

Parkwood Leisure Holdings Limited

Annual Report and Financial Statements 2016

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Company Information

Directors:

A W Hewitt
M P Hewitt
M J Quayle
A R Sinacola
L M Hewitt

Registered number:

08923607 (England and Wales)

Registered office:

Parkwood House
Cuerden Park
Berkeley Drive
Bamber Bridge
Preston
Lancashire
PR5 6BY

Independent auditors:

RSM UK Audit LLP
Bluebell House
Brian Johnson Way
Preston
PR2 5PE

Strategic Report

The directors present their strategic report for Parkwood Leisure Holdings Limited for the year ended 31 December 2016.

Introduction

Parkwood Holdings plc became a private company in 2014 and was demerged into two new groups called Alston Investments Limited (the "Alston Group") and Parkwood Leisure Holdings Limited (the "Parkwood Group"). Notwithstanding the legal demerger, the two groups continue to operate as a "family" of companies under common ownership. For reference purposes the combined results of the "family" of companies is disclosed in the Finance Review on page 5 but the Alston Group produces its own annual report and accounts.

Review of the business

The Group's revenue for the year reduced to £62.1 million (2015: £67.3 million) as leisure contracts continued to be subcontracted to the Group's charitable trust partner, Legacy Leisure. Profit before tax and loan waivers for the year was £2.7 million (2015: £3.2 million).

The Group's Leisure division derives its revenues from the management of leisure facilities and theatres. The business saw a 1.2% growth in revenue under management which includes the revenues of both Parkwood Leisure and also the revenues generated by Legacy Leisure. Parkwood Leisure enjoyed another successful year in 2016, by delivering a profit before tax of £4.1 million (2015: £4.7 million). The reduction in profitability had been expected after an exceptional year in 2015.

During 2016, Parkwood Leisure commenced two new DBOM (Design, Build, Operate and Maintain) contracts; a contract with Cherwell District Council for the Woodgreen Leisure Centre and one with South Northamptonshire Council for Brackley and Towcester Leisure Centres. A total of £6.0m will be spent enhancing these three sites, which have added £19.3m to the forward order book.

Contract extensions were also secured with North Somerset Council and Rushcliffe Borough Council which increased the forward order book by £39.6m. The Cherwell District Council, South Northamptonshire Council and North Somerset Council contracts were subcontracted to Legacy Leisure during the year. During 2017 Parkwood intends to establish a relationship with a second charitable trust partner.

The three Theatre contracts performed strongly, assisted by pantomime sales figures which have continued to grow over the past few years. For the second year running, pantomime production was managed in house at the theatres in Weston-super-Mare and Maidstone. The total revenue achieved by the Parkwood Theatres business was £7.1 million (2015: £6.9 million). Parkwood Theatres changed its name to Parkwood Theatres & Films during the year reflecting the fact that the business embarked on producing a feature film for the first time.

The Group's project management division (PPM) derives its revenues from longer-term management contracts for Special Purpose Vehicles (SPV's), providing steady revenues for the next 20 years. Revenue for the year was £1.6million (2015: £1.9 million) which generated a profit before tax of £0.2 million (2015: £0.3 million).

Management of Staff

Andrew Holt, Parkwood Leisure's Chief Executive, died in June 2016 after being absent from the business due to ill health since the summer of 2015. This was a great sadness and we are immensely grateful to Andrew for the hugely successful business he created during his 20 years of service.

The established senior management team has continued to develop the business. Giles Rawlinson, the group's Finance Director has done an excellent job as Acting Managing Director providing stability over a difficult period. The business is split into three geographical regions each managed by a Regional Director and an Assistant Regional Director.

The total number of employees at the end of 2016 was 2,387 (2015: 2,932), a reduction of 18.6% from the previous year. This is largely due to the effect of sub-contracting arrangements to Legacy Leisure. The drive for continuous productivity improvements gathered pace during the year. Combined with the objective of implementing a fourfold increase in the number of apprentices, it is expected that further staff efficiencies will result during 2017. Recruiting apprentices in 2016 proved highly successful as the company exceeded its target for the appointment of new apprentices.

Staff training is a key objective for Parkwood Leisure with a total of 5,682 training days completed in 2016. The division has further enhanced its e-Learning partnership with Human Focus, coupled with bespoke training delivery through a partnership with The Royal Society for the Prevention of Accidents (RoSPA). Parkwood Leisure have now also formed a partnership with EduCare which delivers e-Learning safeguarding training for all employees who come into contact with children, young people and vulnerable adults.

Sales and Marketing

In 2016, continuous assessment and direct debit payments for swimming lesson enrolments delivered additional commercial benefits. By the end of the year, 85% of all swimming lessons were being delivered through continuous assessment and direct debits. This has increased lesson occupancy rates and driven down attrition rates, resulting in like for like growth of 18%. Further work was undertaken to increase occupancy levels and programme additional sessions into the available water space. Additional sales staff have been introduced throughout our site portfolio together with a bonus programme to reward over achievement against targets. This resulted in increased membership sales of 7,089 over the previous year. The average yield per

member has fallen slightly as prospective customers are becoming more price sensitive. Retail sales continued to grow, with 12.4% like for like growth, driven by improved retail displays and stock management.

In 2016 the total number of visits to the company's website, leisurecentre.com, increased by 8.9% and the total number of unique users by 13%. A new consumer website is planned for 2017 to better engage with customers and drive online revenues as 29% more people are engaging with us via mobile phones than 12 months ago, highlighting the need for a web platform that works effectively in this medium. Visitors to the B2B website spent 26% longer on the website and visited 23% more pages per session than in the previous year.

