Forest Holidays Group Limited

Directors' report and financial statements

Registered number 08159281

27 February 2020

Contents

Company information

Directors	Mr B McKendrick Mr A P J Priestley
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	NatWest 16 South Parade Nottingham NG1 2JX
Solicitors	Gowling WLG (UK) LLP Two Snowhill Birmingham B4 6WR

Directors' report

The directors present the audited financial statements for Forest Holidays Group Limited ('the Company') for the period ended 27 February 2020.

Principal activity

The principal activity of the company is that of a holding company.

Political contributions

The company made no *(2019: £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 B McKendrick
Mr J Ellis – resigned 31 October 2019
Mr A P J Priestley – appointed 1 November 2019

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the reasons outlined below.

As the Company is a holding company, the directors have considered the going concern basis of the Company's main trading subsidiary Forest Holidays Limited and specifically, the Directors considered the following in arriving at their conclusion.

The directors have prepared forecasts for a period of at least 12 months from the date of approval of the financial statements, which indicate that the Company will have sufficient funds to meet its liabilities as they fall due for that period. In particular, the directors have taken into consideration cash flow taking account of reasonably possible severe but plausible downsides (discussed below), which include the anticipated impact of the current COVID-19 pandemic and the timing of recovery as the measures on social distancing are eased.

The Company has two significant loan facilities amounting to £53million, which were fully drawn down at the year end and at the date of approval of these financial statements. At the year end the company had also drawn down £12.9million from loan facilities that are specifically available to fund capital expenditure. Further undrawn amounts are available in the Capex facilities but these amounts cannot be drawn down to fund working capital and thus have not been factored into the available headroom in the going concern forecasts. Liquidity and leverage covenants are in place in relation to these loan facilities and all loan facilities are in place until 2024.

For liquidity and working capital purposes, at the time of the accounts being signed the Company has access to an undrawn overdraft of £2million and a further undrawn RCF of £1million. It should be noted that the undrawn RCF is only available through to January 2022. Neither of these undrawn facilities are forecast to be utilised in any of the scenarios modelled.

The lockdown implemented by the UK Government and the consequential impact on holidays taken in the UK resulted in a marked decline in bookings and therefore revenue for the Company during 2020 and in early 2021. The Company has reacted to this by managing costs across the business and taking advantage of the UK Government support via a number of initiatives, such as the temporary reduced VAT rates, business rates relief and the Coronavirus Job Retention Scheme, which has enabled the Company to protect its cash position through the period when revenues have been impacted to the greatest extent. The Company's use of the Coronavirus Job Retention Scheme reduced since the reopening of locations in July 2020, however, since the subsequent lockdowns, the company has made further use of the scheme.

Following the re-opening of locations in July 2020, the Company experienced a very strong period of trading performance, with high occupancy across all locations. Furthermore, bookings from April 2021 onwards are significantly ahead of prior years due to increased demand for holidays in the UK and customers choosing to book their holidays earlier.

In September 2020, the Company commenced a project that sought to i) ensure sufficient liquidity in the business over the long-term, ii) ensure that the Balance Sheet going forward was not overburdened, iii) ensure financing for new site development was available in line with the business plan requirements, iv) realign the liquidity and leverage covenants to an appropriate level. This project completed in November 2020 resulting in i) the shareholders putting in additional funding in the form of Preferred ordinary shares, ii) the coupon rate on existing Preferred ordinary shares being reset, iii) access to existing financing facilities being extended by two years and iv) an interim set of liquidity and leverage covenants being put in place for a period through to August 2022; following which the previous covenant mechanic would be reintroduced.

The current adverse economic environment has created uncertainty in relation to the timing of a return to a level of trading normality. Whilst the vaccine roll-out is proceeding well and there is evidence of efficacy, the timing and shape of economic recovery is unclear and accordingly, the Company has modelled a downside scenario, taking account of current level of bookings and the consequential impact on cash flows, including working capital. The scenario envisages a re-opening of all sites from April 2021 in line with current government guidance and includes two further periods of national lockdown, in both November 2021 and February 2022. Should there be a situation where the downside scenario transpires and there is pressure on covenants, the Company has identified mitigating actions available around discretionary and non-essential spend, within management's control, to reduce the cost base and therefore increase the LTM EBITDA, upon which the leverage covenant is based.

