

Sykes Cottages Holdings Limited

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

Registered number 9346246

Year ended 30 September 2016

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Strategic report

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

Business review

The company was incorporated on 8 December 2014.

During the year the company transitioned from UK GAAP to International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101.

Sykes Cottages Holdings Limited is funded via investment from the existing shareholders and Living Bridge LLP, who have a controlling interest.

The profit and loss account is set out on page 7, showing an operating profit for the year ended 30 September 2016 of £356,000 (2015: loss of £2,489,000). The directors will continue to develop the existing activities of the group.

Key financial indicators

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

	Unit	2016	2015
Gross profit margin	%	62.16	61.32
Operating profit margin	%	1.31	-16.25
Current ratio	1.00	1.18	0.92

Group strategy

The group is dedicated to providing a holiday letting agency service in the UK and Ireland. This is a competitive market with regards to price and stock acquisition. The group maintains a competitive pricing policy and has strong relationships with property owners in order to minimise such risks.

The group'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 group does not use derivative financial instruments for speculative purposes. The group 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 group'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.

Foreign currency risk

The group 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 group enters into foreign currency derivative contracts.

Strategic report (*continued*)

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. Loan notes interest is charged as per the loan note agreements. Bank loan interest is currently charged at 3.75% above base rate and varies depending on leverage. The interest rate risk is monitored regularly.

Cash flow risk

The directors consider that the main risk concerning cash flow relates to unexpected reductions in demand and change in interest rates. The company maintains a flexible cost structure that the directors believe would mitigate the demand risk and interest rate risk is constantly monitored.

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



M S Graham
Director

100 Barbirolli Square
Manchester
M2 3AB

Directors' report

The directors present their report in respect of the year ended 30 September 2016.

Principal activities

The group's principal activity is providing an agency service, marketing and selling holiday cottages which are located in the UK and Ireland.

Proposed dividend

The directors do not recommend the payment of a dividend (2015:£nil).

Directors

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

Miles Geoffrey Hill (resigned 1 September 2016)
Clive Peter Sykes
Lynne Joyce Teasdale (resigned 1 January 2016)
Nicholas Paul Magoolagan (resigned 1 September 2016)
Michael Charles Ravis
Daniel Smith
Paul Gilbert
Michael Graham
Adam Holloway
Laurence Marlor
James Martin Shaw (appointed 1 August 2016)

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

All trade relating to Sykes Cottages and Self Catering Travel Ltd included in the group accounts is recorded from the group's acquired date.

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.

By order of the board



M S Graham
Director

100 Barbirolli Square
Manchester
M2 3AB

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 group and parent company financial statements for each financial year.

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 their profit or loss for that period. In preparing each of the group and parent company 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

We have audited the financial statements of Sykes Cottages Holding Limited for the year ended 30 September 2016 set out on pages 7 to 40. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matters prescribed by the Companies Act 2006

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

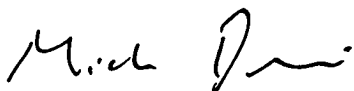
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.



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

27/1/2017

Consolidated statement of profit and loss and other comprehensive income
for year ended 30 September 2016

	<i>Note</i>	Year ended 2016 £000	Restated Period ended 2015 £000
Group revenue	3	27,273	15,318
Cost of sales		<u>(10,321)</u>	<u>(5,925)</u>
Gross profit		16,952	9,393
Administrative expenses		(15,960)	(9,255)
Exceptional costs	4	<u>(636)</u>	<u>(2,627)</u>
Operating profit		356	(2,489)
Financial income	6	26	29
Financial expenses	6	<u>(4,197)</u>	<u>(2,494)</u>
Net financing expense		(4,171)	(2,465)
Loss before tax		(3,815)	(4,954)
Taxation	7	<u>972</u>	<u>646</u>
Total comprehensive loss for the year		(2,843)	(4,308)

Turnover and operating profit derive wholly from continuing operations.

The financial statements include the notes on pages 11 to 30.

