Parkwood Leisure Holdings Limited

Annual Report and Financial Statements 2014

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Table of Contents

	Page
Company Information	3
Strategic Report	4
Finance Review	7
Directors' Report	9
Independent Auditors' Report	13
Consolidated Financial Statements	15
Notes to the Consolidated Financial Statements	21

Company Information

Directors:	A W Hewitt M P Hewitt M J Quayle A R Sinacola
Registered number:	08923607 (England and Wales)
Registered office:	Parkwood House Cuerden Park Berkeley Drive Bamber Bridge Preston Lancashire PR5 6BY
Independent auditors:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 8 Princes Parade St. Nicholas Place Liverpool L3 1QJ

Strategic Report

The directors present their strategic report for the Parkwood Leisure Holdings Group for the year ended 31 December 2014.

Introduction

Following the delisting of Parkwood Holdings plc in 2011, Parkwood's transition to a fully private company was completed in 2014 when the minority shareholders of that company sold their shares and the Hewitt family became the sole shareholders. The Parkwood Holdings plc group was then demerged to form two new groups. This is the first annual report of one of those groups, Parkwood Leisure Holdings Limited (the "Parkwood Group"). The second group of companies created by the demerger, headed by Alston Investments Limited (the "Alston Group"), is also wholly owned by the Hewitt family.

Notwithstanding the legal demerger, the two new groups, under common ownership, continue to operate as a "family" of companies. The previous holding company, Parkwood Holdings, is now a wholly owned subsidiary of this Company and continues to provide central support services to the Alston Group.

The demerger was undertaken in order to provide greater focus to Parkwood's activities and in particular the Leisure business which is a wholly owned subsidiary of this Company. The other business activities previously operated by Parkwood now form the Alston Group. These activities comprise the core Glendale business, together with the Golf, Horticulture, Healthcare and Consultancy businesses.

Since the two new Groups were under common ownership before and after the demerger, a special method of accounting (predecessor accounting) has been adopted whereby the results of each group are presented as if the current legal structure had always been in existence. This helps maintain the comparability of the business' reported trading results over the current and previous financial years which are presented in these financial statements.

On a comparable basis the operating profit before loan waivers recorded in these financial statements increased from £2.4million in 2013 to £3.1million in 2014. However, as part of the demerger certain loans between the companies forming the Alston Group and Parkwood Group were waived in order to balance the capital structure of the two groups. This resulted in a charge to the Income Statement of £7.8million in these financial statements. This was a non-cash transaction and there is an equal and opposite credit recorded in the financial statements of the Alston Group.

After accounting for the £7.8 million loan waiver the operating loss for the year was £4.7million (2013: profit £2.4million). After tax and interest the retained loss for the year was £5.4million (2013: retained profit £1.8million).

The remainder of this report considers the performance of the Group's Leisure business.

Review of the business

Parkwood Leisure enjoyed its best year ever in 2014, by delivering a net profit before central group costs of £4.6 million (2013: £3.5 million) on revenue of £70.8 million (2013: £71.0 million). The £1.1million increase in profit before tax was driven by the continuing growth in fitness gym memberships, combined with energy savings and staffing efficiencies. Following the introduction of the new IT and payroll management systems, it is expected that further staff efficiencies will result in 2015.

In December 2014, Parkwood Leisure was awarded an £8.8 million contract to operate six leisure centres on behalf of the Royal Borough of Windsor and Maidenhead. This contract has been sub contracted to the charitable trust, Legacy Leisure, commencing operation on 7 January 2015.

During the year, successful benchmarks took place on four of the company's PFI/PPP contracts, including Crosby, Solihull, Breckland and Bexley. These benchmarks increased the ten year forward order book by over £71 million.

The three theatre contracts performed strongly, assisted by excellent pantomime sales figures. Including a full year of revenues from the Hazlitt Theatre contract in Maidstone which commenced in October 2013, the total revenue achieved by the newly formed Parkwood Theatres business was £6.7 million.

Led by Chief Executive, Andrew Holt, the senior management team remained stable throughout the year following a restructuring exercise in December 2013. The three geographical regions continue to be managed by a Regional Director plus an Assistant Regional Director.

The total number of employees at the end of the year was 3,400, a reduction of 16.2% largely due to the transfer of the West Berkshire operating contract to Legacy Leisure Limited. The transfer of this contract to Legacy Leisure is in line with the

general trend in the market place towards charitable trusts but allows Parkwood Leisure to maintain the provision of strategic and support services to Legacy Leisure.

Staff training continues to be a high priority for Parkwood Leisure with a total of 8,691 training days completed in 2014. The division was pleased to appoint 41 new apprentices during the year, adding to the 62 apprentices trained in 2013.

Sales and Marketing

In spring 2014, Parkwood Leisure rolled out a new direct debit system for swimming lesson enrolments. By the end of the year, 50% of all swimming lessons were being delivered through direct debits, increasing the lesson occupancy rates as the attrition rate reduces. This programme will continue to be developed in 2015 with the DD system acting as the default option for parents.

The number of Expressions fitness members continues to grow despite competition from new low cost budget gyms. The overall number of Expressions members increased by 4.7% and the average yield per member has been maintained, indicating that our centres have not needed to reduce prices to attract new members. Instead, we have concentrated on providing good quality facilities with trained staff in attendance at all times. A total capital investment of £1.5m was made on gym equipment during the year, ensuring that our members are benefitting from the latest gym technology.

The Sway Dance brand continues to grow, with a total of 208,775 children and adults taking part in the dance programme last year, an increase of 11.5% from 2013. Following the success of the National Sway Dance show held at Western Super Mare in July, with over 750 dancers attending, two National shows have been programmed for 2015.

Markets and New Business

The public sector leisure management market is continuing to provide plenty of contract opportunities for Parkwood Leisure as Local Authorities outsource operational services with the aim of reducing revenue expenditure. However, an increase in the number of charitable organisations bidding for these contracts has seen bid margins reduce and competition increase.

Parkwood Leisure has responded to this increase in competition by diversifying its business into other activities such as cycling, theatre, music and outdoor recreation. The Change Gear cycling brand has been awarded a three year contract to operate the cycling centre in the Alice Holt Forest in East Hampshire, in addition to a number of Bikeability contracts teaching children to ride bikes safely in a school environment.

As local authorities look to outsource cultural services to the private sector, Parkwood Theatres will seek to win additional business in this sector. A new Managing Director for Parkwood Theatres was appointed in September 2014, to lead an autonomous team of management within the leisure division.

Risks and Uncertainties

Parkwood Leisure's number one priority remains health and safety. Now into a second year of working on safety matters with our external advisor, ROSPA, the company continues to hold an unblemished record in the area of health and safety. Our senior operational management team are all qualified to NEBOSH standard and significant resources are put into the training of new and existing leisure centre staff.

Energy costs have continued to fall throughout the year, providing financial benefits to the company. However, we are ever mindful of the volatility in this market and have been purchasing flexible packages of gas and electricity at fixed prices for the next two years whilst prices remain low. Our investment programme into energy saving devices such as CHP boilers and new BMS systems has continued throughout the year.

Competition and Prospects

The main competitors to Parkwood Leisure remain as the charitable trust operators who continue to submit tender bids at very low margins. All of the private leisure operators now operate with charitable trust partners or with wholly-owned charitable trust companies. The business models offer these trusts mandatory NNDR relief and tax benefits which can be passed onto local authority clients in the bid process.

With its nine PFI/PPP long term contracts, Parkwood Leisure has a strong forward order book of managed revenue, giving it a base of sustainable business which extends well beyond a ten year horizon. In July 2015, the company will have been operating for over twenty years and is looking to cautiously continue its trend of year on year growth for the next twenty years and beyond.

The Strategic Report on pages 4 to 6 is approved by the Board of Directors and is signed on behalf of the Board.



A W Hewitt
Executive Chairman
27 April 2015

Finance review

Overview

Purchase of minority shares
On 3 June 2014 Alston Acquisitions Limited (AAL) acquired the entire issued share capital of Parkwood Holdings Limited (formerly Parkwood Holdings plc) by way of a Scheme of Arrangement. AAL was wholly owned by Mr AW Hewitt. The consideration paid for the Parkwood Holdings Limited shares owned by the Hewitt family was satisfied by the issue of new shares in AAL with a nominal value of £113,000. The consideration paid to the minority shareholders of Parkwood Holdings Limited was £2,314,000, of which £1,906,000 was in the form of cash and £408,000 was in the form of loan notes issued by AAL. Once this transaction had been completed the Hewitt family became the sole shareholders of the Parkwood Group. The £2.4 million cost of the Scheme of Arrangement was charged to the Group's retained earnings.

