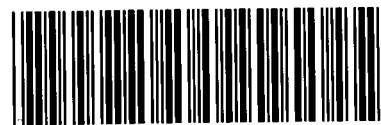


Company Registration No. 09009187

**SPECIALIST LEISURE GROUP LIMITED**  
(formerly Shearings Leisure Group Limited)

**Annual Report and Financial Statements**  
**For the year ended 31 December 2017**

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## **SPECIALIST LEISURE GROUP LIMITED**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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# **SPECIALIST LEISURE GROUP LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

R J Calvert (Appointed 18 April 2017)  
G Speakman  
G D Hearn  
M W Anderson  
R E Gray  
J H Riddell  
W D Young

### **COMPANY SECRETARY**

A G Secretarial Limited

### **REGISTERED OFFICE**

Waterside House  
Waterside Drive  
Wigan  
Lancashire  
WN3 5AZ  
United Kingdom

### **BANKERS**

Lloyds Bank plc  
Norfolk House  
7 Norfolk Street  
Manchester  
M2 1DW  
United Kingdom

### **AUDITOR**

Deloitte LLP  
Statutory Auditor  
1 City Square  
Leeds  
LS1 2AL  
United Kingdom

# **SPECIALIST LEISURE GROUP LIMITED**

## **STRATEGIC REPORT**

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is to act as the holding company for the group, which comprises of specialist escorted tours holidays businesses and specialist leisure hotels businesses, which between them provide a range of holidays and short breaks to destinations throughout Great Britain, Europe and worldwide. To reflect the nature of the groups business activities, the company's name was changed to Specialist Leisure Group Ltd on 05 June 2018.

### **STRATEGIC REVIEW AND FUTURE PROSPECTS**

#### **Overview**

2017 was a year of significant transition for the Group, with a new Chief Executive Officer, a restructured senior management team and major investment in strategic initiatives designed to establish a platform for sustainable growth.

Operating profit increased by 18% but adjusted EBITDA was impacted adversely by geo-political events, most notably, the result of the EU referendum and terrorism.

The Group consists of ten trading entities; Shearings Limited, Shearings Holidays Limited, Shearings Hotels Limited, Wallace Arnold Travel Limited, UK Breakaways Limited, Magenta Travel Limited, Shearings Leisure Group Limited, National Holidays Limited, National Holiday Tours Limited and Shearings Group Limited. Along with the parent company, Specialist Leisure Group, these entities make up the underlying "Specialist Leisure Group" of companies as discussed below.

#### **Key Performance Indicators**

The key financial and strategic highlights are:

- Revenue has increased by 1.2% to £209.6m (2016: £207.2m) on the prior year.
- Operating profit increased by 18% to £2m (2016: £1.7m) reflecting the impact of lower reorganisation costs than in the prior year (see page 3).
- Net assets have increased by 13% to £17m (2016: £15.1m) which is attributed to the profit for the year of £1.4m plus movements in the defined benefit pension scheme of £0.5m.
- Net cash position was £0.4m negative at the end of 2017 (2016: £2.9m positive) reflecting the £3.1m increase in capital expenditure, principally hotel refurbishments and investment in IT infrastructure.

## SPECIALIST LEISURE GROUP LIMITED

### STRATEGIC REPORT (continued)

#### STRATEGIC REVIEW AND FUTURE PROSPECTS (continued)

The table below sets out the adjusted operating profit and adjusted EBITDA, together with divisional profits. The directors believe that an adjusted EBITDA is a key measure for the business after stripping out matters not attributable to ongoing operations and non-recurring costs.

	2017 £'000	2016 £'000
<b>Operating profit</b>	<b>1,950</b>	<b>1,662</b>
<b>Add back</b>		
Intangible fixed asset amortisation	1,291	1,222
Management incentive plan costs	7	1,000
Acquisition costs	-	1,300
Strategy and reorganisation costs	605	1,146
Bank fees and pension fund service charges	152	180
Loss on disposal of fixed assets	1	144
<b>Adjusted operating profit</b>	<b>4,006</b>	<b>6,654</b>
<b>Depreciation</b>	<b>3,996</b>	<b>3,659</b>
<b>Adjusted EBITDA</b>	<b>8,002</b>	<b>10,313</b>

Key highlights for the year were as follows;

- Operating profit increased by 18% to £2m (2016: £1.7m) reflecting lower reorganisation and non-recurring costs as set out above.
- Adjusted operating profit, as set out above, decreased by 40% to £4.0m (2016: £6.7m), reflecting the:
  - The post EU referendums significant adverse impact on the Pound:Euro exchange rate;
  - The impact of the Manchester bombing and London Bridge attacks on both the events and city breaks in the UK;
  - The impact of terrorist attacks in Western Europe on European breaks and river cruise; and
  - Increased investment in resources.
- Adjusted EBITDA (as calculated above) decreased by 22% to £8.0m (2016: £10.3m).
- There has been significant investment in the coach fleet, hotel estate and IT systems during the year. Total capital expenditure in 2017 increased to £8.4m (2016: £5.3m) with an increased level of capital expenditure committed for 2018 (see note 17).

## SPECIALIST LEISURE GROUP LIMITED

### STRATEGIC REPORT (continued)

#### PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

##### SEGMENTAL ANALYSIS

The Group comprises specialist escorted tours holidays businesses and specialist leisure hotels businesses.

##### Holidays Business Performance

The Holidays business incorporates three established tour operating brands, Shearings Holidays, National Holidays and Caledonian Travel, as well as an online travel business UK Breakaways and a retail brand Wallace Arnold Travel. Shearings Holidays provides an inclusive holiday offering in the UK, Europe and worldwide, by coach, air or rail as well as river cruises. The Group also offers shorter duration 'value' and 'entertainment' breaks through regional operators National Holidays and Caledonian Travel as well as hotel accommodation through the UK Breakaways brand.