Consolidated balance sheet
at 30 September 2016

	<i>Note</i>	2016 £000	Restated 2015 £000
Non-current assets			
Property, plant and equipment	8	680	729
Intangible assets – goodwill	9	25,318	25,318
Intangible assets – other intangibles	9	27,334	31,510
		<hr/> 53,332 <hr/>	<hr/> 57,557 <hr/>
Current assets			
Trade and other receivables	11	525	415
Cash and cash equivalents	12	7,970	7,207
		<hr/> 8,495 <hr/>	<hr/> 7,622 <hr/>
Total assets		<hr/> 61,827 <hr/>	<hr/> 65,179 <hr/>
Current liabilities			
Other interest-bearing loans and borrowings	13	(1,100)	(900)
Trade and other payables	14	(4,509)	(3,330)
Tax payable	7	(458)	-
Loan notes	13	-	(3,430)
Accruals		(1,124)	(588)
		<hr/> (7,191) <hr/>	<hr/> (8,248) <hr/>
Non-current liabilities			
Other interest-bearing loans and borrowings	13	(15,471)	(16,700)
Loan notes	13	(40,707)	(37,197)
Tax payable	7	(4,636)	(6,409)
		<hr/> (60,814) <hr/>	<hr/> (60,306) <hr/>
Total liabilities		<hr/> (68,005) <hr/>	<hr/> (68,554) <hr/>
Net liabilities		<hr/> (6,178) <hr/>	<hr/> (3,375) <hr/>
Capital and reserves			
Share capital	16	103	64
Share premium	16	905	869
Reserve for own shares held by employee benefit trust	16	(35)	-
Retained earnings	16	(7,151)	(4,308)
Total equity		<hr/> (6,178) <hr/>	<hr/> (3,375) <hr/>

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

Michael S Graham

M S Graham
Director

Company registered number: 9346246

Consolidated statement of changes in equity
at 30 September 2016

	Share capital £000	Share premium £000	Reserve for own shares held by EBT £000	Retained earnings £000	Total equity £000
Balance at 8 December 2014	-	-	-	-	-
Total comprehensive loss for the period					
Loss	-	-	-	(4,308)	(4,308)
Total comprehensive loss for the period	-	-	-	(4,308)	(4,308)
Transactions with owners, recorded directly in equity					
Issue of shares	64	869	-	-	933
Total transactions with owners	64	869	-	-	933
Balance at 30 September 2015 (Restated)	64	869	-	(4,308)	(3,375)

	Share capital £000	Share premium £000	Reserve for own shares held by EBT £000	Retained earnings £000	Total equity £000
Balance at 1 October 2015	64	869	-	(4,308)	(3,375)
Total comprehensive income for the year					
Loss	-	-	-	(2,843)	(2,843)
Total comprehensive loss for the period	-	-	-	(2,843)	(2,843)
Transactions with owners, recorded directly in equity					
Issue of shares	39	36	-	-	75
Own shares acquired by EBT	-	-	(35)	-	(35)
Total transactions with owners	39	36	(35)	-	40
Balance at 30 September 2016	103	905	(35)	(7,151)	(6,178)

The financial statements include the notes on pages 11 to 30.

Consolidated cash flow statement
for year ended 30 September 2016

	2016 £000	Restated 2015 £000
Cash flows from operating activities		
Loss for the year	(2,843)	(4,308)
Adjustments for:		
Depreciation and amortisation	5,862	3,640
Foreign exchange losses	3	-
Financial income	(26)	(29)
Financial expense	4,197	2,494
Taxation	(972)	(646)
	<hr/>	<hr/>
Increase in trade and other receivables	(110)	(415)
Increase in trade and other payables	1,820	2,918
	<hr/>	<hr/>
Tax paid	(348)	-
	<hr/>	<hr/>
Net cash from operating activities	7,583	3,654
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received	26	29
Acquisition of subsidiary, net of cash acquired	-	(51,858)
Acquisition of property, plant and equipment	(212)	(575)
Capitalised development expenditure	(1,345)	(709)
Acquisition of other intangible assets	(80)	-
	<hr/>	<hr/>
Net cash from investing activities	(1,611)	(53,113)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from the issue of share capital	75	933
Proceeds from new loan	-	18,000
Interest paid	(4,197)	(2,494)
Repayment of borrowings	(1,147)	(400)
Proceeds from the issue of loan notes	60	40,627
	<hr/>	<hr/>
Net cash from financing activities	(5,209)	56,666
	<hr/>	<hr/>
Net increase in cash and cash equivalents	763	7,207
Cash and cash equivalents at 1 October	7,207	-
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	7,970	7,207
	<hr/>	<hr/>

The financial statements include the notes on pages 11 to 30.