Demerger
On 30 June 2014 Parkwood was demerged into two new Groups: Parkwood Leisure Holdings Limited and Alston Investments Limited, not to be confused with AAL. The demerger was effected as follows:

Firstly, Parkwood Holdings Limited (a wholly owned subsidiary of AAL) disposed of a number of trading subsidiaries to Alston Investments Limited, a company controlled by A W Hewitt, for total consideration equal to their carrying value of £3,600,000. Certain loans between the two demerged groups totalling £7.8 million were waived in order to ensure that each of the two newly created groups had an appropriate capital position.

Secondly, the members of AAL agreed to the sale of its entire share capital to Parkwood Leisure Holdings Limited with the consideration satisfied by a share exchange. As a result of this exchange this Company became the ultimate parent company of the Parkwood Leisure Holdings Limited Group.

Following the demerger, the Alston Investments Limited Group owned the Glendale core, Golf, Horticulture and Healthcare businesses. In addition, the trade and assets of the Consultancy business were subsequently sold to Parkwood Consultancy Services Limited, a wholly owned subsidiary of Alston Investments Limited.

The Parkwood Leisure Holdings Limited Group now owns the Leisure business and the Project Management business.

Accounting
The demerger transaction has been accounted for using "predecessor accounting". The effect of using this accounting method is that the results of the two newly formed groups are reported as if the de-merged structure had always been in place. More specifically:

- the results of the trading subsidiaries are presented in the consolidated profit and loss account from the start of the earliest comparative period and not from the date of acquisition or disposal; and
- since the group's consolidated financial statements are presented as though the transaction had taken place prior to the start of the earliest comparative period reported, no accounting transactions relating to the demerger are presented in these financial statements. A difference arising on consolidation between the share capital of the Company, plus the cost to acquire AAL, and the book values of each entity's net assets of £3,600,000 has been credited to the opening retained earnings of the Group.

Pro-forma results
The results of the consolidated Parkwood Holdings plc group reported in 2013 are now divided between the consolidated financial statements of Alston Investments Limited and Parkwood Leisure Holdings Limited. The table summarises the results presented in the audited financial statements of the two newly formed groups and also illustrates how these combine as a pro-forma under the heading 'Old Parkwood Group' as if the demerger had not taken place. The 2013 results of the 'Old Parkwood Group' are as presented in the audited financial statements of Parkwood Holdings plc in 2013. The 2014 results of the Old Parkwood Group are pro forma results which are presented solely to illustrate how the results would have been reported had the demerger not taken place.

	Parkwood Group		**Alston Group**		**'Old Parkwood Group'**	
	Audited	**Audited**	**Audited**	**Audited**	**Unaudited**	**Audited**
	2014	2013	**2014**	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Revenue	**73,010**	73,143	**58,179**	49,423	**130,842**	122,163
Profit / (loss) before taxation and loans waived	**3,088**	2,389	**680**	(489)	**3,768**	1,900
Waiver of amounts due from related undertakings	**(7,839)**	-	**7,839**	-	-	-
(Loss) / profit before taxation	**(4,751)**	2,389	**8,519**	(489)	**3,768**	1,900

The remainder of this Finance Review solely relates to the new Parkwood Leisure Holdings Limited Group.

Group revenues were maintained at £73 million with profit before tax and loan waivers increasing to £3.1 million (2013: £2.4 million). The loss before tax was £4.8 million after £7.8 million of loans were waived by Parkwood Holdings Limited, a wholly owned subsidiary of the Company, as part of the demerger.

Taxation
The Group's tax charge was £0.7 million (2013: £0.6 million), representing an effective rate of 22% on profit before tax and loans waived. The loans are a non-taxable item.

Cash flow
The Group generated net cash from operating activities of £3.6 million (2013: £2.2 million). The strong cash generation reflects the profitability of the Leisure business.

The cash consumed by investing activities of £7.2 million (2013: £0.2 million) includes £7.6 million (2013: £nil) of additional loans advanced by the Group to companies in the Alston Investments Limited group.

The Group incurred expenditure on replacing council owned assets of £0.6 million (2013: £0.6 million) which is disclosed within operating activities in accordance with IFRIC 12. In accordance with IFRIC 12, expenditure of £0.6 million (2013: £nil) incurred on council owned assets beyond the contractually required expenditure is recognised in the statement of financial position as an intangible asset.

The cash outflow from financing activities was £0.7 million (2013: £1.5 million). The minority share buyback element of the Scheme of Arrangement consumed £2.3 million (2013: £0.5 million). This was financed by a term loan of £2.3 million and unsecured loan notes of £0.4 million, £0.3 million of the term loan was repaid during the year and the balance was repaid in January 2015.

The total cash outflow for the year was £4.3 million (2013: £0.5 million inflow) resulting in a year end cash and cash equivalents balance of £4.5 million (2013: £8.8 million).

Balance sheet
Net assets reduced to £2.0 million (2013: £10.4 million) as a result of the loans waived to the Alston Investments Limited Group and the costs of the Scheme of Arrangement which were charged against reserves.

At 31 December 2014 the Group had a total forward order book of £263 million excluding the value of probable contract extensions arising from contractual benchmarks. The order book is the Group's main asset but it is not reflected in the statement of financial position since it is internally generated and therefore is not recognised in accordance with accounting standards.



M J Quayle
Group Finance Director
27 April 2015

Directors' Report

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2014.

Principal activities
The activities of the Group throughout the year are set out in the Strategic Report. This report, together with the Financial Review, fulfil the business review requirements of the Companies Act 2006, including an analysis of the Group's position at the year end, a description of the principal risks and uncertainties facing the Group and future developments for the business. The risks associated with financial instruments are disclosed in note 24 to the financial statements.

Results and dividends
The Group's loss after tax for the year amounted to £5.4 million (2013: £1.8 million profit). The directors do not recommend payment of a dividend for 2014 (2013: 1.5 pence per ordinary share).

Corporate governance
As an unlisted Company there is no requirement for Parkwood Leisure Holdings Limited to provide a statement of compliance with the provisions of the UK Corporate Governance Code or for such a statement to be reviewed by the auditors.

Political and charitable donations
The Group made no political or charitable donations during the year (2013: £nil).

Board of Directors
The directors of the Company who were in office during the year and up to the date of the signing of the financial statements were:

- Tony Hewitt (appointed 5 March 2014)
- Mike Quayle (appointed 1 July 2014)
- Mary Patricia Hewitt (appointed 1 July 2014)
- Amy Sinacola (appointed 1 July 2014)

Directors' shareholdings
Mr Hewitt had beneficial interests in 7,085,917 ordinary shares. Mrs Hewitt had beneficial interests in 1,328,609 ordinary shares. Mr and Mrs Hewitt and Mr Quayle also had beneficial interests in 1,585,474 ordinary shares held by family trusts of which they are trustees. Mrs Sinacola had beneficial interest in 530,000 ordinary 'B' shares and is also a beneficiary of the shares held by the family trusts.

Board responsibility and effectiveness
The Board's role is to provide entrepreneurial leadership to the whole Group within the framework of prudent and effective controls, which enable risk to be assessed and managed. The Board sets strategic aims, ensures that the necessary financial and human resources are in place to meet these objectives and reviews management performance.

Management supply the Board with appropriate and timely information and the directors are free to seek any further information they consider necessary. In addition to the Board papers, information on the Group's performance is sent to directors each month and ad-hoc meetings are arranged to ensure the whole Board is aware of key business issues.

Directors have access to advice from independent professionals at the Company's expense. Training is available for new and existing directors as necessary.

Remuneration
The directors of the Group receive remuneration from Parkwood Holdings Limited, a wholly owned subsidiary of the Company. Details of remuneration of the directors are therefore given in the consolidated financial statements of Parkwood Leisure Holdings Limited.

Internal control
The Board is responsible for the review and assessment of the Group's internal control system. The system of internal financial controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss.

Corporate Social Responsibility
Parkwood Leisure Holdings is committed to taking account of its corporate social responsibility in its actions and work to high standards of integrity and ethical propriety. The Board has adopted policies in relation to corporate and social matters covering the following key areas:

Employees
The Group provides equal opportunities to all employees and prospective employees and does not discriminate on the grounds of colour, ethnic origin, gender, age, religion, political or other opinion, disability or sexual orientation. Clear and fair terms of employment, as well as a fair and competitive remuneration policy, are in place. Employees are encouraged to develop their knowledge and skills.

Gender diversity
The Group recognises the benefits of diversity throughout the business and employs a number of female senior managers across the Group. The Group will continue to appoint on merit but will seek to ensure that wherever possible female candidates are represented in the short-listing process for executive positions.

Employment of disabled persons
The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management pursues the employment of disabled persons actively whenever a suitable vacancy arises. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the Group.