Risks and Uncertainties

Health and Safety remains a priority for the business which works in close partnership with RoSPA who are retained as safety consultants. In January 2017 we appointed Peter Mills (CMIOSH, FCIMSPA) to a new post of Health, Safety and Compliance Manager for Parkwood Leisure. Peter now leads on the management of health and safety reporting directly to the Operations Director. Continued investments have been made in the workforce with all operational directors now holding NEBOSH qualifications and 40 managers trained through RoSPA in either the 3 day Competent Persons or one day Directing Safety courses in 2016.

The business has spent the year developing new strategies to address the imminent Living Wage changes. Aims of delivering 121 apprenticeship schemes in 2016 was integral to our development strategy and we have set a target of 273 apprentices in post by the end of 2017. The business is also committed to ongoing investment in training the existing workforce, with particular emphasis on ensuring that internal promotions can be made when vacancies arise. A target of 70% has been set for appointments by way of internal promotions.

Energy prices fell during the first half of 2016 but steadily increased during the last quarter. Using flexible purchasing arrangements Parkwood was able to achieve energy costs that were lower than those for 2015 and has protected the majority of its costs for 2017. Through the relationship with our energy consultants, PureWorld, the company has installed a further 4 Combined Heat and Power Units (CHPs), Building Management Systems (BMS) and Low Energy Lighting improvements. An increase in energy costs remains a risk to the business and is actively managed by the Group's Energy Purchasing Committee.

Markets and New Business

2016 has seen another busy year for local government leisure procurement with many new contracts coming out to market for the first time alongside other previously tendered contracts being re-procured. The bidding environment continues to be fierce with most local authorities seeking to transfer all risks and liabilities for their leisure service as well as seeking additional service cost savings. The ongoing prevalence of charitable organisations and social enterprises bidding at very low margins in the local government leisure market gives rise to concerns over the long term future of some of these organisations especially with their seeming willingness to accept full repairing lease obligations and the transfer of pension and other employment liabilities.

Parkwood will continue to diversify its operations while at the same time remaining an important player in the traditional local government leisure market. A Head of Parkwood Outdoors was appointed during the year tasked with accelerating the growth of this brand. In February 2017 Parkwood Outdoors commenced a new 10 year contract with Nottinghamshire County Council to manage the facilities at Rufford Abbey Country Park including outdoor activities, restaurants, shops and a wedding venue. This was quickly followed later in the month by the acquisition of the business "Girls for Sail", which will also be operated under the Parkwood Outdoors umbrella.



A W Hewitt
Executive Chairman
12 April 2017

Finance review

Overview

On 30 June 2014 the Parkwood Group was demerged into two new Groups: Parkwood Leisure Holdings Limited and Alston Investments Limited with control over the demerged groups retained by A W Hewitt. Internal management reporting continues to report the demerged groups as if the demerger had not taken place.

The results of the former Parkwood Holdings plc Group are now split between the consolidated financial statements of Alston Investments Limited and Parkwood Leisure Holdings Limited. The table summarises the results of the two 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.

	Alston Group		Parkwood Group		'Old Parkwood Group'	
	Audited 2016 £'000	Audited 2015 £'000	Audited 2016 £'000	Audited 2015 £'000	Unaudited 2016 £'000	Unaudited 2015 £'000
Revenue	67,868	69,641	62,137	67,260	128,699	136,595
Profit / (loss) before taxation and loans waived	4,720	(2,839)	2,751	3,196	7,471	357
Waiver of amounts due from related undertakings	-	2,000	-	(2,000)	-	-
Profit / (loss) before taxation	4,720	(839)	2,751	1,196	7,471	357

Parkwood Group results

Revenue for the year decreased to £62.1 million (2015: £67.3 million) but revenues under management, which include the revenues generated by Parkwood Leisure's charitable trust partner, Legacy Leisure, increased to £84.2 million (2015: £83.3 million). Profit before tax for the year was £2.8 million compared to a profit of £1.2 million in the prior year. The prior year includes a charge of £2.0 million in respect of loans waived in favour of Alston Investments Limited.

During the year a dividend of 15.319 pence per ordinary share was paid in respect of the year ended 31 December 2016 (2015: 4.0 pence).

Taxation

The Group's tax charge was £0.6 million (2015: £0.7 million), representing an effective rate of 20% on profit before tax.

After taxation and dividends the Group recorded a retained profit of £2.2 million (2015: £0.5 million).

Cash flow

The Group generated net cash from operating activities of £2.6 million (2015: £5.9 million). The strong cash generation reflects the profitability of the Leisure business.

The cash used in investing activities of £0.4 million (2015: £0.6 million) represents cash invested in property, plant and equipment.

The Group incurred expenditure on replacing council owned assets of £1.4 million (2015: £0.3 million) which is disclosed within operating activities. This includes an amount of £0.2m at the new DBOM contract in South Northamptonshire. In accordance with IFRIC 12, expenditure of £0.1 million (2015: £0.2 million) incurred on council owned assets beyond the contractually required expenditure is recognised in the statement of financial position as an intangible asset.

The cash inflow from financing activities was £2.4 million (2015: £4.3 million outflow) which includes a dividend payment of £1.4 million (2015: £0.4 million) and a £4.5m loan repayment from the Alston Investment Limited group. Loan notes in respect of the buyout of minority shareholders in 2014 were redeemed in the year at a cost of £0.1m (2015: £0.2m). The final tranche of these loan notes will be redeemed in 2017.

The total cash inflow for the year was £4.6 million (2015: £1.0 million) resulting in a year end cash and cash equivalents balance of £10.2 million (2015: £5.5 million).

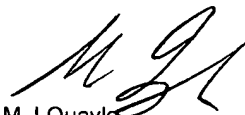
Balance sheet

Net assets increased to £2.5 million (2015: £2.3 million).