Notes

(forming part of the financial statements)

1 Accounting policies

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

The group financial statements consolidate those of the company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 31 to 40.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements and in preparing an opening IFRS balance sheet at 8 December 2014 for the purposes of the transition to Adopted IFRSs.

The directors do not believe there are judgements to be made on the accounting policies which have a significant effect on the financial statements and estimates with a significant risk of material adjustment.

A third balance sheet is required within the first set of IFRS financial statements, which for Sykes Cottages Holdings Limited would at the incorporation date 8 December 2014, 30 September 2015 and 30 September 2016. The 8 December 2014 has not been presented on the grounds of materiality, with only £1 share capital and £1 unpaid share capital debtor on incorporation.

1.1 Transition to adopted IFRSs

The Group is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 21.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

1.3 Going concern

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

1.4 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes (continued)

1 Accounting policies (continued)

1.5 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities 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. Foreign exchange differences arising on translation are recognised in the income statement. 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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the FCTR, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

The group has taken advantage of the relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to Adopted IFRSs (1 October 2014).

1.6 Classification of financial instruments issued by the Group

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

- (a) they include no contractual obligations upon the group 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 group; 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.

1.7 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables 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.

Notes (continued)

1.7 Non-derivative financial instruments

Trade and other payables

Trade and other payables 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

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.

1.8 Property, plant and equipment

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

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group 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 income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- buildings 4 years
- plant and equipment 4 years
- fixtures and fittings 4 years

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

1.9 Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Notes (continued)

1.10 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group 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 income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Sykes brand (acquired)	10 years
Hogans brand (acquired)	2 years
Owner contracts (acquired)	6.7 years
Customer database (acquired)	5 years
Capitalised software development costs	3-4 years
Goodwill	indefinite life

1.11 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.12 Revenue

Turnover represents amounts chargeable, net of value added tax, in respect of the sale of goods and services to customers.

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.

Notes (continued)

1.13 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, 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 income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.14 Taxation

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

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. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the Group's and the Company's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used.

1.15 Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

IFRS 9 Financial Instruments (effective date to be confirmed).

IFRS 14 Regulatory Deferral Accounts (effective date to be confirmed).

IFRS 15 Revenue from Contract with Customers (effective date to be confirmed).

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (effective date to be confirmed).

Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective date to be confirmed).

Equity Method in Separate Financial Statements – Amendments to IAS 27 (effective date to be confirmed).

Annual Improvements to IFRSs – 2012-2014 Cycle (effective date to be confirmed).

Investment entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (effective date to be confirmed).

Disclosure Initiative – Amendments to IAS 1 (effective date to be confirmed).

Notes (continued)

2 Acquisitions of subsidiaries

Acquisitions in the prior period

On 26 January 2015 the company acquired all the ordinary share capital of Go-Sykes Limited which simultaneously purchased Sykes Cottages Ltd and Self-Catering Travel Ltd. The following table sets out the aggregated book values of the identifiable assets and liabilities acquired on 26 January 2015 and their provisional fair value to the group.

The acquisition had the following effect on the Group's assets and liabilities.