In modelling this downside scenario, the Company forecasts indicate that there will not be a breach of covenants. It should be noted that in all scenarios the Company has sufficient liquidity.

On conclusion, given the roadmap for reopening recently set out by the government, the success of the vaccine program so far, the measures set out within the March 2021 budget statement and the strong order book position, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period at least 12 months from the date of this report and will be able to realise its assets and discharge its liabilities in the normal course of business. For this reason, the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

Disclosure of information to auditor

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

Auditor

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

On behalf of the board

Bruce McKendrick
Director

Registered Office:

Bath Yard
Bath Lane
Moira
Derbyshire
DE12 6BA

Dated: 18 March 2021

Strategic report

Forest Holidays provides high quality cabin breaks in ten stunning forest locations across the UK. Its purpose is to help people experience and reconnect with forests; these important connections are good for people and good for nature.

Protecting and enhancing the environment is at the core of the Group's values and the directors believe the Group's aims and activities are consistent with the targets set out in the Government's 25-year Environmental Plan. The Group funds and supports vital conservations projects across the UK.

The Group is part owned by a partnership (FHPSH LLP) comprising the three devolved bodies previously part of the Forestry Commission: Forestry England, Forestry & Land Scotland and Natural Resources Wales, constituting a long-standing relationship that delivers value to the taxpayer whilst supporting our commitment to bio-diversity in, and public access to, Britain's public forest estate.

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

Results for the year

The financial results for the year are set out on page 10.

Business review

The directors are pleased to report a stable performance despite challenging trading conditions arising from market uncertainty linked to Brexit during the period. At a revenue level, performance was consistent with prior year, with occupancy of cabins in excess of 90% for the full year. Underlying costs of the business continue to increase in line with inflation, along with a high proportion of our workforce being on the national living wage, and the entry into a new energy contract part way through the year, the EBITDA came down relative to prior year.

We continue to focus on our wider estate of cabins through investment into the maintenance, development and improvement of the estate and customer offer on an annual basis. Additionally, towards the end of the year, the business commenced a project focusing on refreshing the brand and the existing website, and associated infrastructure, with the objective of improving the overall trading momentum of the business over the long-term.

Our eleventh location at Delamere Forest is under development and is due to be opened in April 2021. Alongside additional cabins, this location will allow us to launch our new White Willow Premium cabin concept. All funding for this project was put in place at the end of the financial year.

The position of the company remains healthy with lines of credit fully established.

Strategic report *(continued)*

Principal risks and uncertainties

The directors have performed a thorough review of the potential impacts of COVID-19 in light of the ongoing impact of the pandemic and in conjunction with the likely government imposed rules and regulations with regards travel. All required safety measures are in place and working at all locations, and the directors have reviewed the financial projections of the business alongside a number of potential COVID-19 scenarios.

A review of the possible impact of Brexit has taken place and whilst from a procurement point of view there is an additional requirement to work closely with suppliers that are impacted, we do not expect it to have a material effect on either the Group's financial position or performance.

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.

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.

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

Introduction to S172
The Board is responsible for leading stakeholder engagement. Considering stakeholders when making decisions of strategic importance is fundamental to the execution of our strategy and critical in achieving long-term sustainable success.

The Board understands the needs of our different stakeholders to ensure that the long-term consequences of any decisions are well considered. It is not always possible to provide positive outcomes for all stakeholders and the Board is mindful when making decisions based on the competing priorities of stakeholders.

Our stakeholder engagement processes enable our Board to understand what matters to stakeholders and carefully consider all the relevant factors and select the course of action that best leads to the high standards of business conduct and success of Forest Holidays in the long-term.

Key stakeholders
The Board considers its key stakeholders to be its team members (employees), customers, suppliers, local communities in which it operates, the environment, Governments and industry bodies and its shareholders.