At 31 December 2016 the Group had a total forward order book of £202 million (2015: £214 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.

Pensions

The Group provides a small number of employees with defined benefit pensions. The pension scheme deficit measured on an IAS 19 basis increased to £1.0 million as at 31 December 2016 (2015: £0.4 million) with the increase being driven by falling discount rates used in the IAS 19 valuation.



M J Quayle
Group Finance Director
12 April 2017

Directors' Report

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2016.

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 23 to the financial statements.

Results and dividends

The Group's profit after tax for the year amounted to £2.2 million (2015: £0.5 million). A final dividend of 15.319 pence per ordinary share was paid during the year in respect of the financial year ended 31 December 2015 (2015: 4.0 interim dividend).

Political and charitable donations

The Group made no political or charitable donations during the year (2015: £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
- Mike Quayle
- Mary Patricia Hewitt
- Amy Sinacola
- Lara Hewitt

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 2016 is 9,990,000 ordinary shares at a nominal value of 1 pence per share, and 1,110,000 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 20% of the Group's total revenue. For 2017 this means that the Group is unlikely to tender for any one contract with annual revenues in excess of £12.4 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 Strategic Report, the Directors' 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 Group'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

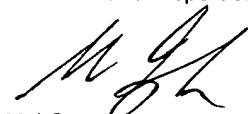
Each of the directors at the date of this report confirms that:

- 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 RSM UK Audit LLP as auditor for the ensuing year will be proposed at the next general meeting of the Company.

The Directors' Report on pages 7 to 9 is approved by the Board of Directors and is signed on behalf of the Board.



M. J. Quayle
Director
12 April 2017

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

Opinion on financial statements

We have audited the group and parent company financial statements ("the financial statements") on pages 11 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter 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 and, based on the work undertaken in the course of our audit, the Strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' report.

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

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on pages 8 to 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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



Eric Solomons
For and on behalf of RSM UK Audit LLP, Statutory Auditor and Chartered Accountants
Bluebell House
Brian Johnson Way
Preston, Lancashire
PR2 5PE

12 April 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue		62,137	67,260
Cost of sales		(42,036)	(45,218)
Gross profit		20,101	22,042
Administrative expenses		(17,361)	(18,831)
Operating profit before waiver of amounts due from related undertakings		2,740	3,211
Waiver of amounts due from related undertakings		-	(2,000)
Operating profit		2,740	1,211
Finance income	4	51	53
Finance costs	5	(40)	(68)
Profit before taxation		2,751	1,196
Income tax expense	7	(550)	(670)
Profit for the year		2,201	526

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Profit for the year attributable to owners of the parent		2,201	526
Other comprehensive (expense) / income			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial (loss) / gain on defined benefit pension scheme	19	(608)	138
Deferred tax relating to components of other comprehensive income / (expense)		103	(27)
Other comprehensive (expense) / income for the year, net of tax		(505)	111
Total comprehensive income for the year		1,696	637

Statements of Financial Position

As at 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	10	586	640	-	-
Property, plant and equipment	11	1,785	1,737	-	-
Investments	12	278	280	113	113
Trade and other receivables	14	1,837	1,390	-	-
Deferred tax asset	21	236	257	-	-
Total non-current assets		4,722	4,304	113	113
Current assets					
Inventories	13	519	535	-	-
Trade and other receivables	14	5,539	10,492	2	-
Cash and cash equivalents		10,165	5,543	107	22
Total current assets		16,223	16,570	109	22
Total assets		20,945	20,874	222	135
Current liabilities					
Trade and other payables	15	14,068	15,240	-	-
Income tax payable		227	204	-	-
Obligations under finance leases	16	590	429	-	-
Loan notes		128	-	-	-
Total current liabilities		15,013	15,873	-	-
Non-current liabilities					
Loan notes		-	258	-	-
Retirement benefit obligations	19	1,014	410	-	-
Long-term provisions	20	1,860	1,497	-	-
Obligations under finance leases	16	530	448	-	-
Deferred tax liability	21	22	133	-	-
Total non-current liabilities		3,426	2,746	-	-
Total liabilities		18,439	18,619	-	-
Net assets		2,506	2,255	222	135

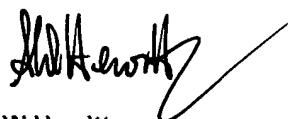
Statements of Financial Position

As at 31 December 2016

		2016	Group	2016	Company
	Note	£'000	2015	£'000	2015
			£'000		£'000
Equity					
Share capital	22	111	111	111	111
Retained earnings		2,395	2,144	111	24
Total equity and reserves		2,506	2,255	222	135

The notes on pages 17 to 39 form an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 12 April 2017 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 2016

	Note	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2015		105	1,896	2,001
Profit for the year		-	526	526
Other comprehensive income				
Actuarial gain on defined benefit pension scheme	19	-	138	138
Deferred tax relating to other comprehensive income		-	(27)	(27)
Total comprehensive income for the year		-	637	637
Transactions with owners				
Issue of shares		6	-	6
Dividends	9	-	(389)	(389)
Balance at 31 December 2015		111	2,144	2,255
Profit for the year		-	2,201	2,201
Other comprehensive income				
Actuarial loss on defined benefit pension scheme	19	-	(608)	(608)
Deferred tax relating to other comprehensive income		-	103	103
Total comprehensive income for the year		-	1,696	1,696
Transactions with owners				
Dividends	9	-	(1,445)	(1,445)
Balance at 31 December 2016		111	2,395	2,506

Company Statement of Changes in Equity

As at 31 December 2016

	Note	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2015		105	13	118
Profit for the year		-	400	400
Transactions with owners				
Issue of shares		6	-	6
Dividends	9	-	(389)	(389)
Balance at 31 December 2015		111	24	135
Profit for the year		-	1,532	1,532
Transactions with owners				
Dividends	9	-	(1,445)	(1,445)
Balance at 31 December 2016		111	111	222