##### Hotels Business Performance

The Hotels business comprises two distinct brands; Coast and Country Hotels and Bay Hotels which are targeted towards different travel markets. Coast and Country Hotels with 15 hotels, is the premium brand and continues to increase its independent travel business, with c.65% of Coast and Country business coming from the independent travel market and 35% from the coach holiday market. Bay Hotels has 30 hotels, with 32% of the business coming from the independent travel market and 68% from the coach holiday market.

##### Other Factors

###### *Economic and financial conditions across markets*

A prolonged economic downturn may lead to a reduction in levels of demand for our products and thereby impact the Group's earnings. This is mitigated by offering a wide choice of holidays, providing some trading resilience.

###### *Major external events*

Most of our businesses are exposed to external events for example a major terrorist (or similar) incident which could have an impact on forward bookings as well as itinerary timings and routings. Whilst the business has crisis management procedures in place to handle external incidents to ensure any disruption is kept to a minimum, such events could impact trading or the ability to deliver our products. The Group offer a wide range of products across different destinations to reduce the reliance on a particular market.

The impact of Brexit is being considered by the Board and will continue to be monitored to ensure that future events are managed by the Group.

###### *Consumer demand*

A change in consumer spending could impact demand levels. We carefully track any changes to consumer tastes through customer insight teams / focus groups and adapt our product offering as necessary. We also continually review the pricing policies adopted across the products to ensure that this remains competitive and continues to drive consumer demand.

###### *Brand*

The Group has been trading for over one hundred years and has strong brands. The Group ensures that reputational risk is managed through well established and rigorous processes covering health and safety and risk management.

## **SPECIALIST LEISURE GROUP LIMITED**

### **STRATEGIC REPORT (continued)**

#### **GOING CONCERN AND BORROWINGS**

The Group meets its day to day working capital requirements through an overdraft and revolving credit facility which was agreed to be extended by three and a half years on 20 April 2017 and is now due for renewal on 19 October 2020. The net cash position at the end of December 2017 was £0.4m negative (2016: £2.9m positive), well within the banking facilities and reflecting a planned increase in capital expenditure of £3.1m.

Further details can be found in the accounting policies in the notes to the financial statements.

#### **FUTURE DEVELOPMENTS**

Following a period of significant transition and investment, the directors expect a return to underlying profit growth in 2018, despite continued geo-political uncertainties and legislative cost increases.

Approved by the Board and signed on its behalf by:



G Speakman  
Director

12 June 2018

Waterside House  
Waterside Drive  
Wigan  
Lancashire  
WN3 5AZ  
United Kingdom

## **SPECIALIST LEISURE GROUP LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2017.

The directors, in preparing the Strategic Report have complied with section 414(c) of the Companies Act 2006.

### **FUTURE DEVELOPMENTS**

Details of future developments can be found in the Strategic Report on page 2 to 5 and form part of this report by cross-reference.

### **FINANCIAL RESULTS**

The financial results for the year, including an explanation of the key performance indicators and risks of the Group are included within the Strategic Report on page 2 to 5.

### **GOING CONCERN**

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found within note 1 of the financial statements.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

#### *Cash flow risk*

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and fuel price rate fluctuations. The Group uses foreign exchange forward contracts and fuel swap contracts to hedge these exposures.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

#### *Credit risk*

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group operates a defined benefit pension scheme which closed to future accrual in 2007. There is a risk relating to the fluctuations of the assets and liabilities held by the scheme, this is managed by outsourcing the management of the scheme to a specialist funding company to ensure that there are no significant swings in the values year on year.

#### *Liquidity risk*

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance. The Group is in a net current liabilities position of £28.3m (2016: £26.3m) which is due to deferred income of £13.0m (2016: £12.0m) and trade creditors of £20.3m (2016: £19.7m). Deferred income arises on upfront payment of deposits on holidays, trade creditors are mainly in relation to the hotels business and working capital movements. This is managed through regular review and monitoring of the cash flow.



## **SPECIALIST LEISURE GROUP LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **DIVIDENDS AND TRANSFER TO RESERVES**

The directors have not authorised the payment of a dividend (2016: £nil).

The total recognised profit for the year of £1,438,000 (2016: £1,594,000) has been transferred to reserves.

#### **DIRECTORS**

The directors, who served throughout the year except as noted, are as set out on page 1.

#### **DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **EMPLOYEE CONSULTATION**

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. This is achieved through formal and informal meetings held throughout the year.

#### **AUDITOR**

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



G Speakman  
Director

12 June 2018

Waterside House  
Waterside Drive  
Wigan  
Lancashire  
WN3 5AZ  
United Kingdom

## **SPECIALIST LEISURE GROUP LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 parent 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 judgments and accounting 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST LEISURE GROUP LIMITED (formerly SHEARINGS LEISURE GROUP LIMITED)**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Specialist Leisure Group Limited (the 'company') which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and company balance sheets;
- the consolidated and company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST  
LEISURE GROUP LIMITED (formerly SHEARINGS LEISURE GROUP  
LIMITED) (continued)**

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

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 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST  
LEISURE GROUP LIMITED (formerly SHEARINGS LEISURE GROUP LIMITED)  
(continued)**

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

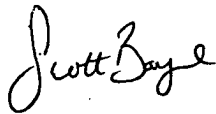
In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Scott Bayne FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Leeds, United Kingdom  
12 June 2018