	Book value and fair value £000
Net assets acquired	
Tangible fixed assets	296
Intangible fixed assets	34,300
Debtors	5,404
Cash at bank and in hand	2,936
Creditors	(6,164)
Deferred taxation	(7,055)
	<hr/>
Net assets	29,717
	<hr/>
Goodwill	25,318
	<hr/>
Satisfied by: cash	55,035
	<hr/>

3 Revenue

	2016 £000	2015 £000
By geographical market		
UK	25,768	14,319
Ireland	1,505	999
	<hr/>	<hr/>
	27,273	15,318
	<hr/>	<hr/>
Rendering of services	27,273	15,318
	<hr/>	<hr/>
	27,273	15,318
	<hr/>	<hr/>

Notes (continued)

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016 £000	Restated 2015 £000
Depreciation:		
Owned	261	142
Amortisation	5,601	3,498
Hire of other assets – operating leases	217	215
Exceptional costs	636	2,627
	<hr/>	<hr/>
<i>Auditor's remuneration:</i>		
Audit of these financial statements	3	3
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	31	20
IFRS transition	10	-
Taxation compliance services	10	10
	<hr/>	<hr/>

Exceptional costs of £636,000 relate to £122,000 capital restructuring, £114,000 one-off consulting costs and £400,000 staff restructuring costs. 2015 exceptional costs of £2,627,000 relate to professional fees incurred post the group restructure.

5 Staff numbers and costs

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

	Number of employees 2016	2015
Admin support	168	131
Sales	86	101
	<hr/>	<hr/>
	254	232
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	6,122	3,045
Social security costs	569	318
Contributions to defined contribution plans	82	52
	<hr/>	<hr/>
	6,773	3,415
	<hr/>	<hr/>

Notes (continued)

6 Finance income and expense

Recognised in profit or loss

	2016 £000	2015 £000
Finance income		
Other	26	29
Total finance income	26	29
Finance expense		
On bank loans and overdrafts	747	514
On all other loans	3,450	1,980
Total finance expense	4,197	2,494

7 Taxation

Recognised in the income statement

	2016 £000	2015 £000
<i>Current tax</i>		
Current year	776	-
Adjustments for prior years	25	-
Total current tax charge	801	-
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(805)	(646)
Adjustments in respect of prior periods	(7)	-
Effect of tax rate change on opening balance	(961)	-
Total deferred tax credit	(1,773)	(646)
Tax credit in income statement	(972)	(646)

Notes (continued)

7 Taxation (continued)

Reconciliation of effective tax rate

	2016 £000	2015 £000
Loss for the year	(2,843)	(4,308)
Total tax credit	(972)	(646)
	<hr/>	<hr/>
Loss excluding taxation	(3,815)	(4,954)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 20% (2015:20.25%)	(763)	(1,003)
Fixed assets differences	1	-
Non-deductible expenses	417	942
Tax exempt revenues	(13)	-
Adjust closing deferred tax to average rate	(818)	12
Under provided in prior years	18	-
Deferred tax not recognised	186	(597)
	<hr/>	<hr/>
Total tax credit	(972)	(646)
	<hr/>	<hr/>

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax balances as at 31 August 2016 have been calculated based on these rates. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Notes (continued)

8 Property, plant and equipment

	Assets under construction £000	Land and building £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost					
Balance at 8 December 2014	-	-	-	-	-
Acquisitions through business combinations	-	-	16	280	296
Additions	21	-	-	554	575
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2015	21	-	16	834	871
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 October 2015	21	-	16	834	871
Transfer	(21)	21	-	-	-
Additions	-	64	-	148	212
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2016	-	85	16	982	1,083
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment					
Balance at 1 October 2014	-	-	-	-	-
Depreciation charge for the year	-	-	7	135	142
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2015	-	-	7	135	142
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 October 2015	-	-	7	135	142
Depreciation charge for the year	-	19	2	240	261
Disposals	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2016	-	19	9	375	403
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 30 September 2015	21	-	9	699	729
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2016	-	66	7	607	680
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