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

			Group		Company
		2016	2015	2016	2015
	Note	£'000	£'000	£'000	£'000
Net cash flow generated from operating activities	24	2,626	5,904	(2)	-
Cash flow from investing activities					
Interest received		60	45	-	-
Dividends received		-	-	1,532	400
Proceeds on disposal of property, plant and equipment		-	60	-	-
Purchase of property, plant and equipment		(391)	(472)	-	-
Purchase of intangibles		(65)	(194)	-	-
Subordinated debt repaid		2	2	-	-
Net cash flow (used in)/ from investing activities		(394)	(559)	1,532	400
Cash flow from financing activities					
Interest paid		(48)	(66)	-	-
Dividends paid	9	(1,445)	(389)	(1,445)	(389)
Repayment of loan from related undertaking		4,502	-	-	-
Bank loans repaid		-	(2,000)	-	-
Loan notes redeemed		(126)	(170)	-	-
Proceeds from issue of shares	22	-	6	-	6
Repayment of obligations under finance leases		(493)	(1,681)	-	-
Net cash flow from/ (used in) financing activities		2,390	(4,300)	(1,445)	(383)
Net increase in cash and cash equivalents	26	4,622	1,045	85	17
Cash and cash equivalents at beginning of the year		5,543	4,498	22	5
Cash and cash equivalents at end of the year		10,165	5,543	107	22

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.

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 2016, 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 2016.

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 3 and 4. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 5 and 6. In addition, note 23 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 May 2017. The Group's forecasts and projections, which have been prepared for the period to 31 May 2018 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. The directors do not foresee any reasons why the overdraft facility will not be renewed on similar terms to the 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.

Significant Judgements and Key Sources of Estimation Uncertainty

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:

Claims and litigation

Management assess each claim on an incident by incident basis. Where management consider the adverse risk to the company to be remote no provision is recognised in the accounts. If the adverse risk is probable and can be quantified a provision is recognised in accordance with IAS 37.

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.

Dilapidations provision

Management have made judgements over contractual obligations on dilapidation costs for operating leases. The estimate is based on the expected wear and tear of the buildings for fully repairing operating lease contracts. Management ensure that such buildings are well maintained to reduce the need for dilapidation works when such contracts end. The carrying value of dilapidations provisions at 31 December 2016 amounts to £875,000 (2015: £851,000). 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

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

which the Group has not yet been notified. The carrying value of the insurance provisions at 31 December 2016 amounts to £718,000 (2015: £501,000). 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:

- | | |
|--|----------------------------|
| • IFRS 15 Revenue from Contracts with Customers | (effective 1 January 2018) |
| • IFRS 16 Leases | (effective 1 January 2019) |
| • IAS 12 Income Taxes (amended) | (effective 1 January 2017) |
| • IAS 7 Statement of Cash Flows (amended) | (effective 1 January 2017) |
| • IFRS 2 Share Based Payments (amended) | (effective 1 January 2018) |
| • IFRS 4 Insurance Contracts (amended) | (effective 1 January 2018) |
| • Annual improvements to IFRSs 2014-2016 cycle (amended) | (effective 1 January 2017) |
| • IFRIC 22 Foreign Currency Transactions and Advance Consideration | (effective 1 January 2018) |
| • IAS 40 Investment Property (amended) | (effective 1 January 2018) |

None of the above standards, with the exception of IFRS 16 'Leases', are expected to have any significant impact on the Group's financial statements.

IFRS 16 was issued in January 2016 and is effective from 1 January 2019, although early adoption is permitted subject to EU endorsement. It replaces the guidance in IAS 17 'Leases' relating to the recognition and measurement of leases. Operating leases will be recognised in the statement of financial position as a 'right-of-use asset' representing the right to use a leased asset and a corresponding liability representing the present value of minimum payments due under the lease. The right-of-use asset will be amortised over the term of the lease and a finance cost will be recognised for the liability based on the interest rate implicit in the lease. The Group is in the process of assessing the impact of IFRS 16 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.

IFRIC 12 'Service Concession Arrangements'

IFRIC 12 requires assets which are purchased by an operator of a service concession arrangement for use by the public in return for a fee from a public body or for the right to charge the public to use the assets, to be derecognised from property, plant and equipment if the public body to some extent:

- controls or regulates what services the operator must provide with those assets, to whom it must provide them and at what price; and
- controls through ownership, beneficial entitlement or otherwise any significant residual interest in the asset at the end of the arrangement.

Instead, the cost of purchasing assets during the contract is accrued for evenly over the life of the contract in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'. If spend on assets is higher than the cumulative provision, a receivable is held on the statement of financial position, being the spend in excess of the cumulative provision. This is currently the status given high spends on refurbishments of leisure centres being a requirement of new operating contracts commenced in recent years.

Provisions are assessed on a contract by contract basis using management's judgement of the expected future spend as at the balance sheet date.

Intangible assets recognised under IFRIC 12

Expenditure on enhancements to council-owned assets in excess of what is contractually required is recognised as an intangible asset in the Group's financial statements and is amortised over the remaining term of the contract at the point the expenditure is incurred.

Property, plant and equipment

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

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.

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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.

Retained earnings

Retained earnings represent the cumulative profits and losses of the Group.

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

	Total revenue	Profit / (loss) before taxation	Total revenue	Profit / (loss) before taxation
Year ended 31 December	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Leisure	59,529	4,078	64,461	4,674
PPM	1,609	236	1,863	342
All other divisions	2,312	(1,563)	2,288	(1,820)
Intercompany elimination	(1,313)	-	(1,352)	-
Waiver of loans to related undertakings	-	-	-	(2,000)
Total Group	62,137	2,751	67,260	1,196

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.