## SPECIALIST LEISURE GROUP LIMITED

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
<b>TURNOVER</b>	3	209,611	207,211
Cost of sales		(176,782)	(171,511)
<b>GROSS PROFIT</b>		32,829	35,700
Administrative expenses		(30,879)	(34,038)
<b>OPERATING PROFIT</b>	5	1,950	1,662
Net finance income	4	-	331
<b>PROFIT BEFORE TAXATION</b>		1,950	1,993
Tax on profit	7	(512)	(399)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>1,438</u>	<u>1,594</u>

The above results all derive from continuing operations.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit for the financial year		1,438	1,594
Remeasurement of net defined benefit asset	19	544	162
Tax relating to components of other comprehensive income		(68)	(21)
<b>Other comprehensive income</b>		<u>476</u>	<u>141</u>
<b>Total comprehensive income</b>		<u>1,914</u>	<u>1,735</u>

The notes on pages 18 to 40 form an integral part of the financial statements.


# SPECIALIST LEISURE GROUP LIMITED

## CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	£'000	2017 £'000	£'000	2016 £'000
<b>FIXED ASSETS</b>					
Intangible assets	8		15,844		17,135
Tangible assets	9		29,846		25,444
			<u>45,690</u>		<u>42,579</u>
<b>CURRENT ASSETS</b>					
Stock	11	1,420		1,374	
Debtors	12	11,124		9,832	
Cash at bank and in hand		2,661		4,354	
		<u>15,205</u>		<u>15,560</u>	
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(43,457)</u>		<u>(41,909)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(28,252)</u>		<u>(26,349)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			17,438		16,230
<b>PROVISIONS FOR LIABILITIES</b>	15		<u>(2,140)</u>		<u>(2,281)</u>
<b>NET ASSETS BEFORE PENSION ASSET</b>			15,298		13,949
<b>NET PENSION ASSET</b>	19		<u>1,719</u>		<u>1,154</u>
<b>NET ASSETS</b>			<u>17,017</u>		<u>15,103</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		1		1
Profit and loss account			<u>17,016</u>		<u>15,102</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>17,017</u>		<u>15,103</u>

The financial statements of Specialist Leisure Group Limited (Company Registration No. 09009187) were approved by the Board of Directors and authorised for issue on 12 June 2018. They were signed on its behalf by:



G Speakman  
Director

The notes on pages 18 to 40 form an integral part of the financial statements.

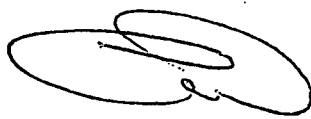
# SPECIALIST LEISURE GROUP LIMITED

## COMPANY BALANCE SHEET As at 31 December 2017

	Note	£'000	2017 £'000	£'000	2016 £'000
<b>FIXED ASSETS</b>					
Investment in subsidiary undertakings	11		180		180
<b>CREDITORS: amounts falling due within one year</b>	14	(180)		(180)	
<b>NET CURRENT LIABILITIES</b>			(180)		(180)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET ASSETS</b>			-		-
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		1		1
Profit and loss account			(1)		(1)
<b>SHAREHOLDERS' FUNDS</b>			-		-

As permitted by Section 408 of the Companies Act 2006, the Profit and loss account of the Company is not presented as part of these financial statements. The Company's result after tax for the financial year amounted to £nil (2016: £nil).

The financial statements of Specialist Leisure Group Limited (Company Registration No. 09009187) were approved by the Board of Directors and authorised for issue on 12 June 2018. They were signed on its behalf by:



G Speakman  
Director

The notes on pages 18 to 40 form an integral part of the financial statements.



# SPECIALIST LEISURE GROUP LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2017

	Called up share capital £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2016</b>	1	13,367	13,368
Profit for the financial year	-	1,594	1,594
Remeasurement of net defined benefit asset	-	162	162
Tax relating to items of other comprehensive income	-	(21)	(21)
<b>Total comprehensive income</b>	-	1,735	1,735
<b>At 31 December 2016</b>	1	15,102	15,103
Profit for the financial year	-	1,438	1,438
Remeasurement of net defined benefit asset	-	544	544
Tax relating to items of other comprehensive income	-	(68)	(68)
<b>Total comprehensive income</b>	-	1,914	1,914
<b>At 31 December 2017</b>	1	17,016	17,017

The notes on pages 18 to 40 form an integral part of the financial statements.

## SPECIALIST LEISURE GROUP LIMITED

### COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2016	1	(1)	-
Result for the financial year and total comprehensive result	-	-	-
At 31 December 2016	1	(1)	-
Result for the financial year and total comprehensive result	-	-	-
At 31 December 2017	1	(1)	-

The notes on pages 18 to 40 form an integral part of the financial statements:

# SPECIALIST LEISURE GROUP LIMITED

## CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 December 2017

		Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
	Note		
Net cash flows from operating activities	18	2,902	8,287
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		2	640
Purchase of tangible fixed assets		(6,276)	(5,278)
Interest received		30	43
Acquisition of subsidiary		-	(2,355)
Net cash flows from investing activities		(6,244)	(6,950)
Cash flows from financing activities		-	-
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents		(3,342)	1,337
Cash and cash equivalents at beginning of year		2,948	1,412
Cash acquired on acquisition of subsidiary		-	199
Cash and cash equivalents at end of year		(394)	2,948
Represented by:			
Cash at bank and in hand		2,661	4,354
Overdraft		(3,055)	(1,406)
		(394)	2,948

## SPECIALIST LEISURE GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

##### *a. General information and basis of accounting*

Specialist Leisure Group Limited is a Company, limited by shares, incorporated in the United Kingdom under the Companies Act, registered in England and Wales. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic Report on page 2 to 5.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Specialist Leisure Group Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

The Company, Specialist Leisure Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

##### *b. Basis of consolidation*

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations affected prior to the date of transition.

