

Sykes Cottages Ltd

**Strategic report, Directors' report and
financial statements**

Registered number 4469189

Year ended 30 September 2016

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Strategic report

The directors present their strategic report for the year ended 30 September 2016.

Sykes Cottages Ltd continue to deliver a holiday letting agency service in the UK and Ireland. We provide multi-channel marketing, to reach millions of customers on and offline. Our booking management service covers a portfolio of over 6,400 cottages in the UK and over 900 in Ireland.

Business review

Fair review of the business

During the year the company transitioned from old UK GAAP to FRS 101 *Reduced Disclosure Framework*.

The profit and loss account is set out on page 7, showing an operating profit for the year ended 30 September 2016 of £5,108,000 (2015: £3,089,000). The directors are satisfied with the trading performance and will continue to develop the existing activities of the company.

During the year, the company increased the number of properties available for rental and at 30 September 2016 the company had a stock of 7,356 live properties (2015: 6,214). No meaningful market share data is available but by virtue of this stock increase, the business believes its market share has increased.

Key financial indicators

The company's key financial and other performance indicators during the year were as follows:

	Unit	2016	2015
Gross profit margin	%	62	61
Operating profit margin	%	19	14
Current ratio	1.00	2.6	2.3

Principal risks and uncertainties

The company operates in a competitive market with regards to price and stock acquisition. The company maintains a competitive pricing policy and has strong relationships with property owners in order to minimise such risks.

The company's activities expose it to a number of financial risks including liquidity risk, foreign currency risk, interest rate risk, cash flow risk and price risk.

Financial instruments

Objectives and policies

The company does not use derivative financial instruments for speculative purposes. The company enters into financial derivative contracts to mitigate financial risk and details are included below under the relevant risk heading.

Price risk, credit risk, liquidity risk and cash flow risk

Price risk

The prices of the company's products are predominantly agreed at the start of each season, although exchange rate movements may affect the sterling price, foreign currency risk is detailed below.

Strategic report *(continued)*

Foreign currency risk

The company makes significant purchases and receives monies from sales denominated in foreign currency. In order to mitigate the risk of movements in foreign currency rates, the company enters into foreign currency derivative contracts.

Credit risk

The company has a large number of small customers, but the directors believe that credit risk is mitigated by the fact that customers are required to pay before the holiday is taken.

Liquidity risk

The company's cash balances and deposits are managed to provide a balance between maximising interest rate returns and maintaining access to working capital. We ensure our short term deposits are flexible and accessible if required. Working capital requirements are monitored on an ongoing basis, so the directors do not consider there to be a significant risk in this area.

Interest rate risk

Interest is credited on the company's cash balances at variable rates. Given that there is limited exposure to debt and the level of interest rates are so low, the directors do not consider it necessary to mitigate the interest rate risk.

Cash flow risk

The directors consider that the main risk concerning cash flow relates to unexpected reductions in demand. The company maintains a flexible cost structure that the directors believe would mitigate this risk.

Approved by the Board on 27/1/17 and signed on its behalf by:



M S Graham
Director

Directors' report

The directors present their report and the financial statements for the year ended 30 September 2016.

Political contributions

The company made no political donations or incurred any political expenditure in the year.

Dividends

The company paid no dividends in the year (2015: £nil). No final dividend for the year is proposed.

Directors of the company

The directors who held office during the year were as follows:

C P Sykes

L J Teasdale (resigned 1 January 2016)

M G Hill

M S Graham (appointed 27 April 2016)

Disclosure of information to auditor

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

Auditor

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

Approved by the Board on 27/1/17 and signed on its behalf by:



M S Graham

Director

Lime Tree House
Hoole Lane
Chester
CH2 3EG

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) *FRS 101 Reduced Disclosure Framework*

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

1 St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent auditor's report to the members of Sykes Cottages Limited

We have audited the financial statements of Sykes Cottages Limited for the year ended 30 September 2016 set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including *FRS 101 Reduced Disclosure Framework*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Sykes Cottages Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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



Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

27/1/2017

Profit and loss account and other comprehensive income
for the year ended 30 September 2016

	<i>Note</i>	2016 £000	Restated 2015 £000
Turnover	2	27,275	22,009
Cost of sales		(10,321)	(8,567)
Gross profit		16,954	13,442
Administrative expenses		(11,608)	(8,695)
Exceptional costs	3	(238)	(1,658)
Operating profit	3	5,108	3,089
Other interest receivable and similar income	6	340	232
Interest payable and similar charges	7	-	(6)
Profit on ordinary activities before taxation		5,448	3,315
Tax on profit on ordinary activities	8	(784)	204
Profit for the financial year		4,664	3,519
Other comprehensive income		-	-
Total comprehensive income for the year		4,664	3,519

The financial statements include the notes on pages 10 to 21.