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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

3 Profit before taxation

Profit before taxation

Profit before taxation is stated after charging:

	2016 £'000	2015 £'000
Depreciation (note 11)		
- owned	259	621
- held under finance leases and hire purchase contracts	111	80
Amortisation of intangibles (note 10)	119	77
Movement in provisions (note 20)	1,097	1,571
Loss on sale of property, plant and equipment	-	103
Loss on disposal of intangible assets	-	61
Cost of inventories recognised as an expense (note 13)	2,240	2,461
Staff costs (note 6)	24,761	28,213

Auditors' remuneration

Fees payable for the audit of the Company's annual financial statements

Fees payable to the auditors for other services:

- audit of the Company's subsidiaries, pursuant to legislation

	2016 £'000	2015 £'000
Fees payable for the audit of the Company's annual financial statements	5	5
Fees payable to the auditors for other services:		
- audit of the Company's subsidiaries, pursuant to legislation	24	23

4 Finance income

	2016 £'000	2015 £'000
Interest on bank deposits	20	30
Interest receivable from subordinated debt investments	7	6
Interest receivable from loans to directors (note 27)	16	17
Other interest receivable	8	-
Total finance income	51	53

5 Finance costs

	2016 £'000	2015 £'000
Interest charge in respect of finance leases	32	49
Interest payable on unsecured loan notes	8	19
Total finance costs	40	68

6 Staff costs

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

	2016 £'000	Group 2015 £'000
Wages and salaries	22,967	26,009
Social security costs	1,325	1,485
Other pension costs (note 19)		
- defined contribution scheme	353	565
- defined benefit scheme	116	154
Total staff costs	24,761	28,213

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

	2016	Group 2015
Operations	889	1,093
Administration and management	346	323
	1,235	1,416

The average number of employees in the Group during the year was 2,194 operations and 358 administration and management. (2015: 2,609 operations and 373 administration and management)

Parkwood Holdings Limited incurred the following costs relating to the remuneration of directors during the year. This amount includes time spent on the business of Alston Investments Limited (a company under the common control of A W Hewitt) and its subsidiaries.

	2016 £'000	2015 £'000
Emoluments	371	467
Pension costs	49	275
	420	742

Two directors accrued retirement benefits under defined contribution pension schemes (2015: 2).

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

	2016 £'000	2015 £'000
Emoluments	181	181
Pension costs	19	120
	200	301

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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

7 Income tax

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

	2016 £'000	2015 £'000
Current tax		
- Current year	520	692
- Adjustments in respect of prior years	17	(8)
Total current tax	537	684
Deferred tax		
- Origination and reversal of temporary timing differences	47	(36)
- Adjustments in respect of prior years	(34)	22
Total deferred tax	13	(14)
Total income tax charge	550	670

The standard rate of current tax for the year based on the UK standard rates of corporation tax is 20% (2015: 20.25%). 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:

	2016 £'000	2015 £'000
Profit before taxation	2,751	1,196
Tax on profit on ordinary activities at the standard rate	550	242
Adjustment for tax rate differences	19	-
Expenditure not deductible for taxation purposes	(2)	414
Adjustments in respect of prior years for current tax	17	(8)
Adjustments in respect of prior years for deferred tax	(34)	22
Total income tax charge	550	670

8 Parent company results

The parent Company recognised a profit for the year of £1,532,000 (2015: £400,000).

9 Dividends

	2016 £'000	2015 £'000
Amounts recognised as distributions to equity shareholders in the year:		
Dividend for the year ended 31 December 2014 of 2p per ordinary share	-	200
Interim dividend for the year ended 31 December 2015 of 2.002p per ordinary share	-	189

Dividend for the year ended 31 December 2015 of 15.319p per ordinary share

1,445

1,445 **389**

10 Intangible assets

	2016	2015
	£'000	£'000
Cost		
At 1 January	712	587
Additions	65	194
Disposals	-	(69)
At 31 December	777	712
Accumulated amortisation		
At 1 January	72	3
Charge for the year	119	77
Disposals	-	(8)
At 31 December	191	72
Carrying amount as at 31 December	586	640

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 £119,000 (2015: £77,000) has been charged to administrative expenses.

As at 31 December 2016 the Company had £nil intangible assets (2015: £nil).

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

11 Property, plant and equipment

	Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2015	2,839	1,923	1,230	5,992
Additions	-	455	269	724
Disposals	-	(931)	(275)	(1,206)
Re-classifications	-	(96)	283	187
At 31 December 2015	2,839	1,351	1,507	5,697
Additions	147	63	208	418
Disposals	-	(11)	(4)	(15)
Re-classifications	242	(259)	27	10
At 31 December 2016	3,228	1,144	1,738	6,110
Accumulated depreciation				
At 1 January 2015	1,577	1,427	1,111	4,115
Charge for the year	151	389	161	701
Disposals	-	(842)	(201)	(1,043)
Re-classifications	-	(27)	214	187
At 31 December 2015	1,728	947	1,285	3,960
Charge for the year	141	106	123	370
Disposals	-	(10)	(5)	(15)
Re-classifications	258	(251)	3	10
At 31 December 2016	2,127	792	1,406	4,325
Carrying amount				
At 31 December 2016	1,101	352	332	1,785
At 31 December 2015	1,111	404	222	1,737

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 2016	190	11	201
At 31 December 2015	291	18	309

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

12 Investments

	£'000	£'000
At 1 January	280	282
Repayment of subordinated debt	(2)	(2)
At 31 December	<u>278</u>	<u>280</u>

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

The cost and carrying value of investments in subsidiary undertakings held by the Company at 31 December 2016 was £113,000 (2015: £113,000).