S172 (1) Statement

In accordance with Section 172(1) of the Companies Act 2006, a Director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard, amongst other matters, to:
a. the likely consequences of any decision in the long-term
b. the interests of the Company's employees
c. the need to foster the Company's business relationships with customers.
d. the impact of the Company's operations on local communities and the environment
e. the desirability of the Company maintaining a reputation for high standards of business conduct.
f. the need to act fairly between members of the Company.

The following disclosure describes how the Directors of the Group have taken account of the matters set out in section 172(1) (a) to (f) and forms the Directors' statement required under section 172 of the Companies Act 2006.

Strategic report *(continued)*

How the Group engages with its key stakeholders

Stakeholder	**Engagement examples**
Team members	• Comprehensive onboarding and induction plans for new team members • Companywide online learning platform to upskill and develop our team • Quarterly company-wide team member engagement survey • Weekly company-wide team member updates • Annual leadership academy for team members focused on personal development
Customers	• Customer feedback survey for every customer on arrival and departure • Regular customer database surveys conducted to provide customer insight • Interaction with customers on location on a daily basis • Relevant targeted marketing campaigns and engaging social media content • Sales and Service support function and social media assists with all customer queries
Partners & Suppliers	• Working in partnership with Forestry England, Forestry Land Scotland and National Resources Wales to deliver environmental, social and economic benefits for all • Five-year partnership with the UK's National Parks that will connect over 20,000 young people with nature • Three-year commitment to fund a rural business start up every year with the Prince's Countryside Fund • Where possible, a commitment to buy goods from local suppliers • Assessment and onboarding process for all new Forest Holidays suppliers • Regular account management meetings are held with representatives from our larger suppliers • Periodic supplier meetings covering topical matters, for example Brexit readiness and COVID-19.
Local communities & Environment	• Employment of c.650 individuals from local communities • Forest Ranger employed at each location to both protect, enhance and educate our customers about the local forest environment • Each location has a long-term biodiversity enhancement strategy and active woodland management plan
Governments (and tax authorities) & Industry bodies	• The Group has processes in place to monitor new regulations and compliance requirements that may impact the business – including for example product regulations, financial accounting and reporting updates and tax accounting and reporting compliance
Shareholders	• Individual meetings with institutional shareholders throughout the year • Monthly performance report shared with all shareholders

On behalf of the board

Bruce McKendrick
Director

Registered Office:

Bath Yard
Bath Lane
Moira
Derbyshire
DE12 6BA

Dated: 18 March 2021

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

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 year ended 27 February 2020 which comprise the statement of profit and loss and other comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 27 February 2020 and of its result for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

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

Strategic report and directors' report

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

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

KPMG

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

(continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Anthony Hambleton

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: 19 March 2021

Statement of profit and loss and other comprehensive income
for the period ended 27 February 2020

	Note	**2020** **£000**	2019 £000
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		-	-
Profit/(loss) before interest and tax	*3*	-	-
Tax on profit	*4*	-	(93)
Profit/(Loss) after tax for the period		-	(93)
Total comprehensive profit/(loss) for the period		-	(93)

Statement of financial position
as at 27 February 2020

	Note	2020 £000	2019 £000
Non-current assets			
Investments in subsidiaries	*5*	-	-
		-	-
Current assets			
Trade and other receivables	*6*	**51,439**	51,439
Cash and cash equivalents	*7*	-	2
Total assets		**51,439**	51,441
Current liabilities			
Current tax liabilities		-	(2)
Trade and other payables	*8*	**(52,870)**	(52,870)
		(52,870)	(52,872)
Total liabilities		**(52,870)**	(52,872)
Net liabilities		**(1,431)**	(1,431)
Shareholders' deficit – equity			
Ordinary shares	*10*	**103**	103
Share premium		**142**	142
Other reserves		**1**	1
Retained earnings		**(1,677)**	(1,677)
Total equity		**(1,431)**	(1,431)

These financial statements were approved by the Board of Directors and authorised for issue on 18 March 2021 and signed on its behalf by:

Bruce McKendrick
Director

Registered number : 08159281

Statement of cash flows
for the period ended 27 February 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Loss after tax for the year		-	(93)
Adjustments for:			
Tax		-	93
(Increase) in trade and other receivables		-	(3,263)
(Decrease)/increase in trade and other payables		(2)	3,301
Cash (outflow)/inflow from operations		(2)	38
Taxation paid		-	(53)
Net cash outflow from operating activities		(2)	(15)
Net cash outflow		(2)	(15)
Cash and cash equivalents at beginning of year		2	17
Cash and cash equivalents at end of year	*7*	-	2

Statement of changes in equity
for the period ended 27 February 2020

	Share capital £000	Share premium £000	Treasury share reserve £000	Retained earnings £000	Total £000
Balance at 3 March 2018	103	142	1	(1,584)	(1,338)
Total comprehensive income for the period					
(Loss) after tax for the year	-	-	-	(93)	(93)
Total comprehensive loss for the period	-	-	-	(93)	(93)
Balance at 28 February 2019	**103**	**142**	**1**	**(1,677)**	**(1,431)**

	Share capital £000	Share premium £000	Treasury share reserve £000	Retained earnings £000	Total £000
Balance at 1 March 2019	103	142	1	(1,677)	(1,431)
Total comprehensive income for the period					
(Loss) after tax for the year	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-
Balance at 27 February 2020	**103**	**142**	**1**	**(1,677)**	**(1,431)**

Notes

(forming part of the 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 company financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 15.

1.1. Change in accounting policy

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

IFRS 16: Leases

The adoption of this standard did not have a material impact on the Company's results or financial positions and did not require a restatement of comparative figures.

1.2. Measurement convention

The financial statements are prepared on the historical cost basis.

1.3. Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the reasons outlined below.

As the Company is a holding company, the directors have considered the going concern basis of the Company's main trading subsidiary Forest Holidays Limited and specifically, the Directors considered the following in arriving at their conclusion.

The directors have prepared forecasts for a period of at least 12 months from the date of approval of the financial statements, which indicate that the Company will have sufficient funds to meet its liabilities as they fall due for that period. In particular, the directors have taken into consideration cash flow taking account of reasonably possible severe but plausible downsides (discussed below), which include the anticipated impact of the current COVID-19 pandemic and the timing of recovery as the measures on social distancing are eased.

The Company has two significant loan facilities amounting to £53million, which were fully drawn down at the year end and at the date of approval of these financial statements. At the year end the company had also drawn down £12.9million from loan facilities that are specifically available to fund capital expenditure. Further undrawn amounts are available in the Capex facilities but these amounts cannot be drawn down to fund working capital and thus have not been factored into the available headroom in the going concern forecasts. Liquidity and leverage covenants are in place in relation to these loan facilities and all loan facilities are in place until 2024.

For liquidity and working capital purposes, at the time of the accounts being signed the Company has access to an undrawn overdraft of £2million and a further undrawn RCF of £1million. It should be noted that the undrawn RCF is only available through to January 2022. Neither of these undrawn facilities are forecast to be utilised in any of the scenarios modelled.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Going concern (continued)

The lockdown implemented by the UK Government and the consequential impact on holidays taken in the UK resulted in a marked decline in bookings and therefore revenue for the Company during 2020 and in early 2021. The Company has reacted to this by managing costs across the business and taking advantage of the UK Government support via a number of initiatives, such as the temporary reduced VAT rates, business rates relief and the Coronavirus Job Retention Scheme, which has enabled the Company to protect its cash position through the period when revenues have been impacted to the greatest extent. The Company's use of the Coronavirus Job Retention Scheme reduced since the reopening of locations in July 2020, however, since the subsequent lockdowns, the company has made further use of the scheme.

Following the re-opening of locations in July 2020, the Company experienced a very strong period of trading performance, with high occupancy across all locations. Furthermore, bookings from April 2021 onwards are significantly ahead of prior years due to increased demand for holidays in the UK and customers choosing to book their holidays earlier.

In September 2020, the Company commenced a project that sought to i) ensure sufficient liquidity in the business over the long-term, ii) ensure that the Balance Sheet going forward was not overburdened, iii) ensure financing for new site development was available in line with the business plan requirements, iv) realign the liquidity and leverage covenants to an appropriate level. This project completed in November 2020 resulting in i) the shareholders putting in additional funding in the form of Preferred ordinary shares, ii) the coupon rate on existing Preferred ordinary shares being reset, iii) access to existing financing facilities being extended by two years and iv) an interim set of liquidity and leverage covenants being put in place for a period through to August 2022, following which the previous covenant mechanic would be reintroduced.