9 Intangible assets

	Goodwill £000	Software £000	Brands £000	Owner Contracts £000	Customer Database £000	Total £000
<i>Cost</i>						
Balance at 8 December 2014	-	-	-	-	-	-
Acquisitions through business combinations	25,318	876	7,400	22,523	3,500	59,617
Other acquisitions – internally developed	-	709	-	-	-	709
Balance at 30 September 2015	25,318	1,585	7,400	22,523	3,500	60,326
Balance at 1 October 2015	25,318	1,585	7,400	22,523	3,500	60,326
Other acquisitions – internally developed	-	1,243	-	-	-	1,243
Other acquisitions - purchased	-	80	-	-	-	80
Other acquisitions – other	-	102	-	-	-	102
Balance at 30 September 2016	25,318	3,010	7,400	22,523	3,500	61,751
<i>Amortisation and impairment</i>						
Balance at 8 December 2014	-	-	-	-	-	-
Amortisation for the year	-	270	520	2,241	467	3,498
Balance at 30 September 2015	-	270	520	2,241	467	3,498
Balance at 1 October 2015	-	270	520	2,241	467	3,498
Amortisation for the year	-	759	780	3,362	700	5,601
Balance at 30 September 2016	-	1,029	1,300	5,603	1,167	9,099
<i>Net book value</i>						
At 30 September 2015	25,318	1,315	6,880	20,282	3,033	56,828
At 30 September 2016	25,318	1,981	6,100	16,920	2,333	52,652

Notes (continued)

9 Intangible assets (continued)

Amortisation and impairment charge

The amortisation and impairment charge is recognised in the following line items in the income statement:

	2016 £000	2015 £000
Administrative expenses	5,601	3,496
	<u>5,601</u>	<u>3,496</u>

10 Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Liabilities 2016 £000	2015 £000
Provisions	4,636	6,409
Tax liabilities	<u>4,636</u>	<u>6,409</u>

Deferred tax liabilities not recognised amount to £424,592 (2015: deferred tax asset of £311,080).

Movement in deferred tax during the year

	1 October 2015 £000	Recognised in income £000	30 September 2016 £000
Provisions	6,409	(1,773)	4,636
	<u>6,409</u>	<u>(1,773)</u>	<u>4,636</u>

Notes (continued)

10 Deferred tax liabilities (continued)

Movement in deferred tax during the prior year

	8 December 2014 £000	Acquired in business combination £000	Recognised in income £000	30 September 2015 £000
Provisions	-	7,055	(646)	6,409
	<u>-</u>	<u>7,055</u>	<u>(646)</u>	<u>6,409</u>
	-	7,055	(646)	6,409
	<u>-</u>	<u>7,055</u>	<u>(646)</u>	<u>6,409</u>

11 Trade and other receivables

	2016 £000	2015 £000
Trade receivables due	137	170
Other receivables	45	105
Prepayments	343	140
	<u>525</u>	<u>415</u>
	<u>525</u>	<u>415</u>

12 Cash and cash equivalents

	2016 £000	2015 £000
Cash and cash equivalents per balance sheet	7,970	7,207
Cash and cash equivalents per cash flow statement	<u>7,970</u>	<u>7,207</u>
	<u>7,970</u>	<u>7,207</u>

Included within cash for as at 30 September 2015 is £3,428,000 held in escrow with JP Morgan, which was released in 2016.

Notes (continued)

13 Other interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	2016 £000	2015 £000
Non-current liabilities		
Secured bank loans	15,471	16,700
Loan notes	40,707	37,197
	<u>56,178</u>	<u>53,897</u>
Current liabilities		
Current portion of secured bank loans	1,100	900
Loan notes	-	3,430
	<u>1,100</u>	<u>4,330</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2016 £000	Carrying amount 2016 £000	Face value 2015 £000	Carrying amount 2015 £000
Bank loan	GBP	LIBOR + 3% to 3.75%	2020	16,453	16,571	17,600	17,737
A loan notes	GBP	8% - 12%	2022	25,725	29,668	25,725	27,155
B loan notes	GBP	8% - 12%	2022	9,583	11,039	9,523	10,043
				<u>51,761</u>	<u>57,278</u>	<u>52,848</u>	<u>54,935</u>

14 Trade and other payables

	2016 £000	2015 £000
Trade payables	1,213	1,175
Other taxation and social security liabilities	511	95
Other payables	2,785	2,060
	<u>4,509</u>	<u>3,330</u>

All trade and other payables are due within one year.

Notes (continued)

15 Employee benefits

Defined contribution plans

The group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £82,000 (2015: £52,000).