##### *c. Going concern*

The directors are fully aware of their duty to assess the Company's going concern status and have attended to this with particular care in consideration of the current economic outlook.

The Group meets its day to day working capital requirements through an overdraft and revolving credit facility which was agreed to be extended by three and a half years on 20 April 2017 and is now due for renewal on 19 October 2020. The current economic conditions create uncertainty particularly over (a) the level of demand for the Group's products; (b) the exchange rate between Sterling and other currencies (the Euro in particular) and thus the consequence for the Group's cost base; and (c) the availability of bank finance in the foreseeable future.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility, including associated covenants. The Group keeps its bankers regularly informed on its trading and covenant position.

## SPECIALIST LEISURE GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

#### 1. ACCOUNTING POLICIES (continued)

##### c. *Going concern (continued)*

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### d. *Intangible assets – goodwill*

Goodwill arising on acquisitions of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities, is capitalised and written off on a straight line basis over its useful economic life. The directors regard 20 years as a reasonable estimate for the useful life of goodwill. The goodwill value associated with the acquisition of Shearings Group Limited existing at the period end date has been reviewed by the directors and they continue to believe that rather than adopting the 10 year maximum period recommended under FRS 102, it remains more appropriate for it to continue to be written off in accordance with the timeframe that existed prior to the adoption of FRS 102, of which the remaining term is 16 years, 5 months. The goodwill value associated with the acquisition of Equalmatch Limited has been reviewed by the directors and they believe that adopting the 10 year maximum period recommended under FRS 102 is appropriate, of which the remaining term is 8 years, 3 months. Since its acquisition by Specialist Leisure Group Limited, the directors have retained the adopted UEL of 10 years as the directors believe this to be a less established business.

##### e. *Other intangible assets – brand and customer list*

Other intangibles arising on acquisitions of subsidiary undertakings and businesses are initially recognised at their fair value at the acquisition date (which is regarded as their cost). The fair value is calculated by the directors based on an appropriate valuation model. Subsequent to initial recognition, other intangible assets arising on acquisitions are reported at cost less accumulated amortisation and accumulated impairment losses. The directors allocate a useful life to each other intangible as deemed appropriate for that particular asset. See note 2 for more information.

##### f. *Tangible fixed assets*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold land & buildings	- estimated useful life (usually between 7 and 50 years, not exceeding 100 years)
Short leasehold land & buildings	- shorter of estimated useful life (usually between 7 and 50 years, not exceeding 50 years) and the term of the lease
Plant & machinery and fixtures, fittings & equipment	- 10% - 33⅓% per annum
Motor vehicles	- 25% per annum

No depreciation is provided on freehold land.

Payments on account and assets in the course of construction are categorised as such within fixed assets until such time the asset is complete and is being used. At this point, the asset is reclassified under the relevant category and depreciation is charged in line with policy from this point.

##### g. *Investments*

Investments held as fixed assets are stated at cost less provision for any impairment.

##### h. *Stocks*

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes food and beverage along with motor vehicle parts and diesel. Provision is made for obsolete, slow-moving or defective items where appropriate. The cost formula used in relation to the stock is first in, first out.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2017**

**1. ACCOUNTING POLICIES (CONTINUED)**

*i. Impairment of assets*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

*Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

*Financial assets*

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

*j. Taxation*

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2017**

**1. ACCOUNTING POLICIES (CONTINUED)**

*j. Taxation (continued)*

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

*k. Turnover*

Turnover represents the amounts derived from the sale of services to customers and from coach, hotel and tour operations within the United Kingdom during the period at invoiced amounts (excluding value added tax). Turnover is recognised at the date of departure for tour operations, the date of check in for hotel operations and when the service is provided for coach operations and other sales including bar and food sales, with the exception of cancellation charges and insurance sales that are recognised at point of cancellation and sale respectively.

*l. Employee benefits*

For defined benefit pension schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit pension schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The defined benefit surplus is recognised in accordance with the Trust Deed and Rules for the scheme and based on historical treatment. This is reviewed on an annual basis by the directors.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2017**

**1. ACCOUNTING POLICIES (CONTINUED)**

*m. Foreign currencies*

Revenues and costs arising from transactions denominated in foreign currencies are translated into sterling at the exchange rate in operation on the date on which the transactions occurred.

Assets and liabilities are revalued at the exchange rate in operation at the balance sheet date.

Exchange gains or losses on settled transactions and unsettled monetary items are dealt with in the Profit and loss account as part of the results from ordinary activities.

*n. Leases*

Operating lease payments are charged to the Profit and loss account on a straight-line basis over the lease term, even when payments do not follow this treatment.

*o. Financial instruments*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

*(i) Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2017**

**1. ACCOUNTING POLICIES (CONTINUED)**

*p. Financial instruments (continued)*

- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

*(ii) Investments*

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment.

*(iii) Equity instruments*

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

*(iv) Derivative financial instruments*

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and fuel cost fluctuations. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

*(v) Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. The derivatives held on balance sheet are valued to their value using the closing rate as provided by the bank at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2017**

**1. ACCOUNTING POLICIES (CONTINUED)**

*p. Client monies receivable in advance*

Until the date of holiday departure, inclusive holiday tours revenue receivable in advance is included in Creditors: amounts falling due within one year.

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Critical judgements in applying the Group's accounting policies*

The directors do not consider there to be any critical accounting judgements that must be applied.