Where an employee becomes disabled during the course of their employment every effort will be made to provide them with suitable alternative employment where their disability renders them unable to carry out their former duties.

Employee involvement
The Group's half-yearly magazine is distributed to all staff to keep them abreast of developments. Members of the management team regularly visit operating sites within the Group.

Community and the environment
The Group aims to be a respectful custodian of the environment whilst carrying out business activities by conducting them in an environmentally and socially responsible manner.

The Group seeks to minimise the environmental impact of its operations by promoting environmentally responsible practices and incorporating sustainable principles into its work.

The Group continues to develop a culture of sustainable behaviour through the provision of training and development opportunities for all employees, the engagement of teams in community action days and the regular reporting of environmental progress and compliance in internal company meetings.

Environmental awareness training is provided to employees on an annual basis to maintain focus on the Group's commitment to good practice and continual improvement in all aspects of its work and of the environment it operates in.

The Group continues to maintain its ISO14001 certification and complies with, and will exceed where practical, all applicable legislation, regulations and codes of practice.

Business relationships and ethics
All employees seek to be honest and fair in relationships with customers and suppliers. Every attempt is made to ensure that services are provided to the agreed standards and all reasonable steps are taken to ensure the safety and quality of those services. The Group has adopted an Anti-bribery Policy and Procedure in order to identify and mitigate any risks that may arise from its dealings with current or prospective clients, contractors, suppliers or consultants that may act on behalf of the Group.

Going concern
The Board has reviewed the performance for the current year and forecasts for the future period. Based on this information, the Board believes that the Group will continue in operational existence for the foreseeable future. On these grounds, the Board have continued to adopt the going-concern basis for the preparation of the financial statements. Further details are disclosed within the Group's accounting policies and the Financial Review.

Key performance indicators
The directors monitor the performance of the Group against its strategic objectives by reference to a number of key performance indicators (KPIs) as included within the Divisional Reviews. The key KPIs are: revenue, profit before taxation, order book and employees.

Capital structure
The structure of the Company's capital at 31 December 2014 is 10,000,000 ordinary shares at a nominal value of 1 pence per share, and 530,000 ordinary 'B' shares at a nominal value of 1 pence per share. Ordinary shares carry the right to discretionary dividends determined by the Company's directors, while ordinary 'B' shares do not carry any dividend rights. Shares of all classes carry the right to one vote per share. There are no restrictions on the transfer of any of the classes of shares in issue and none of the shares in issue contain any special control rights.

Commercial relationships
Group guidelines do not allow any division to have more than 20% of its business with any one client or seek to win any contract that represents more than 10% of the Group's total revenue. For 2014 this means that the Group is unlikely to tender for any one contract with annual revenues in excess of £7.3 million.

Accountability and audit
The Board presents a balanced and understandable assessment of the Group's position and prospects. The directors' responsibilities for the financial statements are described below.

Statement of directors' responsibilities
The directors are responsible for preparing the Annual 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 the directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the Company and of the profit or loss of the Group 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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to the auditors
Each of the directors at the date of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors
A resolution to re-appoint PricewaterhouseCoopers LLP as auditor for the ensuing year will be proposed at the next general meeting of the Company.

The Directors' Report on pages 9 to12 is approved by the Board of Directors and is signed on behalf of the Board.



M J Quayle
Director
27 April 2015

Independent auditors' report to the members of Parkwood Leisure Holdings Limited

Report on the financial statements

Our opinion

In our opinion:

- Parkwood Leisure Holdings Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2014 and of the Group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

What we have audited

Parkwood Leisure Holdings Limited's financial statements comprise:

- Consolidated statement of financial position as at 31 December 2014;
- Consolidated statement of profit and loss and the Consolidated statement of comprehensive (expense) / income for the year then ended;
- Consolidated statement of cash flows for the year then ended;
- Consolidated and Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Parkwood Leisure Holdings Limited

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP

Martin Heath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Liverpool
27 April 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Revenue	2	**73,010**	73,143
Cost of sales		**(48,925)**	(49,401)
Gross profit		**24,085**	23,742
Administrative expenses		**(20,945)**	(21,324)
Operating profit before waiver of amounts due from related undertakings		**3,140**	2,418
Waiver of amounts due from related undertakings	3	**(7,839)**	-
Operating (loss) / profit		**(4,699)**	2,418
Finance income	4	**37**	13
Finance costs	5	**(89)**	(42)
(Loss) / profit before taxation	3	**(4,751)**	2,389
Income tax expense	7	**(684)**	(594)
(Loss) / profit for the year attributable to equity shareholders of the parent		**(5,435)**	1,795

Consolidated Statement of Comprehensive (Expense) / Income

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
(Loss) / profit for the year attributable to owners of the parent		**(5,435)**	1,795
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss			
Actuarial (loss) / gain on defined benefit pension scheme	19	**(437)**	7
Deferred tax relating to components of other comprehensive income / (expense)		**87**	(1)
Other comprehensive (expense) / income for the year, net of tax		**(350)**	6
Total comprehensive (expense) / income for the year		**(5,785)**	1,801

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000
Non-current assets				
Goodwill		-	37	-
Intangible assets	10	**584**	-	-
Property, plant and equipment	11	**1,877**	2,175	-
Investments	12	**282**	301	**113**
Trade and other receivables	14	**8,253**	10,729	-
Deferred tax asset	21	**285**	219	-
Total non-current assets		**11,281**	13,461	**113**
Current assets				
Inventories	13	**692**	821	-
Trade and other receivables	14	**6,078**	5,711	-
Cash and cash equivalents		**4,498**	8,752	**5**
Total current assets		**11,268**	15,284	**5**
Total assets		**22,549**	28,745	**118**
Current liabilities				
Trade and other payables	15	**14,310**	15,811	-
Borrowings	24	**2,005**	-	-
Income tax payable		**735**	807	-
Obligations under finance leases	16	**631**	437	-
Total current liabilities		**17,681**	17,055	-
Non-current liabilities				
Loan notes	24	**420**	-	-
Retirement benefit obligations	19	**519**	110	-
Long-term provisions	20	**914**	630	-
Obligations under finance leases	16	**866**	374	-
Deferred tax liability	21	**148**	159	-
Total non-current liabilities		**2,867**	1,273	-
Total liabilities		**20,548**	18,328	-
Net assets		**2,001**	10,417	**118**

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000
Equity				
Share capital	22	**105**	113	**105**
Retained earnings		**1,896**	10,304	**13**
Total equity attributable to owners of the parent		**2,001**	10,417	**118**

The notes on pages 21 to 43 form an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2015 and were signed on its behalf by:

A W Hewitt
Director

M J Quayle
Director

Parkwood Leisure Holdings Limited
Company number: 08923607

Consolidated Statement of Changes in Equity

As at 31 December 2014

	Note	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2013		113	9,458	9,571
Profit for the year		-	1,795	1,795
Other comprehensive income				
Actuarial gain on defined benefit pension scheme	19	-	7	7
Deferred tax relating to other comprehensive income		-	(1)	(1)
Total comprehensive income for the year		-	1,801	1,801
Transactions with owners				
Purchase and cancellation of treasury shares		-	(532)	(532)
Dividends	9	-	(423)	(423)
Balance at 31 December 2013		113	10,304	10,417
Loss for the year		-	(5,435)	(5,435)
Other comprehensive expense				
Actuarial loss on defined benefit pension scheme	19	-	(437)	(437)
Deferred tax relating to other comprehensive income		-	87	87
Total comprehensive expense for the year		-	(5,785)	(5,785)
Transactions with owners				
Issue of shares	22	5	-	5
Dividends	9	-	(198)	(198)
Purchase of minority shareholding in Parkwood Holdings Limited	23	-	(2,438)	(2,438)
Capital reduction	22	(13)	13	-
Balance at 31 December 2014		**105**	**1,896**	**2,001**

Company Statement of Changes in Equity
As at 31 December 2014

	Note	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January and 31 December 2013		-	-	-
Profit for the year		-	-	-
Transactions with owners				
Issue of shares		118	-	118
Capital reduction	22	(13)	13	-
Balance at 31 December 2014		**105**	**13**	**118**

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000
Net cash flow generated from operating activities	25	**3,569**	2,240	-
Cash flow from investing activities				
Interest received		**30**	22	-
Proceeds on disposal of property, plant and equipment		**80**	12	-
Purchase of property, plant and equipment		**362**	(272)	-
Purchase of intangibles		**(71)**	-	-
Acquisition of investment		**-**	-	**(113)**
Proceeds on disposal of investments		**45**	-	-
Subordinated debt repaid		**10**	9	-
Loans to related undertakings		**(7,614)**	-	-
Net cash flow used in investing activities		**(7,158)**	(229)	**(113)**
Cash flow from financing activities				
Interest paid		**(72)**	(42)	-
Dividends paid		**(198)**	(423)	-
Payments to minority shareholders under Scheme of Arrangement		**(2,339)**	(532)	-
Bank loans received		**2,000**	-	-
Loan notes issued		**408**	-	-
Proceeds from issue of shares	22	**5**	-	**118**
Repayment of obligations under finance leases		**(469)**	(508)	-
Net cash flow (used in) / generated from financing activities		**(665)**	(1,505)	**118**
Net (decrease) / increase in cash and cash equivalents	26	**(4,254)**	506	**5**
Cash and cash equivalents at beginning of the year		**8,752**	8,246	-
Cash and cash equivalents at end of the year		**4,498**	8,752	**5**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1 Accounting policies

The principal accounting policies adopted in the preparation of the Group's consolidated financial statements and the Company's individual financial statements are set out below. The policies have been applied consistently to all of the statements presented, unless otherwise indicated.