As at 31 December 2016 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

	2016 £'000	2015 £'000
Finished goods and goods for re-sale	<u>519</u>	<u>535</u>

The cost of inventories recognised as an expense and included in cost of sales amounted to £2,240,000 (2015: £2,461,000). No provisions were held against inventories at the year-end (2015: £nil).

As at 31 December 2016 the Company had £nil inventories (2015: £nil).

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

14 Trade and other receivables

	2016 £'000	2015 £'000
Current		
Trade receivables	2,396	2,849
Amounts owed by related undertakings (note 27)	1,388	5,920
Loans to directors (note 27)	898	664
Other receivables	433	389
Prepayments and accrued income	424	670
	5,539	10,492
Non-current		
Accelerated spend on contractual commitments	1,837	1,390
	1,837	1,390
Total trade and other receivables	7,376	11,882

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 47 days (2015: 45 days). A provision of £65,000 (2015: £92,000) was held against receivables. See note 23 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 2016. Future economic benefits will arise from the continued use of these assets.

At 31 December the Company had receivables of £2,000 (2015: £nil), all of which related to balances owed by subsidiary undertakings. This balance is due within the next twelve months.

15 Trade and other payables

	2016 £'000	2015 £'000
Current		
Trade payables	3,211	2,975
Amounts due to related undertakings	175	418
Social security and other taxes	1,075	1,242
Other payables	818	874
Provisions (note 20)	1,545	1,038
Accruals	4,255	5,624
Deferred income	2,989	3,069
	14,068	15,240

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	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Amounts payable under finance leases:				
Within one year	615	459	590	429
In the second to fifth years	540	463	530	448
	<u>1,155</u>	<u>922</u>	<u>1,120</u>	<u>877</u>
Less: future finance charges	(35)	(45)	-	-
Present value of lease obligations	<u>1,120</u>	<u>877</u>	<u>1,120</u>	<u>877</u>

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 2016 the average effective borrowing rate was 4.9 per cent (2015: 4.8 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 £729,000 (2015: £791,000).

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:

	2016 £'000	2015 £'000
In one year or less	692	723
In the second to fifth years inclusive	1,305	1,777
After five years	1,924	33
	<u>3,921</u>	<u>2,533</u>

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 £5,021,000 (2015: £2,297,000).

At 31 December 2016 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.

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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 £353,000 (2015: £565,000) 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 2016, contributions of £46,000 (2015: £187,000) 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. Benefits under the scheme are provided in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on the members' length of service and their salary upon retirement. The assets of the scheme are administered by trustees in a fund independent from those of the Group and are governed by UK law, as is the nature of the relationship between the Group and the trustees of the scheme. Responsibility for the governance of the scheme lies jointly with the Group and the scheme's trustees. 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 2016 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	2016 %	2015 %
Rate of increase in salaries	1.90	1.70
Rate of increase in pensions in payment	2.15	1.95
Discount rate	2.75	3.85
Inflation assumptions	3.25	3.05
Expected return on scheme assets	2.75	3.85

For 2016 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 21.5 years. For a non-manual member currently aged 50, the life expectancy once they reach age 65 is assumed to be 23.7 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	2016 £'000	2015 £'000
Current service cost	67	101
Administrative cost	35	37
Interest cost	119	111
Expected return on scheme assets	(105)	(95)
Total	116	154

Of the total amount recognised in the statement of profit or loss £35,000 (2016: £52,000) has been recognised under cost of sales and £81,000 (2016: £102,000) 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	2016	2015
	£'000	£'000
Fair value of scheme assets	3,118	2,709
Present value of scheme liabilities	(4,132)	(3,119)
Deficit in the scheme	(1,014)	(410)
Related deferred tax asset	172	82
Net pension liability	(842)	(328)

Reconciliation of the movement in the fair value of assets	2016	2015
	£'000	£'000
At 1 January	2,709	2,636
Expected return on scheme assets	105	94
Actuarial gains / (losses) on scheme assets	235	(77)
Contributions by the employer	120	125
Contributions from scheme members	27	32
Benefits paid and other net movements	(78)	(101)
As at 31 December	3,118	2,709

Reconciliation of the movement in the present value of liabilities	2016	2015
	£'000	£'000
At 1 January	3,119	3,155
Current service cost	67	100
Administrative cost	35	37
Interest cost	119	111
Contributions from scheme members	27	32
Actuarial losses / (gains)	843	(215)
Benefits paid and other net movements	(78)	(101)
As at 31 December	4,132	3,119

Scheme assets	Fair value of assets	
	2016	2015
	£'000	£'000
Equities	2,120	1,923
Corporate bonds	655	623
Government bonds	343	163
Total fair value of assets	3,118	2,709

Risks

Through the defined benefit pension plan the Group is exposed to the following principal risks:

Asset volatility

The scheme's liabilities are calculated using a discount rate set with reference to yields on high quality corporate bonds. If scheme assets underperform this yield there is a risk that the deficit will increase. The scheme holds a significant proportion of its assets in equities, returns on which are expected to exceed corporate bond yields in the long-term. This strategy does expose the scheme to market volatility risk in the short-term, however the Group believes that the long-term nature of the scheme's liabilities and the level of continuing equity investment is appropriate to the long-term strategy for the scheme.

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Changes in bond yields

A decrease in yields on corporate bonds will increase the liabilities of the scheme, however this will be offset by an increase in the value of the scheme's bond holdings.

Inflation risk

The obligations of the scheme are linked to inflation, as such increases in inflation will result in increased liabilities for the scheme.