*Key sources of estimation uncertainty*

*Impairment of fixed assets*

Determining whether fixed assets are impaired requires an estimation of the value in use of the income generating units to which the assets have been allocated. The Group is deemed to be the smallest income generating unit in operation due to the significant reliance of each individual entity on others within the group to support their operations. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of intangible fixed assets, including goodwill at the balance sheet date was £17.1m (2015: £16.0m) and fixed assets was £25.4m (2015: £24.4m). No impairment has been identified following the value in use calculation.

*Discount rate used to determine the carrying amount of the Group's defined benefit obligation*

The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

# SPECIALIST LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

### 3. TURNOVER AND OPERATING PROFIT

The Group's turnover and operating profit are derived from the provision of holiday services originating in the United Kingdom.

Segmental information has not been presented as the directors believe that the presentation of that information would be seriously prejudicial to the interests of the Group.

	2017 £'000	2016 £'000
Sale of food, liquor and gifts	11,573	11,377
Rendering of package holiday and hotel accommodation services	198,038	195,834
	<u>209,611</u>	<u>207,211</u>

### 4. NET FINANCE INCOME

	2017 £'000	2016 £'000
Interest receivable and similar income	92	425
Interest payable and similar charges	(92)	(94)
	<u>-</u>	<u>331</u>

#### Interest receivable and similar income:

	2017 £'000	2016 £'000
Fair value movement on derivatives (note 20)	62	382
Bank interest	-	7
Net interest income- defined benefit pension scheme (note 19)	30	36
	<u>92</u>	<u>425</u>

#### Interest payable and similar charges:

	2017 £'000	2016 £'000
Bank loans and overdrafts	92	94

# SPECIALIST LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2017

### 5. OPERATING PROFIT

	2017 £'000	2016 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	1	1
The audit of the Company's subsidiaries	111	111
<b>Total fees payable to the Company's auditor</b>	<b>112</b>	<b>112</b>

Fees payable to Deloitte LLP and its associates for non-audit services to the Group and the Company are £nil (2016: £nil).

	2017 £'000	2016 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 9)	3,996	3,659
Loss/(profit) on disposal of fixed assets	1	(4)
Amortisation of goodwill	584	541
Amortisation of intangible assets	707	681
Operating lease charges		
- land and buildings	10,370	10,208
- motor vehicles	7,783	7,809
Foreign exchange loss	(22)	(206)
Cost of stock recognised as an expense	9,760	10,398

# SPECIALIST LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2017

### 6. STAFF NUMBERS AND COSTS

	2017 £'000	2016 £'000
<b>Directors' emoluments:</b>		
Management remuneration	2,359	1,235
Pensions	145	181
Compensation for loss of office	97	300
Other benefits	81	37
	<u>2,682</u>	<u>1,753</u>

The number of directors, who were members of the Shearings Group Personal Pension Plan, a defined contribution scheme was:

	2017	2016
Number of directors	<u>1</u>	<u>2</u>

The emoluments, excluding pension contributions, of the highest paid director were £588,394 (2016: £946,824). The pension contributions of the highest paid director were £7,538 (2016: £82,902).

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

	2017 No.	2016 No.
Management	8	9
Administration	681	659
Transport and engineering	268	265
Hotel staff	1,465	1,520
Travel shops	39	36
	<u>2,461</u>	<u>2,489</u>

The average number of employees employed by Specialist Leisure Group Limited during the year was none (2016: none).

The aggregate payroll costs of these persons were as follows:

	2017 £'000	2016 £'000
Wages, salaries and bonuses	41,569	39,985
Social security costs	3,069	2,680
Other pension costs	528	496
Defined benefit scheme service cost	59	85
	<u>45,225</u>	<u>43,246</u>

# SPECIALIST LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

### 7. TAX ON PROFIT

#### Total tax on profit

	2017 £'000	2016 £'000
UK corporation tax at 19.25% (2016: 20.00%)	773	685
Adjustment in respect of previous years	(53)	(57)
<b>Total current tax</b>	<b>720</b>	<b>628</b>
Deferred tax		
Origination and reversal of timing differences	(249)	(69)
Adjustment in respect of previous years	14	84
Effect of changes in tax rates	27	(244)
<b>Total deferred tax</b>	<b>(208)</b>	<b>(229)</b>
<b>Total tax on profit</b>	<b>512</b>	<b>399</b>

The standard rate of tax applied to reported profit is 19.25% (2016: 20.00%). The applicable tax rate changed to 19% from 1 April 2017.

The difference between the total tax charge shown above and the amount calculated by applying standard rate of UK corporation tax to the profit before tax is as follows:

	2017 £'000	2016 £'000
Profit before tax	1,950	1,993
Tax on Group profit at standard UK corporation tax rate of 19.25% (2016: 20.00%)	375	398
Expenses not deductible for tax purposes	148	217
Income not taxable in determining taxable profit	-	(2)
Adjustments to tax charge in respect of previous years	(38)	26
Tax rate changes	27	(244)
Reversal of deferred tax not recognised	-	4
<b>Group total tax charge for year</b>	<b>512</b>	<b>399</b>

Finance Act 2016, which was substantively enacted in September 2016, included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020. Accordingly, deferred tax balances have been revalued to the rate of 17% in these financial statements which has resulted in a debit to the profit & loss account of £27,000. To the extent that the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax asset will be increased.

## SPECIALIST LEISURE GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2017

#### 8. INTANGIBLE FIXED ASSETS

Group	Other intangibles £'000	Goodwill £'000	Total £'000
<b>Cost</b>			
At 1 January 2017 and at 31 December 2017	10,024	9,935	19,959
<b>Accumulated amortisation</b>			
At 1 January 2017	(1,638)	(1,186)	(2,824)
Charge for the year	(706)	(585)	(1,291)
At 31 December 2017	(2,344)	(1,771)	(4,115)
<b>Net book value</b>			
At 31 December 2017	7,679	8,163	15,844
At 31 December 2016	8,386	8,749	17,135

The Company has no intangible fixed assets.