Turnover and operating profit derive wholly from continuing operations.

Balance sheet
At 30 September 2016

	<i>Note</i>	2016 £000	£000	Restated 2015 £000	£000
Fixed assets					
Intangible assets	9	1,980		1,301	
Tangible assets	10	680		729	
			2,660		2,030
Current assets					
Debtors (including £4,043,890 (2015: £3,730,094) due after more than one year)	11	7,240		5,604	
Cash at bank and in hand		7,687		3,413	
		14,927		9,017	
Creditors: amounts falling due within one year	12	(5,822)		(3,928)	
Net current assets		9,105		5,089	
Total assets less current liabilities			11,765		7,119
Deferred tax liability	13	(177)		(195)	
			(177)		(195)
Net assets			11,588		6,924
Capital and reserves					
Called up share capital	15	-		-	
Profit and loss account		11,588		6,924	
Shareholders' funds		11,588		6,924	

The financial statements include the notes on pages 10 to 21.

These financial statements were approved by the board of directors on 27/1/17 and were signed on its behalf by:

Michael S Graham

M S Graham
Director

Company registered number: 4469189

Statement of changes in equity
At 30 September 2016

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2014	-	3,405	3,405
Balance at 1 October 2014 (restated)	-	3,405	3,405
Total comprehensive income for the year			
Profit	-	3,519	3,519
Total comprehensive income for the year	-	6,924	6,924
Balance at 30 September 2015	-	6,924	6,924

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2015	-	6,924	6,924
Total comprehensive income for the year			
Profit	-	4,664	4,664
Total comprehensive income for the year	-	11,588	11,588
Balance at 30 September 2016	-	11,588	11,588

The financial statements include the notes on pages 10 to 21.

Notes

(forming part of the financial statements)

1 Accounting policies

Sykes Cottages Limited (the "company") is a company incorporated and domiciled in the UK.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 19.

The company's ultimate parent undertaking, Sykes Cottages Holdings Ltd includes the Company in its consolidated financial statements. The consolidated financial statements of Sykes Cottages Holdings Ltd are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 100 Barbirolli Square, Manchester M2 3AB.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel; and
- sof transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Sykes Cottages Holdings Ltd include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening *FRS 101 reduced disclosure framework* balance sheet at 1 October 2014 for the purposes of the transition to *FRS 101 reduced disclosure framework*.

Notes *(continued)*

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

1.1 **Going concern**

The directors have considered the future trading prospects of the business together with the level of its cash resources, taking into account reasonable sensitivities, and consider the going concern assumption to be appropriate. The financial statements have been prepared on a going concern basis for this reason.

1.2 **Foreign currency**

Transactions in foreign currencies are translated to the company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.3 **Classification of financial instruments issued by the company**

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

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

1.4 **Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

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

Trade and other creditors

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Interest-bearing borrowings

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

Notes (continued)

1 Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- | | |
|--------------------------------|---|
| - Computer equipment | - 25% per annum on cost |
| - Office furniture & equipment | - 25% per annum on cost |
| - Plants & Machinery | - 25% per annum on cost |
| - Land & Buildings | - 22% per annum on cost (land is not depreciated) |

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

1.6 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- | | |
|------------------------|-----------------------------|
| - Software development | - 25%-33% per annum on cost |
|------------------------|-----------------------------|

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.8 Turnover

Turnover represents amounts chargeable, net of the value added tax, in respect of the sales of good and services to customers. This is when the risks and rewards relating to the transaction are transferred.

Income is recognised at the point of booking confirmation along with receipt of payment. This is when risks and rewards relating to the transaction are transferred.