Life expectancy

The scheme has an obligation to provide benefits for the life of its members, as such an increase in life expectancy will result in an increase in the scheme's obligations. The sensitivity of this risk is increased by inflationary increases in the benefits provided by the scheme.

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 £96,000. 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 £96,000.

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 £165,000.

Maturity profile

The weighted average maturity profile of the defined benefit obligation is 23 years.

The history of experience adjustments is as follows:

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Present value of benefit obligations	(4,132)	(3,119)	(3,155)	(2,471)	(2,164)
Fair value of scheme assets	3,118	2,709	2,636	2,361	2,055
Deficit in the scheme	(1,014)	(410)	(519)	(110)	(109)
Experience adjustments on scheme liabilities	843	(215)	513	196	(162)
% of scheme liabilities	20.4%	6.9%	16.3%	3.7%	9.1%
Experience adjustments on scheme assets	235	(77)	76	(20)	(497)
% of scheme assets	7.5%	2.8%	2.9%	4.2%	1.0%

The estimated amount of contributions expected to be paid in the current financial year is £94,000 (2015: £69,000)

20 Provisions

	2016 £'000	2015 £'000
At 1 January	2,535	1,105
Charged to the statement of profit or loss	1,097	1,752
Released to the statement of profit or loss	-	(181)
Utilised during the year	(227)	(141)
At 31 December	<u>3,405</u>	<u>2,535</u>
Included in:		
Current liabilities	1,545	1,038
Non-current liabilities	1,860	1,497
	<u>3,405</u>	<u>2,535</u>

During the year a provision of £79,000 (2015: £256,000) was charged to the statement of profit or loss reflecting property lease dilapidation. £55,000 (2015: £nil) was utilised during the year. A balance of £470,000 (2015: £nil) is expected to be utilised within twelve months and £405,000 (2015: £851,000) is expected to be utilised after twelve months.

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 £390,000 charge to the statement of profit or loss (2015: £312,000). £172,000 (2015: £141,000) was utilised during the year and £nil (2015: £125,000) was released to the statement of profit or loss. Of the balance, £200,000 (2015: £274,000) is expected to be utilised in twelve months or less and £518,000 (2015: £227,000) is expected to be utilised after twelve months.

During the year a provision of £628,000 (2015: £341,057) was charged to the statement of profit or loss in respect of future maintenance costs on council-owned assets. Of the balance, £875,000 (2015: £764,000) is expected to be utilised in twelve months or less and £937,000 (2015: £419,000) is expected to be utilised after twelve months.

21 Deferred tax

	2016 £'000	2015 £'000
Asset at 1 January	124	137
Amount (charged) / credited to profit or loss	(13)	14
Amount credited / (charged) to other comprehensive income	103	(27)
Asset at 31 December	<u>214</u>	<u>124</u>
Included in:		
Non-current assets	236	257
Non-current liabilities	(22)	(133)
Asset at 31 December	<u>214</u>	<u>124</u>

The rate at which deferred tax is expected to unwind is 17% (2015: 19%) 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 20%. Reductions in the corporation tax rate to 19% from 1 April 2017 and 17% from 1 April 2020 have been substantially enacted at the statement of financial position date. The deferred tax asset arises from the following:

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	Opening balance	Charged to profit or loss	Charged to equity	Closing balance
	£'000	£'000	£'000	£'000
Depreciation in excess of capital allowances	23	8	-	31
Short-term temporary differences	19	(8)	-	11
Tax on provision for retirement benefit obligations	82	(13)	103	172
Asset at 31 December 2016	124	(13)	103	214

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 (2015: £nil).

22 Share capital

	2016 £'000	2015 £'000
Authorised, issued and fully paid		
9,990,000 (2015: 9,990,000) ordinary shares of 1p each	100	100
1,110,000 (2015: 1,110,000) ordinary 'B' shares of 1p each	11	11
	111	111

Share capital represents the nominal value of equity shares.

23 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 risk the Group has entered into flexible purchasing contracts with Regent Gas, E.on 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 £272,000 (2015: £335,000) 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:

	Not past due	< 30 days	30-60 days	60-90 days	> 90 days	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2016						
Trade receivables	1,997	280	70	21	28	2,396
Amounts owed by related undertakings	1,388	-	-	-	-	1,388
Loans to directors	898	-	-	-	-	898
Other receivables	433	-	-	-	-	433
Total	4,716	280	70	21	28	5,115
	Not past due	< 30 days	30-60 days	60-90 days	> 90 days	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2015						
Trade receivables	2,298	375	62	39	75	2,849
Amounts owed by related undertakings	5,920	-	-	-	-	5,920
Loans to directors	664	-	-	-	-	664
Other receivables	389	-	-	-	-	389
Total	9,271	375	62	39	75	9,822

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 £278,000 (2015: £280,000) 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:

	2016	2015
	£'000	£'000
Balance at the beginning of the year	92	98
Impairment losses recognised	9	91
Amounts written off as uncollectible	(29)	(35)
Amounts recovered during the year	(7)	(62)
Balance at the end of the year	65	92

c) Interest rate risk

The Group's 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.