Incorporation and commencement of trade

The Company was incorporated on 5 March 2014 as a private company limited by shares and commenced trading on 30 June 2014.

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRS Interpretations Committee (IFRS IC) interpretations and the Companies Act 2006 as applicable to companies using IFRS. The financial statements have been prepared under the historical cost convention.

For the year ended 31 December 2014, a number of the Group's subsidiaries (as listed in note 12) are exempt from the requirements of an audit, by virtue of section 479a of the Companies Act 2006, for their individual financial statements as Parkwood Leisure Holdings Limited, the parent undertaking, has provided a guarantee to the relevant subsidiaries under section 479c in respect of the year ended 31 December 2014.

Re-organisation of Parkwood Group and adoption of predecessor accounting

On 30 June 2014 Parkwood Holdings Limited disposed of a number of trading subsidiaries to Alston Investments Limited, a company controlled by A W Hewitt, for total consideration of £3,600,000. The total consideration received equates to the carrying value of Parkwood Holdings Limited's investment in the disposed subsidiaries.

On the same day the members of Alston Acquisitions Limited agreed to the sale of the entire share capital of Alston Acquisitions Limited to the Company, with consideration being by way of an exchange of one share in the Company for each share in Alston Acquisitions Limited. As a result of this exchange the Company became the ultimate parent company of the Group.

In the Company's consolidation of its financial statements it has elected to adopt the predecessor accounting method. Using this method, no acquirer is required to be identified and the assets and liabilities of all the entities are consolidated at their pre-combination carrying amounts. This method has been adopted as all Group entities were under common control before and after the date of the de-merger, so the transaction falls outside the scope of IFRS 3.

Under predecessor accounting, the Company has elected to report the results of Parkwood Holdings Limited and its subsidiaries as if the Group has always existed in its current form, even though the re-organisation did not take place until 30 June 2014. This has led to a difference on consolidation between the Company's share capital, plus the consideration paid to acquire the subsidiaries, and the book values of the entities as at 1 January 2013. This difference (£3.6 million) has been credited to the consolidated retained earnings of the Group.

Going concern

The Group's business activities, together with the factors likely to affect its future development are set out in the Strategic Report on pages 4 to 6. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 7 and 8. In addition, note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk.

The Group meets its day-to-day working capital requirements through an overdraft facility, which is due for renewal at the end of March 2016. The Group's forecasts and projections, which have been prepared for the period to 31 March 2016 and taking into account reasonably possible changes in performance, show that the Group should be able to operate within the level of its current facility.

After making reasonable enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Critical accounting estimates and judgements
The preparation of the Group's financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgement when applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the present circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group financial statements are disclosed below:

Impairment of intangible assets, property, plant and equipment
Determining whether intangible assets, property, plant or equipment are impaired requires an estimation of the value in use of the cash generating units. The value in use calculation involves an estimation of the future cash flows of cash generating units and also the selection of appropriate discount rates to calculate present values. In support of the assumptions, management uses experience of historic performance and expected contractual cash flows to arrive at future cash flows.

In assessing the quantum of the future cash flows generated from property, plant and equipment, management have made judgements over future cash flows arising from operational improvements.

Onerous contract provisions
Management have made judgements over the future cash flows and discount rates used in the estimation of onerous contract provisions. In assessing the quantum of certain future cash flows, management have made judgements over future cash flows arising from operational improvements and the level of forecast additional income to be generated from development projects that are not yet completed. The carrying value of the onerous contract provisions as at 31 December 2014 amounts to £100,000 (2013: £200,000). See note 20 for further details.

Insurance provision
Management have made judgements over the future cash flows used in the estimation of provisions for insurance claims incurred but not reported. In assessing the quantum of future cash flows management have made judgements over the timing and amount of potential claims arising from incidents that occurred during an underwriting year, including claims of which the Group has not yet been notified. The carrying value of the insurance provisions at 31 December 2014 amounts to £454,000 (2013: £172,000). See note 20 for further details.

Estimate of contractual obligations on council owned assets
The contractual obligation on replacement of council owned assets within leisure centres operated by the Group is based on management's best estimate after taking into account past experience of the estimated useful economic life of assets and the present operational state of assets within the centres. The estimate is based on expected future prices of assets at the expected replacement dates.

Defined benefit liability
Management have made judgements over certain assumptions in relation to the Group's IAS 19 pension liabilities. See note 19 for further details.

Adoption of new and revised standards
At the date of authorisation of these financial statements, the following standards and interpretations have been published but are not yet effective, and have not been adopted early by the Group in preparing the financial statements:

- IAS 16 Property, Plant and Equipment (effective 1 January 2016)
- IAS 19R Employee Benefits (effective 1 January 2016)
- IAS 27 Separate Financial Statements (effective 1 January 2016)
- IAS 38 Intangible Assets (effective 1 January 2016)
- IFRS 5 Non-current assets held for sale and discontinued operations (effective 1 January 2016)
- IFRS 7 Financial Instruments: Disclosures (effective 1 January 2016)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2016)
- IFRS 11 Joint Arrangements (effective 1 January 2016)

None of the above standards are expected to have any significant impact on the Group's financial statements. There were no new standards, amendments or interpretations effective in the year or early adopted that have a significant impact on the financial statements.

Basis of consolidation

The Group consolidates the financial information of the Company and all of its subsidiary undertakings as at 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition or up to the effective date of disposal. Subsidiaries are those entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets represents goodwill. Goodwill is subject to an annual impairment review, with any reduction in value being taken straight to the statement of profit or loss. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other revenue-related taxes. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below:

- Service contract revenue is recognised in the periods for which a service is being provided to a customer by reference to the proportion of time for which the service has been provided.
- Revenue from the sale of goods is recognised when the goods are delivered and title passes.
- Development fees on PFI and similar contracts: revenue is recognised at financial close according to the fair value of the services provided.

Intangible assets

Goodwill arising on the acquisition of a subsidiary is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the statement of profit or loss and is not subsequently reversed. On disposal, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Expenditure to acquire intangible assets is capitalised at cost. Intangible assets acquired as part of a business combination are capitalised at their fair value at the date of acquisition.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged once construction is completed and the assets are brought into commercial use. Start-up costs are capitalised from the contract start date until completion of construction. Depreciation is provided to write-off the cost, less estimated residual values, of all property, plant and equipment over their expected useful lives. Residual values are assessed at least annually. The annual rates generally applicable are:

Plant and equipment	- 12.5 to 25% straight line
Fixtures and fittings	- 10 to 33.3% straight line
Land and buildings	- over the remaining life of the lease or useful life if shorter. Land is not depreciated.

Assets held under hire purchase and finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Impairment
At each balance sheet date the Group reviews the carrying amounts of its property plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Investments
The Group's trade investment in D4E Mulberry Limited is stated at cost less any accumulated impairment losses. On acquisition the carrying value was compared to the expected project return which is equivalent to the fair value of the investment and the difference was considered immaterial. This fair value will not fluctuate annually and therefore the investment is being held at cost in the Group financial statements.

The parent Company's investments in subsidiaries are stated at cost less any accumulated impairment losses.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out (FIFO). Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is recognised in the statement of profit or loss when there is reliable evidence that the Group will not be able to fully collect the amount due. The amount of the provision is the difference between the carrying amount and the recoverable amount being the present value of expected future cash flows, discounted at the original effective interest rate.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables
Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditure which is expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation.

Taxation
Current tax, including UK corporation tax, is provided at amounts which are expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

The carrying amount of deferred tax assets is reviewed at each financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Leases and hire purchase contracts
Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of lease payments represents a constant proportion of the capital balance and is charged to the statement of profit or loss over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the statement of profit or loss on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Employee benefits
The pension costs for the defined contribution scheme charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Defined benefit scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. Appropriate adjustments are made for unrecognised actuarial gains or losses and past service costs. Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that benefits are already vested the Group recognises past service cost immediately.