Included within other intangibles are brand names and customer lists.

The brand has an estimated remaining useful life of between 16 years and 5 months and 8 years and 3 months. The carrying amount of the brand at the balance sheet date was £5.9m.

The customer list has an estimated remaining useful life of between 6 years and 5 months and 1 year and 3 months. The carrying amount of the brand at the balance sheet date was £1.8m.

Amortisation is included within administrative expenses in the consolidated profit and loss account.

# SPECIALIST LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2017

### 9. TANGIBLE FIXED ASSETS Group

	Freehold land & buildings £'000	Short leasehold land & buildings £'000	Motor vehicles £'000	Plant & machinery and fixtures & equipment £'000	Payments on account and assets in the course of construction £'000	Total £'000
<b>Cost</b>						
At 1 January 2017	12,285	24,685	42	15,701	-	52,713
Additions	57	5,187	17	2,098	1,041	8,400
Disposals	-	-	-	(29)	-	(29)
At 31 December 2017	12,342	29,872	59	17,770	1,041	61,084
<b>Accumulated depreciation</b>						
At 1 January 2017	3,791	11,477	21	11,980	-	27,269
Charge for the year	153	2,497	14	1,332	-	3,996
Disposals	-	-	-	(27)	-	(27)
At 31 December 2017	3,944	13,974	35	13,285	-	31,238
<b>Net book value</b>						
At 31 December 2017	8,398	15,898	24	4,485	1,041	29,846
At 31 December 2016	8,494	13,208	21	3,721	-	25,444

The cost of land and buildings includes land with a cost of £3,128,000 (2016: £3,128,000) which is not depreciated.

The Company has no tangible fixed assets.

### 10. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	Shares in subsidiary undertakings £'000
<b>Cost (Company)</b>	
At 1 January 2017 and 31 December 2017	180

All subsidiary undertakings have been included in the consolidation and are listed in note 22.

### 11. STOCKS

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Raw materials and consumables	1,420	1,374	-	-

There is no material difference between the balance sheet value of stock and the replacement cost.



# SPECIALIST LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

### 12. DEBTORS

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year:</b>				
Trade debtors	1,359	1,286	-	-
Derivative financial instruments (note 20)	423	256	-	-
Other taxation and social security	1,410	807	-	-
Other debtors	998	1,083	-	-
Prepayments and accrued income	6,615	5,674	-	-
Corporation tax	319	726	-	-
	<u>11,124</u>	<u>9,832</u>	<u>-</u>	<u>-</u>

All debtors are due within one year.

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Bank overdrafts (note 14)	3,055	1,406	-	-
Derivative financial instruments (note 20)	212	107	-	-
Trade creditors	20,326	19,661	-	-
Amounts owed to Group undertakings	-	-	180	180
Other taxation and social security	1,352	1,473	-	-
Other creditors	703	691	-	-
Accruals and deferred income	17,809	18,571	-	-
	<u>43,457</u>	<u>41,909</u>	<u>180</u>	<u>180</u>

Amounts owed to group undertakings carry an interest rate of 0% (2016: 0%) and are repayable on demand.

## SPECIALIST LEISURE GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2017

#### 14. BORROWINGS

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Bank overdrafts	3,055	1,406	-	-

All borrowings are due within one year. The Group meets its day to day working capital requirements through an overdraft and revolving credit facility which was agreed to be extended by three and a half years on 20 April 2017 and is now due for renewal on 19 October 2020.

The interest-bearing bank and loans were chargeable to interest at rate of LIBOR plus 2.25% (2016: LIBOR plus 4.0%).

The bank loan and overdraft are secured by fixed and floating charges on the assets of the Group and its subsidiaries.

At the balance sheet date, £11,945,000 (2016: £13,594,000) remains unutilised.

#### 15. PROVISIONS FOR LIABILITIES

Group	Deferred taxation £'000
At 1 January 2017	2,281
Adjustments in respect of the prior period	14
Effect of changes in tax rates	27
Charged to the profit and loss account	(249)
Charged to the statement of other comprehensive income	68
At 31 December 2017	2,140

The amounts of deferred taxation provided and unprovided in the financial statements are as follows:

	2017 Provided £'000	2016 Provided £'000
Accelerated capital allowances	1,889	2,079
Short term timing differences	12	31
Defined benefit pension scheme	239	171
	2,140	2,281

As at 31 December 2017 there is an unprovided deferred tax asset of £41,712 (2016: £41,712) in respect of historical losses. There is insufficient evidence that the asset will be recovered and the amount has therefore not been recognised in these financial statements.

The Company has no provisions for liabilities.

# SPECIALIST LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

### 16. CALLED UP SHARE CAPITAL

	2017 £'000	2016 £'000
Group and Company		
Called up, allotted and fully paid		
50,000 ordinary shares of £0.01 each	1	1
47,500 A ordinary shares of £0.01 each	-	-
	<u>1</u>	<u>1</u>

The ordinary shares and 'A' ordinary shares carry one vote per share.

Dividends cannot be paid without the prior written consent of the holders of 75% of the 'A' ordinary shares.

On return of capital, the 'A' ordinary shares rank before the ordinary shares.

All shares rank pari passu in all other respects.

The Group and Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

### 17. COMMITMENTS

(i) At 31 December 2017 the Group had capital commitments as follows:

	Group 2017 £'000	Group 2016 £'000
Contracted for but not provided	<u>3,090</u>	<u>738</u>

The Group is committed to a number of hotel refurbishment projects.

