

Sykes Cottages Ltd

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

Registered number 4469189

Year ended 30 September 2017

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Strategic report

The Directors present their strategic report for the year ended 30 September 2017.

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 8,100 cottages in the UK and over 900 in Ireland.

Business review

Fair review of the business

The profit and loss account is set out on page 7, showing an operating profit for the year ended 30 September 2017 of £5,529,000 (2016: £5,108,000). 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 2017 the Company had a stock of 9,068 live properties (2016: 7,356). 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	2017	2016
Gross profit margin	%	62	62
Operating profit margin	%	16	19
Current ratio	1.00	2.4	2.6

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 21/3/18 and signed on its behalf by:



MS Graham
Director

Directors' report

The Directors present their report and the financial statements for the year ended 30 September 2017.

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 (2016: £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

M S Graham

M G Hill (resigned 1 February 2017)

Disclosure of information to auditor

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

Auditor

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

Approved by the Board on 21/3/18 and signed on its behalf by:

Michael S Graham

MS Graham

Director

One City Place
Chester
CH1 3BQ

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), including 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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



KPMG LLP

1 St Peter's Square

Manchester

M2 3AE

United Kingdom

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

Opinion

We have audited the financial statements of Sykes Cottages Ltd ("the Company") for the period ended 30 September 2017 which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

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

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

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



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

21/3/18

Profit and loss account and other comprehensive income
for the year ended 30 September 2017

	<i>Note</i>	2017 £000	2016 £000
Turnover	2	34,651	27,275
Cost of sales		(13,040)	(10,321)
Gross profit		21,611	16,954
Administrative expenses		(15,920)	(11,608)
Exceptional costs	3	(162)	(238)
Operating profit	3	5,529	5,108
Other interest receivable and similar income	6	463	340
Profit on ordinary activities before taxation		5,992	5,448
Tax on profit on ordinary activities	7	(1,025)	(784)
Profit for the financial year		4,967	4,664
Other comprehensive income		-	-
Total comprehensive income for the year		4,967	4,664

The financial statements include the notes on pages 10 to 20.

Balance sheet
At 30 September 2017

	Note	2017 £000	£000	2016 £000	£000
Fixed assets					
Intangible assets	8	2,338		1,980	
Tangible assets	9	1,660		680	
			<u>3,998</u>		<u>2,660</u>
Current assets					
Debtors (including £4,499,564 (2016: £4,043,890) due after more than one year)	10	17,233		7,240	
Cash at bank and in hand		5,189		7,687	
		<u>22,422</u>		<u>14,927</u>	
Creditors: amounts falling due within one year	11	<u>(9,674)</u>		<u>(5,822)</u>	
Net current assets		12,748		9,105	
Total assets less current liabilities			<u>16,746</u>		<u>11,765</u>
Deferred tax liability	12	<u>(191)</u>		<u>(177)</u>	
			<u>(191)</u>		<u>(177)</u>
Net assets			<u>16,555</u>		<u>11,588</u>
Capital and reserves					
Called up share capital	14		-		-
Profit and loss account			<u>16,555</u>		<u>11,588</u>
Shareholders' funds			<u>16,555</u>		<u>11,588</u>

The financial statements include the notes on pages 10 to 20.

These financial statements were approved by the board of directors on 21/3/18 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 2017

	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	-	4,664	4,664
Balance at 30 September 2016	-	11,588	11,588

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2016	-	11,588	11,588
Total comprehensive income for the year			
Profit	-	4,967	4,967
Total comprehensive income for the year	-	4,967	4,967
Balance at 30 September 2017	-	16,555	16,555

The financial statements include the notes on pages 10 to 20.

Notes

(forming part of the financial statements)

1 Accounting policies

Sykes Cottages Limited (the "Company") is a private Company incorporated, domiciled and registered in England. The registered number is 4469189 and the registered address is One St Peter's Square, Manchester, M2 3DE.

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").

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.

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 One, St Peter's Square, Manchester, M2 3DE.

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
- details of 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.

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

	2017 £000	2016 £000
Rendering of services	34,651	27,275

	2017 £000	2016 £000
By geographical market		
United Kingdom and Ireland	34,651	27,275
	<u>34,651</u>	<u>27,275</u>

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 £000	2016 £000
Operating leases – other assets	220	217
Foreign currency losses	(32)	2
Depreciation of owned assets (see note 10)	295	261
Exceptional costs	162	238
Amortisation (see note 9)	1,277	644

Exceptional costs for 2017 comprise of £108k staff restructuring costs, £49k office relocation costs and £5k consultancy costs.

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

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	32	31

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:

	2017 Number of employees	2016
Administration and support	197	159
Sales	50	86
	<u>247</u>	<u>245</u>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	7,449	4,526
Contributions to defined contribution plans	110	82
	<u>7,559</u>	<u>4,608</u>

5 Directors' remuneration

	2017 £000	2016 £000
Directors' remuneration	-	-

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid Director was £nil (2016: £nil). The remuneration was paid by the holding companies.