Actuarial gains and losses are recognised immediately through the statement of comprehensive income. The surplus or deficit is presented within net assets in the statement of financial position. The related deferred tax is shown with other deferred tax balances. A surplus is recognised only to the extent that it is recoverable by the Group. The current service cost, past service cost, interest cost and costs from settlements and curtailments are charged to the statement of profit or loss.

Short term employment benefits
Short-term employee benefits, including holiday entitlement are included in current liabilities at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Dividend distribution
Dividend distribution to the Company's shareholders is recognised in the Group's financial statements in the period in which the dividends are paid.

Equity and reserves

Ordinary shares
Ordinary shares are classified as equity.

Ordinary 'B' Shares
Ordinary 'B' shares are classified as equity however they are not entitled to receive dividends.

2 Business Divisions

The Group is organised into two operating divisions: Leisure and Parkwood Project Management (PPM). These divisions derive their revenue as follows:

Leisure	provision of leisure facility management services to local authorities and provision of private health and fitness clubs.
PPM	operational project, lifecycle and bid management fees

Year ended 31 December	**Total revenue 2014 £'000**	**Depreciation 2014 £'000**	**Adjusted profit before taxation 2014 £'000**	Total revenue 2013 £'000	Depreciation 2013 £'000	Profit before taxation 2013 £'000
Leisure	**70,834**	**351**	**4,611**	70,993	326	3,467
PPM	**1,564**	**13**	**115**	1,627	10	20
All other divisions	**2,249**	**62**	**(1,638)**	2,169	72	(1,098)
Intercompany elimination	**(1,637)**	**-**	**-**	(1,646)	-	-
Waiver of loans to related undertakings	**-**	**-**	**(7,839)**	-	-	-
Total Group	**73,010**	**426**	**(4,751)**	73,143	408	2,389

All other divisions' includes the revenues generated by the Broadwater and Cherwell DBOM (design, build, operate and maintain) contracts and expenses of the Group's head office function. Funding for the DBOM companies is provided by the local authority.

The profit before tax for each operating division given above has been stated excluding the effects of any amounts owing to or from a related undertaking that have been waived.

All revenues arise within the United Kingdom. The revenue from external customers reported to the Board is measured in a manner consistent with that in the Statement of Profit or Loss.

3 (Loss) / Profit before taxation

(Loss) / profit before taxation is stated after charging/(crediting):	**2014 £'000**	2013 £'000
Depreciation (note 11)		
- owned	**267**	264
- held under finance leases and hire purchase contracts	**159**	144
Movement in provisions (note 20)	**547**	222
Loss / (profit) on sale of property, plant and equipment	**49**	(9)
Cost of inventories recognised as an expense (note 13)	**3,049**	3,468
Staff costs (note 6)	**33,662**	37,353

During the year Parkwood Holdings Limited, a wholly owned subsidiary of the Company, waived balances owed by a number of former subsidiaries that were transferred to Alston Investments Limited, a company under the common control of A W Hewitt, as part of the de-merger transaction (see note 23) and amounted to £7,839,000 (2013: £nil). This amount was charged to the Statement of Profit or Loss in the year.

	Group		Company	
	2014	2013	**2014**	2013
Auditors' remuneration	**£'000**	£'000	**£'000**	£'000
Fees payable for the audit of the annual financial statements	**5**	4	**5**	5
Fees payable to the auditors for other services:				
- audit of the Company's subsidiaries, pursuant to legislation	**35**	34	**-**	-

4 Finance income

	2014	2013
	£'000	£'000
Interest on bank deposits	**25**	4
Interest receivable from subordinated debt investments	**7**	9
Interest receivable from loans to directors (note 28)	**5**	-
Total finance income	**37**	13

5 Finance costs

	2014	2013
	£'000	£'000
Interest charge in respect of finance leases	**34**	42
Interest payable on bank borrowings and unsecured loan notes	**55**	-
Total finance costs	**89**	42

6 Staff costs

Staff costs for the year (including directors' remuneration) were as follows:

	Group	
	2014	2013
	£'000	£'000
Wages and salaries	**31,238**	34,553
Social security costs	**1,797**	2,042
Other pension costs (note 19)		
- defined contribution scheme	**503**	559
- defined benefit scheme	**124**	199
Total staff costs	**33,662**	37,353

The average number of full-time equivalent employees of the Group during the year was as follows:

	Group	
	2014	2013
Operations	**1,211**	1,381
Administration and management	**402**	476
	1,613	1,857

Parkwood Holdings Limited incurred costs relating to the remuneration of directors of £409,000 (2013: £585,000) during the year. This amount includes time spent on the business of Alston Investments Limited and its subsidiaries. The Directors believe that the proportion of their remuneration relating to time spent on the work of the Group is as follows:

	Group	
	2014	2013
	£'000	£'000
Emoluments	**330**	434
Pension costs	**79**	151
	409	585

Total remuneration paid within the Group to the highest paid director was as follows:

	Group	
	2014	2013
	£'000	£'000
Emoluments	**208**	201
Pension costs	**29**	61
	237	262

The Company had no employees during the year and did not incur any staff costs. Directors' remuneration for the Company in the current and prior year was wholly borne by Parkwood Holdings Limited, a subsidiary of the Company.

7 Income tax

The income tax charge is based on the profit for the year and comprises:

	2014	2013
	£'000	£'000
Current tax		
- Current year	**664**	529
- Adjustments in respect of prior years	**10**	26
Total current tax	**674**	555
Deferred tax		
- Origination and reversal of temporary timing differences	**16**	52
- Adjustments in respect of prior years	**(6)**	(13)
Total deferred tax	**10**	39
Total income tax charge	**684**	594

The standard rate of current tax for the year based on the UK standard rates of corporation tax is 21.5% (2013: 23.25%). Changes to the UK standard rate of corporation tax are disclosed in note 21. The current tax charge differs from the standard rate for the reasons set out in the following reconciliation:

	2014 £'000	2013 £'000
(Loss) / profit before taxation	**(4,751)**	2,389
Tax on profit on ordinary activities at the standard rate	**(1,021)**	555
Adjustment for tax rate differences	**(1)**	7
Expenditure not deductible for taxation purposes	**1,702**	19
Adjustments in respect of prior years for current tax	**10**	26
Adjustments in respect of prior years for deferred tax	**(6)**	(13)
Total income tax charge	**684**	594

8 Parent company results

The parent Company did not trade during the year and did not recognise any profits or losses.

9 Dividends

	2014 £'000	2013 £'000
Amounts recognised as distributions to equity shareholders in the year:		
Dividend for the year ended 31 December 2013 of 1.5p (2012: 1.5p) per share	**198**	212
Interim dividend for the year ended 31 December 2013 of 1.6p per share	**-**	211
	198	423

Amounts recognised as dividends in the current and prior year relate to amounts paid to the shareholders of Parkwood Holdings Limited prior to the execution of the Scheme of Arrangement and demerger transactions (see note 23).

10 Intangible assets

	2014 £'000	2013 £'000
Cost		
At 1 January	**-**	-
Additions	**587**	-
At 31 December	**587**	-
Accumulated amortisation		
At 1 January	**-**	-
Charge for the year	**3**	-
At 31 December	**3**	-
Carrying amount as at 31 December	**584**	-

Intangible assets recognised in the statement of financial position represent expenditure on council-owned assets beyond contractually required expenditure for repairs and maintenance. Expenditure is amortised over the unexpired portion of the contract term. At 31 December the average contract term was seven years. Amortisation amounting to £3,000 (2013: £nil) has been charged to administrative expenses.

11 Property, plant and equipment

	Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2013	2,839	1,373	1,441	5,653
Additions	46	238	172	456
Disposals	-	(3)	(10)	(13)
At 31 December 2013	2,885	1,608	1,603	6,096
Additions	-	192	65	257
Disposals	(46)	(243)	(72)	(361)
Re-classifications	-	366	(366)	-
At 31 December 2014	2,839	1,923	1,230	5,992
Accumulated depreciation				
At 1 January 2013	1,275	1,064	1,185	3,524
Charge for the year	151	125	132	408
Disposals	-	(2)	(9)	(11)
At 31 December 2013	1,426	1,187	1,308	3,921
Charge for the year	151	144	131	426
Disposals	-	(207)	(25)	(232)
Re-classifications	-	303	(303)	-
At 31 December 2014	1,577	1,427	1,111	4,115
Carrying amount				
At 31 December 2014	**1,262**	**496**	**119**	**1,877**
At 31 December 2013	1,459	421	295	2,175

Non-current assets include assets held under finance leases and similar hire purchase contracts as follows:

	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Carrying amount			
At 31 December 2014	**117**	**29**	**146**
At 31 December 2013	286	68	354

The Group's obligation under finance leases are secured by the lessors' title to the leased assets.