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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	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	3,211	2,975	-	-	-	-
Amounts owed to related undertakings	175	418	-	-	-	-
Finance lease obligations	298	215	295	214	527	448
Borrowings	-	-	-	-	-	-
Unsecured loan notes	-	-	-	-	-	258
Other financial liabilities	6,616	7,536	-	-	-	-
Total	10,300	11,144	295	214	527	706

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	2016	2015
	£'000	£'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	15,280	15,365
Financial liabilities		
Held at amortised cost	11,122	12,064

24 Notes to the consolidated statement of cash flows

Operating cash flows	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Profit before taxation	2,751	1,196	-	-
Waiver of loans to related undertakings	-	2,000	-	-
Investment income recognised in profit or loss	(51)	(53)	-	-
Finance costs recognised in profit or loss	40	68	-	-
Depreciation of property, plant and equipment	370	701	-	-
Amortisation of intangible assets	119	77	-	-
Loss on the sale of property, plant and equipment	-	103	-	-
Loss on disposal of intangible assets	-	61	-	-
Increase in provisions	870	1,459	-	-
Operating cash flows before movements in working capital	4,099	5,612	-	-
Decrease in inventories	16	157	-	-
Decrease / (Increase) in receivable	704	1,262	(2)	-
(Decrease) / Increase in payables	(1,679)	88	-	-
Income taxes paid	(514)	(1,215)	-	-
Net cash flow generated from operating activities	2,626	5,904	(2)	-

25 Reconciliation of net cash flow movement to net debt

	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Increase in cash in the year	4,622	1,045	85	17
Cash inflow from changes in debt and lease financing	623	3,848	-	-
Change in net debt resulting from cash flows	5,245	4,893	85	17
New finance leases	(736)	(1,061)	-	-
Decrease in net debt	4,509	3,832	85	17
Net cash at 1 January	4,408	576	22	5
Net cash at 31 December	8,917	4,408	107	22

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26 Analysis of net cash

	At 1 January £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December £'000
Cash and cash equivalents	5,543	4,622	-	10,165
Obligations under finance leases	(877)	493	(736)	(1,120)
Unsecured loan notes	(258)	126	4	(128)
Total net cash	4,408	5,241	(732)	8,917

27 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 (2015: £nil).

Transactions with related parties not under common control

- During the year, interest on subordinated debt of £6,914 (2015: £6,029) was received by Parkwood Project Management Limited from D4E Mulberry Limited, a company in which the Group retains a 25% shareholding. A balance of £2,553 was outstanding at 31 December 2016 (2015: £1,487) for interest receivable.
- Parkwood Leisure Limited charged management fees of £753,786 to D4E Mulberry during the year (2015: £750,262) and a balance of £nil (2015: £84,421) was outstanding at the year end.

Transactions with related parties under common control

- Parkwood Holdings Limited charged management fees of £nil (2015: £1,384) to Treelands Limited, a company of which A W Hewitt is a director and exercises significant influence. £5,832 was outstanding at the year-end (2015: £nil).
- During the year loans amounting to £nil (2015: £2,000,000) owed by Alston Investments Limited to Parkwood Holdings Limited were waived. This amount was charged to the Group statement of profit or loss in the year ended 31 December 2015. A balance of £1,221,835 (2015: £5,723,945) was outstanding at the year-end and is held in current assets.
- During the year Parkwood Holdings Limited charged management fees totalling £203,304 to the Group's operating subsidiaries (2015: £197,558). It also charged management fees totalling £nil (2015: £58,192) 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 £581,000 (2015: £584,000) to the Group's operating subsidiaries. It also made a charge of £1,077,857 (2015: £897,000) to operating subsidiaries of Alston Investments Limited. There were no balances outstanding relating to these recharges at the year end.
- During the year the Group's operating subsidiaries were charged consultancy fees by the subsidiaries of Alston Investments Limited totalling £71,368 (2015: £72,346). A balance of £34,640 (2015: £15,881) was owed by the Group's operating subsidiaries to Parkwood Consultancy Services Limited.
- During the year Parkwood Leisure Limited was charged rent by Alston Properties Limited amounting to £25,500 (2015: £nil). No balance was outstanding at the year-end. (2015: £nil).
- During the year Parkwood Leisure Limited was charged £16,194 (2015: £nil) by Building & Property Services Limited in respect of property maintenance services. £4,747 was outstanding at year-end (2015: £nil).
- During the year Cherwell Leisure Limited was charged £407,653 (2015: £302,032) by Building & Property Services Limited in respect of property maintenance services. No balance was outstanding at year-end (2015: £nil).
- During the year Parkwood Leisure Limited was charged consultancy fees of £8,165 (2015: £nil) by BSW (Exeter) Limited. No balance was outstanding at year-end (2015: £nil).
- During the year Parkwood Community Leisure Limited was charged consultancy fees of £7,215 (2015: £nil) by BSW (Exeter) Limited. No balance was outstanding at year-end (2015: £nil).
- During the year Parkwood Project Management Limited was charged £451,172 (2015: £nil) by Building and Property Services in respect of building lifecycle works. A balance of £105,576 (2015: £nil) remains outstanding at the year-end and is held in current trade and other payables.
- During the year the Group's operating subsidiaries were charged grounds maintenance fees by the subsidiaries of Alston Investments Limited totalling £209,203 (2015: £218,108). A balance of £17,704 (2015: £21,791) was owed by the Group's operating subsidiaries to Glendale Grounds Management Limited.

Transactions with directors

During the year Parkwood Holdings Limited made the following loans to directors:

	At 1 January	New loans made in the year	Repayments made in the year	Interest credited to profit and loss
Alston Old Hall Farm	218,895	91,000	-	7,349
A W Hewitt	429,105	443,746	(258,141)	8,386
M P Hewitt	15,752	90,145	(147,936)	76
Total	663,752	624,891	(406,077)	15,811

These loans are payable on demand. Loans made prior to 6 April 2015 attract interest at a rate of 3.25% per annum, while loans made after 6 April attract interest at a rate of 3% per annum. Alston Old Hall Farm is a partnership of which Mr A W and Mrs M P Hewitt are partners. 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 of the directors of the Company's subsidiaries, who are the key management personnel of the Group, is set out below:

	2016 £	2015 £
Short-term employee benefits	694,030	763,957
Post-employment benefits	90,231	308,660
	784,261	1,072,617

Ultimate controlling party

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