6 Other interest receivable and similar income

	2017 £000	2016 £000
Bank interest receivable	7	26
Loan interest receivable from group undertakings	456	314
Total other interest receivable and similar income	<u>463</u>	<u>340</u>

Interest receivable and similar income includes income from group undertakings of £456,000 (2016: £314,000).

Notes (continued)

7 Taxation

Recognised in the profit and loss account

	2017 £000	£000	2016 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	907		776	
Adjustments in respect of prior periods	104		26	
Total current tax charge/(credit)		1,011		802
<i>Deferred tax (see note 12)</i>				
Origination and reversal of temporary differences	14		17	
Adjustments in respect of prior periods	-		(7)	
Effect of tax rate change on opening balance	-		(28)	
Total deferred tax (credit)/charge	14		(18)	
Tax on profit on ordinary activities		1,025		784

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	4,967	4,664
Total tax expense/(credit)	1,025	784
Profit excluding taxation	5,992	5,448
Tax using the UK corporation tax rate of 19.5% (2016:20%)	1,168	1,090
Other differences	-	-
Fixed asset differences	-	1
Expenses not deductible for tax purposes	6	14
Losses carried back	-	-
Group relief claimed	(252)	(308)
Change in tax rate	(2)	(31)
Adjustments to tax charge in previous period	105	18
Total tax expense/(credit)	1,025	784

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2016. Further reductions to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2016. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the future current tax charge accordingly.

Notes (continued)

8 Intangible assets

	Software £000	Total £000
Cost		
Balance at 1 October 2016	3,009	3,009
Other acquisitions - internally developed	1,439	1,439
Other acquisitions - acquired	279	279
Disposals	(109)	(109)
 Balance at 30 September 2017	 4,618	 4,618
Amortisation		
Balance at 1 October 2016	1,029	1,029
Amortisation for the year	1,277	1,277
Disposals	(26)	(26)
 Balance at 30 September 2017	 2,280	 2,280
 Net book value		
At 1 October 2016	1,980	1,980
 At 30 September 2017	 2,338	 2,338

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 estimated useful life of the asset.

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

	2017 £000	2016 £000
Administrative expenses	1,277	644

Notes (continued)

9 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 2016	-	86	895	105	232	1,318
Additions	837	-	410	-	28	1,275
Balance at 30 September 2017	837	86	1,305	105	260	2,593
Depreciation						
Balance at 1 October 2016	-	19	398	99	122	638
Depreciation charge for the year	-	19	222	3	51	295
Balance at 30 September 2017	-	38	620	102	173	933
Net book value						
At 1 October 2016	-	67	497	6	110	680
At 30 September 2017	837	48	685	3	87	1,660

10 Debtors

	2017 £000	2016 £000
Trade debtors	1,718	137
Amounts owed by group undertakings	15,089	6,715
Other debtors	48	45
Corporation tax	-	-
Prepayments and accrued income	378	343
	17,233	7,240
Due within one year	12,733	3,196
Due after more than one year	4,500	4,044
	17,233	7,240

Notes (continued)

11 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	1,424	1,213
Amounts owed to group undertakings	1,264	18
Taxation and social security	737	553
Other creditors	3,476	2,743
Accruals and deferred income	2,591	1,085
Corporation tax payable	182	210
	<u>9,674</u>	<u>5,822</u>

12 Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Liabilities 2017 £000	Liabilities 2016 £000
Accelerated capital allowances	197	180
Short term temporary difference	(6)	(3)
	<u>191</u>	<u>177</u>
Deferred tax liabilities		

Movement in deferred tax liability during the year

	1 October 2016 £000	Recognised in income £000	30 September 2017 £000
Deferred tax liability	<u>177</u>	<u>14</u>	<u>191</u>

Notes (continued)

13 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 £109,929 (2016: £81,739).

14 Share capital

	2017 £	2016 £
<i>Allotted, called up and fully paid</i>		
100 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Shares classified in shareholders' funds	100	100
	<hr/>	<hr/>

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.

17 Contingent Liabilities

The Company previously offered customers travel insurance provided by UK General Insurance ('UKGI'). The FCA is investigating UKGI for the potential miss-selling of their insurance policies being sold through a number of appointed representatives. The current likelihood of a material liability is possible rather than probable and to date no claim has been made by UKGI against Sykes.

18 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 £60,000 (2016: £61,000).

The Company also rents office premises which are owned by CLM Chester LLP. C P Sykes and M Hill (resigned February 2017) were Directors in Sykes Cottages Limited during the year and are partners in CLM Chester LLP. Rents paid during the year amounted to £150,000 (2016: £153,000).

CLM Chester LLP rents three properties through Sykes Cottages Ltd. Commission of £30,525 (2016: £29,543) were recognised on these properties during the year. £39,000 (2016: £20,000) was left in creditors owing to CLM Chester LLP at year end in relation to these properties.

19 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 One, St. Peter's Square, Manchester, M2 3DE.