12 Investments

	2014 £'000	2013 £'000
At 1 January	**301**	311
Repayment of subordinated debt	**(11)**	(10)
Disposals	**(8)**	-
At 31 December	**282**	301

The investment in D4E Mulberry Limited is treated as a trade investment.

During the year Parkwood Holdings Limited disposed of its interest in Glendale Liverpool Limited to Glendale Managed Services Limited, a subsidiary of Alston Investments Limited, for consideration of £8,001, which equates to the carrying value of the investment.

The cost and carrying value of investments in subsidiary undertakings held by the Company at 31 December 2014 was £113,000 (2013: £nil).

As at 31 December 2014 the Company held or controlled 100% of the allotted ordinary share capital of the following principal trading subsidiaries:

Name	**Principal activity**
Alston Acquisitions Limited*	Holding company
Parkwood Holdings Limited*	Holding company
Parkwood Leisure Investments Limited*	Leisure holding company
Parkwood Leisure Limited	Leisure facilities management
Parkwood Community Leisure Limited+	Leisure facilities management
Parkwood Health & Fitness Limited+	Private leisure facilities management
Parkwood Project Management Limited	PFI project management
Broadwater Leisure Limited	Project management of a leisure centre
Cherwell Leisure Limited	Project management of a leisure centre

+ - exempt from audit (note 1).
* - held directly by the Company

All subsidiaries were incorporated and registered in England and Wales.

13 Inventories

	2014	2013
	£'000	£'000
Finished goods and goods for re-sale	**692**	821

The cost of inventories recognised as an expense and included in cost of sales amounted to £3,049,000 (2013: £3,468,000). No provisions were held against inventories at the year-end (2013: £nil).

14 Trade and other receivables

	2014	2013
	£'000	£'000
Current		
Trade receivables	**1,639**	2,098
Amounts owed by related undertakings	**2,355**	1,840
Loans to directors (note 28)	**365**	-
Other receivables	**323**	771
Prepayments and accrued income	**1,396**	1,002
	6,078	5,711
Non-current		
Accelerated spend on contractual commitments	**1,593**	1,666
Amounts owed by related undertakings	**6,660**	9,063
	8,253	10,729
Total trade and other receivables	**14,331**	16,440

All trade and other receivables were receivable under normal commercial terms. The directors consider that the carrying value of trade and other receivables approximates to their fair value. Group receivables days were 29 days (2013: 44 days). A provision of £98,000 (2013: £58,000) was held against receivables. See note 24 for further analysis of ageing and impairment of trade and other receivables.

Accelerated spend on contractual commitments represents the excess of spend on replacement of council-owned assets over and above the estimate of the total contractual spend recognised in the Statement of Profit or Loss to 31 December 2014. Future economic benefits will arise from the continued use of these assets.

15 Trade and other payables

	2014	2013
	£'000	£'000
Current		
Trade payables	**2,461**	3,689
Amounts due to related undertakings	**29**	23
Social security and other taxes	**1,680**	2,733
Other payables	**914**	1,107
Onerous contract provision (note 20)	**-**	20
Insurance provision (note 20)	**191**	108
Accruals	**7,183**	5,974
Deferred income	**1,852**	2,157
	14,310	15,811

Trade purchases are made under normal commercial terms. The directors consider that the carrying value of trade and other payables approximates to their fair value.

16 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Amounts payable under finance leases:				
Within one year	**639**	467	**631**	437
In the second to fifth years	**879**	386	**866**	374
	1,518	853	**1,497**	811
Less: future finance charges	**(21)**	(42)	**-**	-
Present value of lease obligations	**1,497**	811	**1,497**	811

It is the Group's policy to lease major items of its operating equipment under finance leases. The average lease term is 3 years. For the year ended 31 December 2014 the average effective borrowing rate was 4.9 per cent (2013: 5.0 per cent). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair value of the Group's lease obligations equates to their carrying amount. Obligations under finance leases and hire purchase contracts are secured on the leased assets which are subject to those contracts.

17 Operating lease arrangements

The Group had minimum lease payments under operating leases recognised in income during the year amounting to £830,000 (2013: £811,000).

As at the financial position date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014	2013
	£'000	£'000
In one year or less	**729**	676
In the second to fifth years inclusive	**2,117**	1,952
After five years	**260**	687
	3,106	3,315

Operating lease payments represent rentals payable by the Group for certain of its office and operating site leases and motor vehicles. Operating site leases are generally negotiated for the life of the associated operating contract (an estimated average of seven years) and motor vehicles for four years. Property rentals are generally fixed for an average of five years.

18 Contingent liabilities

The Company has guaranteed the bank borrowings of all its subsidiary undertakings and those of Alston Investments Limited and its subsidiary undertakings, which has the same ultimate controlling party as the Company. At the year end the gross liabilities covered by these guarantees totalled £7,122,000.

At 31 December 2014 the Group guaranteed the contractual obligations in relation to certain Leisure operating contracts. It also guaranteed the contractual obligations relating to certain operating contracts undertaken by subsidiaries of Alston Investments Limited.

19 Retirement benefit obligations

Defined contribution schemes
The Group operates a defined contribution pension scheme for the benefit of certain employees. The assets of the scheme are administered by trustees in a fund independent from those of the Group. The total cost charged to income of £503,000 (2013: £559,000) represents contributions payable to the Group's scheme and the National Employment Savings Trust (NEST), at rates specified in the rules of the schemes. As at 31 December 2014, contributions of £75,000 (2013: £113,000) are due in respect of the current reporting year which has not been paid over to the schemes.

Defined benefit scheme
The Group participates in a defined benefit pension scheme for the benefit of employees who were members of the Local Government Pension Scheme prior to their employment by the Group. The assets of the scheme are administered by trustees in a fund independent from those of the Group. The scheme commenced on 1 May 1994.

The most recent actuarial valuation of scheme assets and present value of the defined benefit obligation was carried out on 31 December 2014 by Hymans Robertson LLP. The present value of the defined benefit obligation, the related service cost and past service cost were measured using the projected unit cost method.

Principal actuarial assumptions at the statement of financial position date	**2014**	2013
	%	%
Rate of increase in salaries	**1.70**	2.20
Rate of increase in pensions in payment	**1.95**	2.45
Discount rate	**3.55**	4.55
Inflation assumptions	**3.05**	3.45
Expected return on scheme assets	**3.55**	4.55

For 2014 the mortality tables used are bespoke to Hymans Robertson based on an analysis of scheme experience and account for variations in longevity due to factors including affluence, geo-demographics and reason for retirement. The assumed life expectancy for non-manual members currently aged 65 is 21.3 years. For a non-manual member currently aged 50, the life expectancy once they reach age 65 is assumed to be 23.5 years.

The expected return on scheme assets has been set taking into account the expected return on each asset class. Other actuarial assumptions used are as proposed by the actuary taking into account current consensus.

Amounts recognised in the statement of profit or loss	**2014**	2013
	£'000	£'000
Current service cost	**78**	160
Administrative cost	**44**	39
Interest cost	**111**	89
Expected return on scheme assets	**(109)**	(89)
Total	**124**	199

Of the total amount recognised in the statement of profit or loss £52,000 (2013: £49,000) has been recognised under cost of sales and £72,000 (2013: £150,000) has been recognised under administrative expenses.

Actuarial gains and losses have been reported in the statement of comprehensive income.

Amounts recognised in the statement of financial position	2014 £'000	2013 £'000
Fair value of scheme assets	**2,636**	2,361
Present value of scheme liabilities	**(3,155)**	(2,471)
Deficit in the scheme	**(519)**	(110)
Related deferred tax asset	**104**	16
Net pension liability	**(415)**	(94)

Reconciliation of the movement in the fair value of assets	2014 £'000	2013 £'000
At 1 January	**2,361**	2,055
Expected return on scheme assets	**109**	89
Actuarial gains on scheme assets	**76**	98
Contributions by the employer	**152**	191
Contributions from scheme members	**46**	60
Benefits paid and other net movements	**(108)**	(132)
As at 31 December	**2,636**	2,361

Reconciliation of the movement in the present value of liabilities	2014 £'000	2013 £'000
At 1 January	**2,471**	2,164
Current service cost	**78**	160
Administrative cost	**44**	39
Interest cost	**111**	89
Contributions from scheme members	**46**	60
Actuarial losses	**513**	91
Benefits paid and other net movements	**(108)**	(132)
As at 31 December	**3,155**	2,471

Scheme assets	Fair value of assets	
	2014 £'000	2013 £'000
Equities	**1,845**	1,700
Corporate bonds	**633**	519
Government bonds	**158**	142
Total fair value of assets	**2,636**	2,361

Sensitivities

Discount rate

The overall effect of a 0.1% decrease in the discount rate would be an increase to the retirement benefit obligation of £74,000. An equivalent increase in the discount rate would result in a similar reduction to the retirement benefit obligation.