1.9 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.10 Taxation

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

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

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

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

Notes (continued)

2 Turnover

	2016 £000	2015 £000
Rendering of services	27,275	22,009

	2016 £000	2015 £000
By geographical market		
United Kingdom and Ireland	27,275	22,009
	27,275	22,009

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016 £000	Restated 2015 £000
Operating leases – other assets	217	164
Foreign currency losses	2	92
Depreciation of owned assets (see note 10)	261	162
Exceptional costs	238	1,658
Amortisation (see note 9)	644	251

Exceptional costs for 2016 comprise of £238,000 staff restructuring costs.

Exceptional costs for 2015 comprise of £876,000 relating to the loss on disposal of the freehold property and the assets held in construction in 2014's accounts, £783,000 which relates to professional fees and staff costs due to the sale of the share capital of Sykes Cottages Ltd and Go-Sykes Ltd.

Auditor's remuneration:

	2016 £000	2015 £000
Audit of these financial statements	31	20

Amounts receivable by the company's auditor and its associates in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent, Sykes Cottages Holdings Limited.

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2016	2015
	Number of employees	
Administration and support	159	125
Sales	86	102
	<u>245</u>	<u>227</u>

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	4,526	4,038
Contributions to defined contribution plans	82	67
	<u>4,608</u>	<u>4,105</u>

5 Directors' remuneration

	2016	2015
	£000	£000
Directors' remuneration	-	105

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £nil (2015: £40,000). The remuneration in 2015 was paid to the directors up to and including 25 January 2015. After this time the remuneration was paid by the new holding companies.

6 Other interest receivable and similar income

	2016	Restated 2015
	£000	£000
Bank interest receivable	26	36
Loan interest receivable from group undertakings	314	196
	<u>340</u>	<u>232</u>

Interest receivable and similar income includes income from group undertakings of £314,000 (2015: £196,000).

Notes (continued)

7 Interest payable and similar charges

	2016 £000	Restated 2015 £000
Total interest expense on financial liabilities measured at amortised cost	-	6
Total other interest payable and similar charges	-	6

Interest payable and similar charges includes interest payable and similar on bank loans and overdrafts of £nil (2015: £6,000).

8 Taxation

Recognised in the profit and loss account

	2016 £000	£000	Restated 2015 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	776		-	
Adjustments in respect of prior periods	26		(250)	
Total current tax charge/(credit)		802		(250)
<i>Deferred tax (see note 13)</i>				
Origination and reversal of temporary differences	17		35	
Adjustments in respect of prior periods	(7)		11	
Effect of tax rate change on opening balance	(28)		-	
Total deferred tax (credit)/charge	(18)		46	
Tax on profit on ordinary activities		784		(204)

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2016 £000	Restated 2015 £000
Profit for the year	4,664	3,519
Total tax expense/(credit)	784	(204)
Profit excluding taxation	5,448	3,315
Tax using the UK corporation tax rate of 20% (2015:20.5%)	1,090	680
Other differences	-	(1,025)
Fixed asset differences	1	191
Expenses not deductible for tax purposes	14	1
Losses carried back	-	199
Group relief claimed	(308)	-
Change in tax rate	(31)	-
Adjustments to tax charge in previous period	18	(250)
Total tax expense/(credit)	784	(204)

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability has been calculated based on these rates.

9 Intangible assets

	Software £000	Total £000
Cost		
Balance at 1 October 2015	1,686	1,686
Other acquisitions - internally developed	1,243	1,243
Other acquisitions - acquired	80	80
Balance at 30 September 2016	3,009	3,009
Amortisation		
Balance at 1 October 2015	385	385
Amortisation for the year	644	644
Balance at 30 September 2016	1,029	1,029
Net book value		
At 1 October 2015	1,301	1,301
At 30 September 2016	1,980	1,980

Internal software development expenditure has been capitalised for a defined project where the expenditure was separately identifiable. The cost will be amortised over 3 years which is the useful life of the asset.