(ii) Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group Land and buildings 2017 £'000	Group Other 2017 £'000	Group Land and buildings 2016 £'000	Group Other 2016 £'000
within one year	10,467	6,468	10,839	7,170
between one and five years	30,780	15,436	31,582	15,589
after five years	90,450	5,350	103,974	2,741
	<u>131,697</u>	<u>27,254</u>	<u>146,395</u>	<u>25,500</u>

The Company does not have any commitments.

# SPECIALIST LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

### 18. CASH FLOW STATEMENT

Reconciliation of operating profit to net cash flows from operating activities:

	2017 £'000	2016 £'000
Operating profit	1,950	1,662
Adjustment for:		
Depreciation	3,996	3,659
Amortisation	1,291	1,222
(Profit) on disposal	-	(4)
	<hr/>	<hr/>
Operating cash flow before movement in working capital	7,237	6,634
(Increase) in stocks	(46)	(67)
(Increase)/decrease in debtors	(1,532)	1,541
(Decrease)/increase in creditors	(2,331)	1,464
	<hr/>	<hr/>
Cash generated from operations	3,328	9,477
Interest paid	(92)	(94)
Taxation paid	(334)	(1,096)
	<hr/>	<hr/>
Net cash flows from operating activities	<u>2,902</u>	<u>8,287</u>

# SPECIALIST LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

### 19. EMPLOYEE BENEFITS

The Group participates in the Shearings Group Personal Pension Plan, a defined contribution scheme. The assets of which are held independently of the Group. The pension cost for the year amounted to £528,000 (2016: £496,000). There are no contributions outstanding at 31 December 2017 (2016: £nil).

The Group also participates in a multi-employer defined benefit pension scheme, the Wallace Arnold Group Pension Scheme (the "Scheme"), which provides defined benefits based on final pensionable salary, the assets of which are held independently of the Group. This scheme closed to future accrual in 2007. The Group can no longer take the multi-employer scheme exemption under FRS 102. Consequently, the pension scheme has been allocated to Shearings Limited and Shearings Hotels Limited based on the directors best estimate. No change arose as a result of this split in the Group financial statements. Refer to these individual company financial statements for more details.

Contributions of £50,000 have been paid into the Scheme by the Group in the year (2016: £50,000). The estimated amount of contributions to be paid into the scheme during the 2018 financial year is £50,000.

The most recent actuarial valuation was carried out on 5 April 2016 and is completed on a triennial basis. The FRS 102 calculations for the Scheme for disclosure purposes have been rolled forwards by a qualified independent actuary to 31 December 2016. The next triennial valuation will be performed in 2019. This suggested that the net pension asset of the scheme at 31 December 2017 is £1,719,000 (2016: £1,154,000).

	Valuation at	
	2017	2016
Key assumptions used:		
Discount rate	2.40%	2.60%
Inflation - RPI	3.20%	3.35%
Inflation - CPI	2.20%	2.60%
Revaluation of deferred pensions	2.20%	2.60%
Future pension increases		
benefits accrued prior to 6 April 1997	1.10%	1.30%
benefits accrued after to 5 April 1997	2.25%	2.60%
benefits accrued after to 5 April 2006	1.80%	2.15%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	80.00%	80.00%
Expected age at death of current pensioner age 62		
male aged 62 at year end	89.1	89.0
female aged 62 at year end	90.4	90.3
Expected age at death of future pensioner age 62		
male aged 42 at year end	91.2	91.1
female aged 42 at year end	92.8	92.6

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	2017	2016
	£'000	£'000
Current service cost	59	85
Net interest income (note 4)	(30)	(36)
Recognised in profit and loss account	29	49
Remeasurement of net liabilities	(309)	(1,505)
Actuarial gains and losses	(235)	1,344
Recognised in other comprehensive income	(544)	(161)
Total cost relating to defined benefit scheme	(515)	(112)

# SPECIALIST LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2017

### 19. EMPLOYEE BENEFITS (continued)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes is as follows:

	2017 £'000	2016 £'000
Present value of defined benefit obligations	(7,722)	(8,045)
Fair value of scheme assets	9,441	9,199
Net asset recognised in the balance sheet	<u>1,719</u>	<u>1,154</u>

Movements in the present value of defined benefit obligations were as follows:

	2017 £'000	2016 £'000
At 1 January	(8,045)	(6,745)
Benefits paid	293	288
Interest expense	(205)	(244)
Actuarial gains	235	(1,344)
At 31 December	<u>(7,722)</u>	<u>(8,045)</u>

Movements in the fair value of scheme assets were as follows:

	2017 £'000	2016 £'000
At 1 January	9,199	7,737
Benefits paid	(293)	(288)
Administration expenses	(59)	(85)
Contributions from employer	50	50
Interest income	235	280
Return on assets	309	1,505
At 31 December	<u>9,441</u>	<u>9,199</u>

The analysis of the scheme assets at the balance sheet date was as follows:

#### Fair value of assets

	2017 £'000	2016 £'000
Equity instruments	3,967	3,731
Debt instruments	5,439	5,432
Cash	35	36
At 31 December	<u>9,441</u>	<u>9,199</u>

The scheme has no investments in the Company or in property occupied by the Company.