Inflation

The overall effect of a 0.1% decrease in expected future inflation would be a decrease to the retirement benefit obligation of £74,000.

Life expectancy
The overall effect of changing the life expectancy assumptions such that members are assumed to live one year longer would be an increase to the retirement benefit obligation of £95,000.

The history of experience adjustments is as follows:

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Present value of benefit obligations	**(3,155)**	(2,471)	(2,164)	(1,718)	(2,031)
Fair value of scheme assets	**2,636**	2,361	2,055	1,710	2,123
Deficit in the scheme	**(519)**	(110)	(109)	(8)	92
Experience adjustments on scheme liabilities	**513**	91	196	(162)	(332)
% of scheme liabilities	**16.3%**	3.7%	9.1%	9.4%	16.3%
Experience adjustments on scheme assets	**76**	98	(20)	(497)	56
% of scheme assets	**2.9%**	4.2%	1.0%	29.1%	2.6%

20 Provisions

	2014	2013
	£'000	£'000
At 1 January	**758**	596
Charged to the statement of profit or loss	**649**	364
Released to the statement of profit or loss	**(102)**	(142)
Utilised during the year	**(200)**	(60)
At 31 December	**1,105**	758
Included in:		
Current liabilities	**191**	128
Non-current liabilities	**914**	630
	1,105	758

A provision for onerous contracts was made on the acquisition of CCL (Leisure) Limited in May 2004 and related to obligations to continue performance within a number of loss making leisure management contracts acquired. During 2014, £102,000 (2013: £46,000) of the provision was released and £20,000 (2013: £30,000) was utilised during the year. Of the balance, £56,000 (2013: £157,000) is expected to be utilised in more than one year and £nil (2013: £20,000) is expected to be utilised in less than one year and is therefore included within current liabilities.

During the year a provision of £186,000 (2013: £96,000) was charged to the statement of profit or loss reflecting property lease dilapidation provisions and £nil (2013: £30,000) was utilised during the year. The whole balance of £595,000 (2013: £409,000) is included in non-current liabilities.

From 31 October 2012 the Group has adopted a policy of self-insuring certain losses up to £50,000. A provision has been recognised for such claims amounting to a £463,000 charge to the statement of profit or loss (2013: £268,000). £180,000 (2013: £nil) was utilised during the year and £nil (2013: £96,000) was released to the statement of profit or loss. Of the balance, £191,000 (2013: £108,000) is expected to be utilised in twelve months or less and £263,000 (2013: £64,000) is expected to be utilised after twelve months.

21 Deferred tax

	2014 £'000	2013 £'000
Asset at 1 January	**60**	100
Amount charged to profit or loss	**(10)**	(39)
Amount credited / (charged) to other comprehensive income	**87**	(1)
Asset at 31 December	**137**	60
Included in:		
Non-current assets	**285**	219
Non-current liabilities	**(148)**	(159)
Asset at 31 December	**137**	60

The rate at which deferred tax is expected to unwind is 20% (2013: 20%) and this has been used to calculate the deferred tax assets and liabilities recognised in the statement of financial position.

During the year the main rate of UK corporation tax was reduced to 21% with effect from 1 April 2014. This change was substantively enacted on 2 July 2013. A further reduction to 20% with effect from 1 April 2015 was also substantively enacted at this date.

The deferred tax asset / (liability) arises from the following:

	Opening balance	Charged to profit or loss	Charged to equity	Closing balance
	£'000	£'000	£'000	£'000
Depreciation in excess of capital allowances	(6)	-	-	(6)
Short-term temporary differences	50	(11)	-	39
Tax on provision for retirement benefit obligations	16	1	87	104
Asset / (liability) at 31 December 2014	60	(10)	87	137

The directors consider the recovery of the deferred tax asset to be probable due to forecast future profits. Deferred tax assets have been recognised in respect of temporary differences and tax relating to the Group's pension liability. There is no un-provided deferred tax at the year-end (2013: £nil).

22 Share capital

	2014 £'000	2013 £'000
Issued and fully paid		
10,000,000 (2013: 12,900,000) ordinary shares of 1p each	**100**	113
530,000 ordinary 'B' shares of 1p each	**5**	-
	105	113

Share capital represents the nominal value of equity shares.

The Company was incorporated on 5 March 2014 and is registered and domiciled in England and Wales.

On 30 June 2014 a de-merger transaction was completed that resulted in Parkwood Leisure Holdings Limited becoming the ultimate parent company of the Group. The predecessor accounting basis adopted in respect of the de-merger transaction requires that the comparative financial statements be presented as though the existing capital structure had always been in place. As such, the share capital disclosed for the prior year is that of the Company.

On 8 September 2014 the members of the Company agreed to a reduction in the ordinary share capital of the Company of £12,900 under s642-644 Companies Act 2006. This amount was credited to the retained earnings of the Company.

On 8 September 2014 the Company created an ordinary 'B' class of shares with a nominal value of 1p each. Each ordinary 'B' share entitles the holder to one vote but has no dividend rights. In addition, the 'B' shares can only participate in the distribution of capital arising from a winding up of the Company in the balance of any amount over £20,000,000.

23 Business combinations and transactions with shareholders

Scheme of Arrangement
On 3 June 2014 Alston Acquisitions Limited acquired the entire issued share capital of Parkwood Holdings Limited by way of a Scheme of Arrangement for consideration of £1.20 per ordinary share, to be given in the form of cash or unsecured loan notes; or a share-for-share exchange of shares in Parkwood Holdings Limited for shares in Alston Acquisitions Limited. Total consideration of £2,427,000 was paid of which £1,906,000 was in the form of cash, £408,000 was in the form of unsecured loan notes issued by Alston Acquisitions Limited and £113,000 was in the form of ordinary shares in Alston Acquisitions Limited.

£2,314,000 has been charged to the consolidated retained earnings of the Group with respect to the consideration issued other than that in the form of shares in Alston Acquisitions Limited. Legal fees relating to the scheme of arrangement of £124,000 were also charged directly to retained earnings.

De-merger transaction
On 30 June 2014 Parkwood Holdings Limited disposed of a number of trading subsidiaries to Alston Investments Limited, a company controlled by A W Hewitt, for total consideration of £3,600,000. The total consideration received equates to the carrying value of Parkwood Holdings Limited's investment in the disposed subsidiaries.

On the same day the members of Alston Acquisitions Limited agreed to the sale of the entire share capital of Alston Acquisitions Limited to the Company, with consideration being by way of an exchange of one share in the Company for each share in Alston Acquisitions Limited. As a result of this exchange the Company became the ultimate parent company of the group.

The Directors have decided to disclose the de-merger transaction under predecessor accounting conventions, meaning that the group's consolidated financial statements are presented as though the transaction had taken place prior to the start of the earliest comparative period reported in the consolidated financial statements. As such, no accounting transactions relating to the scheme of arrangement are presented in these financial statements. A difference arising on consolidation between the share capital of the Company, plus the cost to acquire Alston Acquisitions Limited, and the book values of each entity's net assets of £3,600,000 has been credited to the opening retained earnings of the group.

Disposal of investments
On 30 June 2014 the Group disposed of its whole interest in Glendale Liverpool Limited to Glendale Managed Services Limited, a subsidiary of Alston Investments Limited. Cash consideration of £8,000 was received which equates to the carrying value of the investment. As such, no profit or loss on disposal has been recognised in the financial statements.

On 1 June 2014 the Group sold the trade and assets of Parkwood Project Management's landscaping and environmental consultancy business to Parkwood Consultancy Services Limited, a subsidiary of Alston Investments Limited, for consideration of £37,000.

24 Financial instruments

The Group uses financial instruments comprising cash, borrowings, trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to fund ongoing operations.

Financial risk factors
The Group's activities are exposed to a variety of financial risks: market risk (primarily price risk), credit risk, interest rate risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is undertaken and monitored by the central finance team and the Group's Board of Directors on an ongoing basis.

a) Market risk
The Group is not exposed to any material foreign exchange or interest rate risks. The Group's exposure to interest rate risk is explored at point c) below.

The Group consumes significant amounts of energy in the course of its operations, for example due to heating leisure centre swimming pools and saunas. Therefore the Group is exposed to price risk in the energy sector. To minimise this price inflation risk the Group enters into fixed price energy contracts. To minimise this risk the Group has entered into flexible purchasing contracts with Regent Gas, E.on and and EDF Energy, allowing the Group to take advantage of favourable fluctuations in energy prices while reducing exposure to price inflation. These contracts are due to expire in 2017.