Notes (continued)

9 Intangible assets (continued)

The amortisation charge is recognised in the following line items in the profit and loss account:

	2016 £000	Restated 2015 £000
Administrative expenses	644	251
	<u>644</u>	<u>251</u>

10 Tangible fixed assets

	Assets under construction £000	Land and Building £000	Computer equipment £000	Plant and Machinery £000	Office equipment £000	Total £000
Cost						
Balance at 1 October 2015	22	-	764	105	215	1,106
Transfer	(22)	22	-	-	-	-
Additions	-	64	131	-	17	212
	<u>-</u>	<u>86</u>	<u>895</u>	<u>105</u>	<u>232</u>	<u>1,318</u>
Balance at 30 September 2016	<u>-</u>	<u>86</u>	<u>895</u>	<u>105</u>	<u>232</u>	<u>1,318</u>
Depreciation						
Balance at 1 October 2015	-	-	205	97	75	377
Depreciation charge for the year	-	19	193	2	47	261
	<u>-</u>	<u>19</u>	<u>398</u>	<u>99</u>	<u>122</u>	<u>638</u>
Balance at 30 September 2016	<u>-</u>	<u>19</u>	<u>398</u>	<u>99</u>	<u>122</u>	<u>638</u>
Net book value						
At 1 October 2016	22	-	559	8	140	729
	<u>22</u>	<u>-</u>	<u>559</u>	<u>8</u>	<u>140</u>	<u>729</u>
At 30 September 2016	<u>-</u>	<u>67</u>	<u>497</u>	<u>6</u>	<u>110</u>	<u>680</u>

11 Debtors

	2016 £000	Restated 2015 £000
Trade debtors	137	170
Amounts owed by group undertakings	6,715	4,862
Other debtors	45	97
Corporation tax	-	336
Prepayments and accrued income	343	139
	<u>7,240</u>	<u>5,604</u>
Due within one year	<u>3,196</u>	<u>1,874</u>
Due after more than one year	<u>4,044</u>	<u>3,730</u>
	<u>7,240</u>	<u>5,604</u>

Notes (continued)

12 Creditors: amounts falling due within one year

	2016	Restated 2015
	£000	£000
Trade creditors	1,213	1,175
Amounts owed to group undertakings	18	-
Taxation and social security	553	321
Other creditors	2,743	2,060
Accruals and deferred income	1,085	372
Corporation tax payable	210	-
	<u>5,822</u>	<u>3,928</u>

13 Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Liabilities 2016 £000	Restated Liabilities 2015 £000
Accelerated capital allowances	180	199
Short term temporary difference	(3)	(4)
	<u>177</u>	<u>195</u>

Movement in deferred tax liability during the year

	1 October 2015 £000	Recognised in income £000	30 September 2016 £000
Deferred tax liability	195	(18)	177

Notes (continued)

13 Deferred tax assets and liabilities (continued)

Movement in deferred tax liability during the prior year

	1 October 2014 £000	Recognised in income £000	30 September 2015 £000
Deferred tax liability	149	46	195

14 Employee benefits

Defined contribution plans

The company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £81,739 (2015: £67,000).

15 Share capital

	2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
100 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
Shares classified in shareholders' funds	100	100
	<u>100</u>	<u>100</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

16 Contingencies

The company, together with its parent and fellow subsidiary undertakings, is party to an intercompany guarantee with Natwest.

Notes *(continued)*

17 Related parties

Identity of related parties with which the company has transacted

The company rents office premises which are jointly owned by the directors C P Sykes and L J Teasdale (resigned January 2016). Rents paid during the year amounted to £61,000 (2015: £60,000).

The company also rents office premises which are owned by CLM Chester LLP. C P Sykes, L J Teasdale and M Hill, who were all directors in Sykes Cottages Limited during the year are partners in CLM Chester LLP. Rents paid during the year amounted to £153,000 (2015: £99,000).

CLM Chester LLP rents three properties through Sykes Cottages Ltd. Commission of £29,543 (2015: £17,000) were recognised on these properties during the year. £20,000 (2015: £34,000) was left in creditors owing to CLM Chester LLP at year end in relation to these properties.

18 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Sykes Cottages Holding Limited which is the ultimate parent company incorporated in United Kingdom. The ultimate controlling party is Living Bridge LLP.

The largest and smallest group in which the results of the company are consolidated is that headed by Sykes Cottages Holdings Limited, incorporated in the United Kingdom. No other group financial statements include the results of the company. The consolidated financial statements of this group may be obtained from 100 Barbirolli Square, Manchester, M2 3AB.

19 Explanation of transition to FRS 101 from old UK GAAP

As stated in note 1, these are the company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 September 2016, the comparative information presented in these financial statements for the year ended 30 September 2015 and in the preparation of an opening FRS 101 balance sheet at 1 October 2014 (the company's date of transition).

The transition to FRS 101 has not affected the financial position or financial performance of the company.