# SPECIALIST LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2017

### 20. FINANCIAL INSTRUMENTS

The carrying values of the Group's financial assets and liabilities are summarised by category below:

	Group	
	2017 £'000	2016 £'000
<b>Financial assets</b>		
Measured at fair value		
• Derivative financial assets (see note 12)	423	256
Measured at undiscounted amount receivable		
• Trade and other debtors (see note 12)	10,701	9,576
	11,124	9,832
<b>Financial liabilities</b>		
Measured at fair value		
• Derivative financial liabilities (see note 13)	212	107
Measured at undiscounted amount payable		
• Bank loans and overdraft (see note 13)	3,055	1,406
• Trade and other creditors (see note 13)	40,190	40,396
	43,457	41,909

Included within net finance income/(costs) in relation to financial assets and liabilities measured at fair value through the profit and loss account totals and income of £62,000 (2016: income of £382,000).

	Current	
	2017 £'000	2016 £'000
<b>Group</b>		
<b>Derivatives accounted for at fair value through the profit and loss account</b>		
<b>Assets</b>		
Fuel hedge swap contracts	423	256
<b>Liabilities</b>		
Forward foreign currency contracts	212	107

## SPECIALIST LEISURE GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

#### 20. FINANCIAL INSTRUMENTS (continued)

##### *Forward foreign currency contracts*

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

##### *Fuel hedge swap contracts*

Transport forms a significant element of the Groups service provision. The Group has entered into fuel hedge swap contracts to hedge the fuel price rate risk based on a combination of oil price and US Dollar exchange rates. Spot prices are calculated on a monthly basis on a specified volume (measured in metric tonnes). These contracts are valued using the fixed and strike price recorded by the bank at the balance sheet date.

The following table details the forward foreign currency contracts outstanding as at the year-end:

##### *Forward foreign currency contracts*

Outstanding contracts	Notional value		Fair value	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<i>Buy</i>				
Less than 3 months	1,958	1,893	(40)	(41)
Between 3 and 6 months	6,387	6,555	19	95
Greater than 6 months	13,278	4,368	233	53
			<u>212</u>	<u>107</u>

The Group has entered into contracts to purchase services in the European Union. The Group has entered into forward foreign currency contracts to hedge against adverse movements in the foreign exchange market. Rates are not disclosed in the above table as the Group deems this information to be commercially sensitive.

##### *Fuel hedge swap contracts*

There is one diesel swap contract outstanding at the balance sheet date which expires in December 2018.



## SPECIALIST LEISURE GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2017

#### 21. ADDITIONAL INFORMATION ON SUBSIDIARY UNDERTAKINGS

At 31 December 2017 the subsidiary undertakings of Specialist Leisure Group Limited, were as follows:

	Country of registration	Principal activity	Class and percentage of shares held	Registered office
<b>Direct subsidiary undertaking</b>				
Shearings Group Limited	England and Wales	Holding Company	100% Ordinary Shares	1
<b>Indirect subsidiary undertakings</b>				
Shearings Holidays Limited	England and Wales	Tour Operator	100% Ordinary Shares	1
Wallace Arnold Travel Limited	England and Wales	Travel Agency	100% Ordinary Shares	1
National Holidays Tours Limited	England and Wales	Organisation of inclusive holidays	100% Ordinary Shares	1
WA Shearings Group Employee Benefit Trust Limited	England and Wales	Employee Benefit Trust	100% Ordinary Shares	1
Coach Holiday Group Limited	England and Wales	Dormant	100% Ordinary Shares	1
Caledonian Travel Limited	England and Wales	Dormant	100% Ordinary Shares	2
Wallace Arnold Tours Limited	England and Wales	Dormant	100% Ordinary Shares	2
Coast & Country Hotels Limited	England and Wales	Dormant	100% Ordinary Shares	1
Shearings Limited	England and Wales	Operation of motor coaches	100% Ordinary Shares	1
Shearings Hotels Limited	Scotland	Hotelier	100% Ordinary Shares	3
National Holidays Limited	England and Wales	Operation of motor coaches	100% Ordinary Shares	1
Shearings Leisure Group Limited (formerly Equalmatch Limited)	England and Wales	Holding Company	100% Ordinary Shares	1
UK Breakaways Limited (formerly Travelstyle Tours Limited)	England and Wales	Tour Operator	100% Ordinary Shares	1
Magenta Travel Limited	England and Wales	Operation of motor coaches	100% Ordinary Shares	1

#### KEY

The registered addresses are as follows:

1. Waterside House, Waterside Drive, Wigan, Lancashire, WN3 5AZ, United Kingdom
2. One St Peter's Square, Manchester, M2 3DE, United Kingdom
3. The Tarnet Hotel, Loch Lomond, Arrochar, G83 7DE

## **SPECIALIST LEISURE GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2017**

#### **22. CONTINGENT LIABILITIES**

The Group has provided bonds to the Association of British Travel Agents ("ABTA"), the Civil Aviation Authority ("CAA"), the Bonded Coach Holiday Group ("BCH"), the International Air Transport Association ("IATA") and Accor Hotels. At 31 December 2017 the bonds amounted to £16,504,094 across the entire Group (2016: £16,248,693).

#### **23. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The immediate parent company is LSREF3 Laser (Shearings) Limited, a company registered in Jersey. The ultimate parent at the balance sheet date is Sanne Nominees Ireland Limited (formerly Castlewood CS Holdings Limited), a company registered in Ireland.

In the opinion of the directors the ultimate controlling party at the balance sheet is the ultimate parent undertaking, Sanne Nominees Ireland Limited (formerly Castlewood CS Holdings Limited), who holds shares on trust for the LS XLI Charitable Trust. No natural person directly or indirectly controls Specialist Leisure Group Limited.

Subsequent to the year end, the ultimate controlling parent is Lone Star International Finance Designated Activity Company, a company registered in Ireland. Lone Star International Finance Designated Activity Company is indirectly owned by various Lone Star LP funds. No one Fund has a controlling interest.