ordinary shares, B ordinary shares, C 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.

All share classes each receive 1 vote per share, however the total voting rights of the A ordinary shares are limited to 44.5% 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 A ordinary shares have the right to a return of capital (pari passu with the B ordinary shares as if the same constituted one ordinary share) to an amount equal to the issue price (inclusive of any premium) paid for such shares. Thereafter any payment to the ordinary shareholders and C ordinary shareholders on a return of capital of an amount equal to the issue price (inclusive of any premium) paid for such shares, the balance of such assets shall be distributed amongst the holders of the ordinary shares, A ordinary shares, B ordinary shares and C ordinary shares in proportion to the number of ordinary shares, A ordinary shares, B ordinary shares and C ordinary shares held by them (pari passu as if the same constituted one class of share).

The share capital issued in the year was issued at a premium of £nil (2017: £1,000).

### 19 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.

## Notes (continued)

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

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
<b>IAS 39 categories of financial instruments</b>				
<i>Loans and receivables</i>				
Cash and cash equivalents (note 12)	6,821	8,556	17	8
Other loans and receivables (note 11)	1,447	981	48,176	20,827
Total financial assets	8,268	9,537	48,193	20,835
<i>Financial liabilities measured at amortised cost</i>				
Interest-bearing loans and borrowings (note 14)	-	52,116	-	22,177
Trade and other payable (note 13)	2,029	2,631	60	-
Finance lease liabilities (note 15)	41,861	41,610	-	-
Other payables due to related parties (note 14)	51,269	-	49,474	-
Total financial liabilities measured at amortised cost	95,159	96,357	49,534	22,177
Total financial instruments	(86,891)	(86,820)	(1,341)	(1,342)

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 Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Group'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 £1,447,000 (2017: £981,000).

#### Ageing beyond contractual due date

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

	Within terms	Up to three months overdue	Between three months and one year overdue	More than one year overdue	Total
	£000	£000	£000	£000	£000
2018					
Other loans and receivables	2,357	-	13	-	2,370
2017					
Other loans and receivables	2,470	-	38	-	2,508

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

A bad debt provision of £nil (2017: £nil) is calculated based on a best estimate of the likely future cash flows arising.



## Notes (continued)

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

#### (c) Liquidity risk

##### Financial risk management

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

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

	Carrying amount £000	Effective rate %	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	(2,029)	<i>Note 13</i>	(2,029)	-	-	-
Finance lease liabilities	(41,861)	<i>Note 15</i>	(4,433)	(4,498)	(13,700)	(19,230)
Other payables due to related parties	(51,269)	<i>Note 14</i>	(51,269)	-	-	-
	<u>(95,159)</u>		<u>(57,731)</u>	<u>(4,498)</u>	<u>(13,700)</u>	<u>(19,230)</u>

	Carrying amount £000	Effective rate %	2017			
			1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
<i>Non-derivative financial liabilities</i>						
Secured bank loans	(29,939)	<i>Note 14</i>	(29,939)	-	-	-
Trade and other payables	(2,631)	<i>Note 13</i>	(2,631)	-	-	-
Loan notes	(22,177)	<i>Note 14</i>	(22,177)	-	-	-
Finance lease liabilities	(41,610)	<i>Note 15</i>	(4,197)	(4,266)	(13,223)	(19,924)
	<u>(96,357)</u>		<u>(58,944)</u>	<u>(4,266)</u>	<u>(13,223)</u>	<u>(19,924)</u>

## Notes (continued)

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

#### (d) Market risk

##### *Financial risk management*

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

##### **Market risk – Interest rate risk**

##### *Profile*

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

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<i>Hedged and fixed rate instruments</i>				
Loan notes	-	22,437	-	22,437
Other payables due to related parties	1,795	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Variable rate instruments</i>				
Bank loan	-	30,863	-	-
	<u>          </u>	<u>          </u>	<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 £nil (2017: £309,000). 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.

#### (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.

### 20 Pension contribution

The Group operates a defined contribution pension plan. The total expense relating to this plan in the current period was £520,000 (2017: £488,000).

## Notes (continued)

### 21 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Less than one year	831	722	-	-
Between one and five years	3,557	3,135	-	-
More than five years	59,121	57,026	-	-
	<u>63,509</u>	<u>60,883</u>	<u>-</u>	<u>-</u>

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 £913,000 (2017: £874,000) was recognised as an expense in the consolidated statement of comprehensive income in respect of operating leases.

### 22 Commitments

#### Capital commitments

During the period ended 1 March 2018, the group did not enter into any contracts to purchase property, plant and equipment (2017: £nil).

### 23 Contingencies

The company, together with its subsidiaries, is part of a group for arranging borrowing requirements and has cross guarantees for the facilities set out in note 14.

### 24 Related party disclosures and ultimate controlling parties

The ultimate holding company and controlling party is Phoenix Equity Partners LLP. The immediate parent company is Canopy Bidco Limited, incorporated in England and Wales.

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

Transactions with its immediate parent company, intermediate holding company and ultimate holding company are not consolidated and are as follows:

	2018	2017
	£000	£000
Management charge payable to Canopy Bidco Limited	(137)	-
Interest payable to Canopy Bidco Limited	(29)	-
Loan from Canopy Bidco Limited	<u>(51,269)</u>	<u>-</u>

## Notes (continued)

### 24 Related party disclosures and ultimate controlling parties (continued)

During the year the following transactions took place with LDC:

	2018 £000	2017 £000
<i>Transactions:</i>		
Monitoring fees payable to LDC	79	100
Interest on loan notes	1,295	1,937
	<u>          </u>	<u>          </u>
<i>Year end balance:</i>		
Loan notes held by LDC	-	(19,161)
	<u>          </u>	<u>          </u>

During the period the loan notes held by LDC were repaid in full.

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

	2018 £000	2017 £000
<i>Transactions:</i>		
Interest on loan notes	193	242
Operating lease charge	913	874
	<u>          </u>	<u>          </u>
<i>Year end balance:</i>		
Loan notes held by Forestry Commission	-	(2,553)
	<u>          </u>	<u>          </u>

During the period the loan notes held by the Forestry Commission were repaid in full.

#### *Transactions with key management personnel*

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

	2018 £000	2017 £000
<i>Transactions:</i>		
Interest on loan notes	55	73
	<u>          </u>	<u>          </u>
<i>Year end balance:</i>		
Loan notes	-	(723)
	<u>          </u>	<u>          </u>

During the year the loan notes held by management personnel were repaid in full.

### 25 Accounting estimates and judgements

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

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