The current adverse economic environment has created uncertainty in relation to the timing of a return to a level of trading normality. Whilst the vaccine roll-out is proceeding well and there is evidence of efficacy, the timing and shape of economic recovery is unclear and accordingly, the Company has modelled a downside scenario, taking account of current level of bookings and the consequential impact on cash flows, including working capital. The scenario envisages a re-opening of all sites from April 2021 in line with current government guidance and includes two further periods of national lockdown, in both November 2021 and February 2022. Should there be a situation where the downside scenario transpires and there is pressure on covenants, the Company has identified mitigating actions available around discretionary and non-essential spend, within management's control, to reduce the cost base and therefore increase the LTM EBITDA, upon which the leverage covenant is based.

In modelling this downside scenario, the Company forecasts indicate that there will not be a breach of covenants. It should be noted that in all scenarios the Company has sufficient liquidity.

On conclusion, given the roadmap for reopening recently set out by the government, the success of the vaccine program so far, the measures set out within the March 2021 budget statement and the strong order book position, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period at least 12 months from the date of this report and will be able to realise its assets and discharge its liabilities in the normal course of business. For this reason, the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

1.4. Financial instruments

(i) Recognition and initial measurement

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

***1.4. Financial instruments** (continued)*

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

(b) Subsequent measurement and gains and losses

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.4. Financial instruments (continued)

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

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

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

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

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

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

Intra-group financial instruments

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

(iii) Classification and subsequent measurement

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

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

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.4. Financial instruments (continued)

Measurement of ECLs

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

Credit-impaired financial assets

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

Write-offs

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

1.5. 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.

Notes *(continued)*

1 Accounting policies *(continued)*

***1.5. Non-derivative financial instruments** (continued)*

(iii) 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.

(iv) 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6. 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.

1.7. 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 2020 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the company. The company chose not to adopt any of the above standards and interpretations early.

2 Employees and directors' remuneration

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

	Number of employees	
	2020	2019
Administration	**2**	2

Services provided by the directors are incidental to the services they provide to other companies in the group and therefore it is not reasonable to apportion any remuneration to Forest Holiday Group Limited.

3 Expenses and auditor's remuneration

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

	2020	2019
	£000	£000
Audit of these financial statements	**3**	3

The company audit fee is borne by another Group company.

Notes *(continued)*

4 Tax on profit

Recognised in the income statement

	2020	2019
	£000	£000
Current tax expense		
Current year	-	-
Adjustment in relation to prior year	-	93
Current tax expense/(credit)	-	93
Total tax charge/(credit) in income statement	-	93

Reconciliation of tax charge

	2020	2019
	£000	£000
(Loss) for the year	-	(93)
Total tax charge	-	93
(Loss) excluding taxation	-	-
Tax using the UK corporation tax rate of 19% *(2019: 19%)*	-	-
Adjustments in respect of prior periods	-	93
Total tax charge	-	93

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. However, the March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will affect the future corporation tax charge accordingly.

Notes *(continued)*

5 Investments in subsidiaries

	£000
Cost of investments	
At 1 March 2019 and 27 February 2020	-

The group has the following investments in subsidiaries.

	Registered office address	Country of incorporation	Holding	Ownership % 2020	Ownership % 2019
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%

6 Trade and other receivables

	2020 £000	2019 £000
Amounts due from group companies	**51,439**	51,439

7 Cash and cash equivalents

	2020 £000	2019 £000
Cash and cash equivalents per statement of financial position	**-**	2

8 Trade and other payables

	2020 £000	2019 £000
Current		
Trade and other payables	**9**	9
Other payables due to related parties (note 13)	**52,861**	52,861
	52,870	52,870

Notes *(continued)*

9 Capital and reserves

Called up share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
119,750 A ordinary shares at £0.20 each	**24**	24
40,000 B ordinary shares at £0.20 each	**8**	8
45,378 ordinary shares at £1 each	**46**	46
18,250 E ordinary shares at £1 each	**18**	18
7,561 C ordinary shares	**7**	7
	103	103

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).