There would be a £399,000 (2013: £438,000) impact on profit before tax if energy costs had changed by 5% with all other variables held constant.

b) Credit risk
Credit risk arises from cash and cash equivalents, deposits with banks and credit exposure to customers, including outstanding receivables and committed transactions.

Credit risk is managed at both a Group and at an operational level. For banks and institutions, only independently rated parties with a minimum rating of 'A' are accepted. Credit assessments are carried out by the operating divisions when accepting new customers. The Group benefits from the fact that a percentage of its revenues derive from customers who are local government bodies.

An analysis of the ageing of financial assets held at amortised cost is as follows:

2014	**Not past due**	**< 30 days**	**30-60 days**	**60-90 days**	**> 90 days**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade receivables	997	350	129	63	100	**1,639**
Amounts owed by related undertakings	2,355	-	-	-	-	**2,355**
Loans to directors	365	-	-	-	-	**365**
Other receivables	319	4	-	-	-	**323**
Total	**4,036**	**354**	**129**	**63**	**100**	**4,682**

2013	Not past due	< 30 days	30-60 days	60-90 days	> 90 days	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	1,190	485	254	65	104	2,098
Amounts owed by related undertakings	1,840	-	-	-	-	1,840
Other receivables	771	-	-	-	-	771
Total	3,801	485	254	65	104	4,709

The directors consider the credit quality of the above financial assets (not past due or impaired) to be good. Directors consider the ageing and renegotiation of terms on the above financial assets when determining whether financial assets are impaired.

The Group's trade investment of £282,000 (2013: £301,000) which is measured at cost falls into Level 3 of the fair value hierarchy, meaning that its fair value is based upon unobservable inputs. The directors consider that the investment meets the business model and contractual cash flow characteristics tests and so have decided to measure the asset at amortised cost.

A reconciliation of the movements in the receivables impairment is as follows:

	2014	2013
	£'000	£'000
Balance at the beginning of the year	**58**	152
Impairment losses recognised	**96**	45
Amounts written off as uncollectible	**(19)**	(114)
Amounts recovered during the year	**(37)**	(25)
Balance at the end of the year	**98**	58

c) Interest rate risk

The Group had an outstanding term loan of £2,000,000 at 31 December 2014 (2013: £nil) with Santander, the Group's banking provider. Interest on the loan was calculated with reference to the London Interbank Offered Rate (LIBOR). The loan was repaid in full on 6 January 2015, eliminating any interest rate risk associated with the loan.

The Group's other outstanding borrowings and obligations under finance leases bear a fixed rate of interest, meaning the Group has no on-going exposure to interest rate risk.

d) Liquidity risk

The Group monitors its available cash resources and aims to keep credit funds available to maintain flexibility for operational and strategic goals.

The table below analyses the Group's financial liabilities, excluding short-term bank borrowings to be settled on a net basis, into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 6 months		**6 - 12 months**		**1 - 5 years**	
	2014	2013	**2014**	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Trade payables	**2,461**	3,689	**-**	-	**-**	-
Amounts owed to related undertakings	**29**	23	**-**	-	**-**	-
Finance lease obligations	**320**	218	**311**	219	**866**	374
Borrowings	**2,005**	-	**-**	-	**-**	-
Unsecured loan notes	**-**	-	**-**	-	**420**	-
Other financial liabilities	**8,288**	7,209	**-**	-	**-**	-
Total	**13,103**	11,139	**311**	219	**1,286**	374

Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust its capital structure, the Group may adjust the amount of dividends paid to shareholders or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by the relevant net assets. Net debt is calculated as bank loans and overdrafts added to finance lease creditors less cash and cash equivalents. The relevant net assets are as presented in the consolidated statement of financial position.

Significant accounting policies

Details of significant accounting policies and methods adopted are disclosed in the accounting policies (note 1). These include the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument.

Categories of financial assets and liabilities

Carrying value	**2014 £'000**	2013 £'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**9,180**	13,461
Financial liabilities		
Held at amortised cost	**14,700**	11,732

25 Notes to the consolidated statement of cash flows

	2014 £'000	2013 £'000
(Loss) / profit before taxation	**(4,751)**	2,389
Waiver of loans to related undertakings	**7,839**	-
Investment income recognised in profit or loss	**(37)**	(13)
Finance costs recognised in profit or loss	**89**	42
Depreciation of property, plant and equipment	**426**	408
Amortisation of intangible assets	**3**	-
Loss / (profit) on the sale of property, plant and equipment	**49**	(9)
Increase in provisions	**1,014**	958
Operating cash flows before movements in working capital	**4,632**	3,775
Decrease in inventories	**129**	89
Decrease / (increase) in receivables	**1,743**	(604)
Decrease in payables	**(2,188)**	(684)
Income taxes paid	**(747)**	(336)
Net cash flow generated from operating activities	**3,569**	2,240

26 Reconciliation of net cash flow movement to net debt

	2014 £'000	2013 £'000
(Decrease) / increase in cash in the year	**(4,254)**	506
Cash (inflow) / outflow from changes in debt and lease financing	**(1,956)**	508
Change in net debt resulting from cash flows	**(6,210)**	1,014
New finance leases	**(1,155)**	(747)
(Increase) / decrease in net debt	**(7,365)**	267
Net cash at 1 January	**7,941**	7,674
Net cash at 31 December	**576**	7,941

27 Analysis of net cash

	At 1 January £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December £'000
Cash and cash equivalents	8,752	(4,254)	-	**4,498**
Obligations under finance leases	(811)	469	(1,155)	**(1,497)**
Borrowings and unsecured loan notes	-	(2,408)	(17)	**(2,425)**
Total net cash	7,941	(6,193)	(1,172)	**576**

28 Related party transactions

Transactions between the Group, the Company and its related parties are disclosed below. Balances are payable in cash under normal commercial terms and are not subject to guarantees or other security unless noted otherwise. No amounts receivable have been impaired (2013: £nil).

Transactions with related parties not under common control

- During the year, interest on subordinated debt of £6,848 (2013: £8,736) was received by Parkwood Project Management Limited from D4E Mulberry Limited, a company in which the Group retains a 25% shareholding. A balance of £1,559 was outstanding at 31 December 2014 (2013: £nil) for interest receivable.
- Parkwood Leisure Limited charged management fees of £739,844 to D4E Mulberry during the year (2013: £720,701) and a balance of £84,042 (2013: £86,346) was outstanding at the year end.
- Parkwood Holdings Limited charged management fees of £225 (2013: £nil) and accountancy fees of £2,500 (2013: £nil) to Treelands Limited, a company of which A W Hewitt is a director and exercises significant influence. A balance of £2,400 was outstanding at the year end (2013: £nil).
- Alston Old Hall Farm, a business in which A W Hewitt and M P Hewitt are partners, charged £6,000 (2013: £6,000) to Parkwood Holdings Limited for office rental. There was no balance outstanding at the year end (2013: £nil).

Transactions with related parties under common control

- During the year amounts totalling £7,839,223 owed to Parkwood Holdings Limited by Alston Investments Limited (a company under the control of A W Hewitt) and its subsidiaries were waived by Parkwood Holdings Limited. This amount has been charged to the statement of profit or loss for the period.
- During the year Parkwood Holdings Limited made loans amounting to £7,614,000 to Alston Investments Limited and its subsidiaries. A balance of £6,659,850 was outstanding at the year end (2013: £5,562,455).
- During the year Parkwood Holdings Limited charged management fees totalling £181,970 to the Group's operating subsidiaries (2013: £210,088). It also charged management fees totalling £138,410 (2013: £523,814) to subsidiaries of Alston Investments Limited. There were no balances outstanding relating to these charges at the year end.
- During the year Parkwood Holdings Limited recharged centrally negotiated insurance costs totalling £599,000 (2013: £633,000) to the Group's operating subsidiaries. It also made a charge of £1,027,000 (2013: £1,104,000) to operating subsidiaries of Alston Investments Limited. There were no balances outstanding relating to these recharges at the year end.

Transactions with directors

During the year Parkwood Holdings Limited made loans totalling £160,000 to A W Hewitt (2013: £nil) and £200,000 to Alston Old Hall Farm (2013: £nil). These loans are payable on demand and attract interest at a rate of 3.25% per annum. Interest of £4,728 was credited to the statement of profit or loss during the year.

There were no other loans, quasi loans or other transactions (other than in the normal course of business) with any Directors or key management personnel.

Remuneration of key management personnel
The remuneration o the directors of the Company's subsidiaries, who are the key management personnel of the Group, is set out below:

	2014	2013
	£	£
Short-term employee benefits	**902,027**	1,549,097
Post-employment benefits	**149,490**	268,386
	1,051,517	1,817,483

Ultimate controlling party
The ultimate controlling party of the Company is A W Hewitt, the majority shareholder.