Notes *(continued)*

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

(a) *Fair values of financial instruments*

Trade and other receivables and trade and other payables

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.

	2020	2019
Categories of financial instruments	**£000**	£000
Loans and receivables		
Cash and cash equivalents (note 7)	**-**	2
Other loans and receivables (note 6)	**51,439**	51,439
Total financial assets	**51,439**	51,441
Financial liabilities measured at amortised cost		
Trade and other payable (note 8)	**9**	9
Other payables due to related parties (note 8)	**52,861**	52,861
Total financial liabilities measured at amortised cost	**52,870**	52,870
Total financial instruments	**(1,431)**	(1,429)

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

(b) *Credit risk*

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

Notes *(continued)*

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

(c) Liquidity risk

Financial risk management

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

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

	Carrying amount £000		2020 1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
Non-derivative financial liabilities						
Trade and other payables	(9)	*Note 8*	(9)	-	-	-
Other payables due to related parties	(52,861)	*Note 8*	(52,861)	-	-	-
	(52,870)		(52,870)	-	-	-

	Carrying amount £000		2019 1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
Non-derivative financial liabilities						
Trade and other payables	(9)	*Note 8*	(9)	-	-	-
Other payables due to related parties	(52,861)	*Note 8*	(52,861)	-	-	-
	(52,870)		(52,870)	-	-	-

(d) Market risk

Financial risk management

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

Notes *(continued)*

11 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.

11 Commitments

Capital commitments

During the period ended 27 February 2020, the company did not enter into any contracts to purchase property, plant and equipment *(2019: £nil)*.

12 Contingencies

The company as part of a group has cross guarantees for the facilities taken out by other group entities.

13 Related party disclosures and ultimate controlling parties

The company is a subsidiary undertaking of Canopy Bidco Limited and the ultimate parent company is Canopy Holdco Limited, incorporated in England and Wales. The ultimate controlling party is Phoenix Equity Partners LLP. The immediate parent company is Canopy Bidco Limited, incorporated in England and Wales.

The largest and smallest group in which the results of the Company are consolidated is that headed by Canopy Holdco Limited. The address and registered office from which the financial statements can be obtained is Bath Yard, Bath Lane, Moira, Derbyshire, DE12 6BA.

Transactions with key management personnel

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

14 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 directors do not consider that they have made any key estimates or judgements in this company.

Notes *(continued)*

15 Post balance sheet event

Covid 19

Subsequent to the reporting date, the outbreak of COVID-19 was declared by the World Health Organisation as a global pandemic. The consequences of COVID-19 are considered a non-adjusting event given the impacts were not known as at the balance sheet date. As a result, no adjustments have been made to the financial statements.

In November 2020 the Company completed a project aimed at putting in place long-term funding solutions for the business; the objectives and outcomes of this project are all outlined in the Going Concern review. Two particular aspect of this process will impact the balance sheet of the business going forward:

i) Modification of the existing Preferred Ordinary shares – the coupon on the existing preferred ordinary shares was amended to avoid over-burdening the balance sheet. In line with 'IFRS 9 Financial Instruments' it was concluded that the modification would be above 10%, therefore existing liability will be derecognised, with a new financial liability subsequently being recognised. The result of this is that there is a gain on the modification to be recognised through equity.

ii) Classification of the new 2020 Preferred Ordinary shares – through the shareholders providing a small amount of additional equity funding to the Company, a new class of shares was created (2020 Preferred ordinary shares), these will be classified as a financial liability under 'IFRS 9 Financial Instruments'.

The Directors have not made a formal evaluation of the impact of COVID-19 on the recoverability of assets held as reported in the Balance Sheet as at 27 February 2020, but as at the date of signing the financial statements do not expect an adverse effect on those assets to arise. However, further escalation of the COVID-19 pandemic has the potential to impact the carrying value of Investments in Subsidiary companies, intangible and tangible fixed assets.