16 Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
Ordinary A shares of £0.005 each	29	29
Ordinary B shares of £0.01 each	22	22
Ordinary C shares of £0.01 each	17	13
Ordinary C2 shares of £0.0177 each	3	-
Ordinary C3 shares of £0.0085 each	3	-
Ordinary C4 shares of £0.046 each	5	-
Ordinary E shares of £0.0055 each	24	-
	<hr/> 103 <hr/>	<hr/> 64 <hr/>
Shares classified in equity	103	64
	<hr/> 103 <hr/>	<hr/> 64 <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.

During the year the Company issued the following shares:

	2016 £000
Allotted, called up and fully paid	
Ordinary A shares of £0.005 each	-
Ordinary B shares of £0.01 each	-
Ordinary B1 shares of £0.001 each	-
Ordinary C shares of £0.01 each	4
Ordinary C2 shares of £0.0177 each	3
Ordinary C3 shares of £0.0085 each	3
Ordinary C4 shares of £0.046 each	5
Ordinary D shares of £0.01 each	-
Ordinary E shares of £0.0055 each	24
	<hr/> 39 <hr/>

At year end £35,000 of its own shares were held by EBT, a wholly owned subsidiary of Sykes Cottages Holdings Limited.

Notes (continued)

17 Financial instruments

IAS 32, Financial Instruments: Presentation, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures, also require numerical disclosures in respect of financial assets and liabilities and these are set out below and in notes 12, 13, 14 and 15. Financial assets and liabilities are stated at either amortised cost or fair value. Where stated at amortised cost, this is not materially different to the fair value unless otherwise stated. The fair value hierarchy of all the group's financial instruments is level 1.

	2016 £000	2015 £000
Financial assets		
Cash (see note 12)	7,970	7,207
Trade and other receivables (see note 11)	525	415
	<u>8,495</u>	<u>7,622</u>
Financial liabilities		
Bank loans (see note 13)	16,571	17,737
Loan notes (see note 13)	40,707	37,197
	<u>57,278</u>	<u>54,934</u>

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016 £000	Restated 2015 £000
Less than one year	220	215
Between one and five years	539	747
	<u>759</u>	<u>962</u>

The operating leases relate to buildings and printers.

During the year £217,000 was recognised as an expense in the income statement in respect of operating leases (2015: 215,000).

Notes (continued)

19 Related parties

Identity of related parties with which the Group has transacted

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

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

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

During the prior period the Group received and repaid £18,000,000 senior loan notes to Living Bridge LLP who is the majority shareholder in Sykes Cottages Holdings Limited. Interest of £32,000 was paid in the prior period.

During the prior period the group issued £25,725,000 loan notes to Living Bridge LLP. Principal plus interest owed at year end is £29,668,000 (2015: £27,150,000).

The group has the following principal plus interest on loan notes outstanding from related parties at £1 per note:

Number of loan notes	2016 £000	2015 £000
Clive Sykes	2,269	2,078
Lynne Teasdale	2,298	2,104
Miles Hill	4,566	4,183
Nick Magoolagan	1,712	1,568
Mike Ravis	35	32
Paul Gilbert	39	36
Laurence Marlor	35	32
Michael Graham	52	-
James Shaw	17	-

Transactions with key management personnel

Directors of the group and their immediate relatives control 100 per cent of the voting shares of the Company.

The compensation of key management personnel (including the directors) is as follows:

	2016 £000	2015 £000
Key management remuneration including social security costs	934	279
Company contributions to money purchase pension schemes	2	2
	<u>936</u>	<u>281</u>

Notes *(continued)*

20 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Living Bridge LLP, which is the ultimate parent company incorporated in the UK.

This is the largest group in which the results of the company are consolidated. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from 100 Barbirolli Square, Manchester M2 3AB.

21 Explanation of transition to adopted IFRSs

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 September 2016, the comparative information presented in these financial statements for the year ended 30 September 2015 and in the preparation of an opening IFRS balance sheet at 8 December 2014 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (old UK GAAP). An explanation of how the transition from old UK GAAP to Adopted IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes (continued)

21 Explanation of transition to Adopted IFRSs (continued)

Reconciliation of equity

	8 December 2014			30 September 2015		
	UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs	UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs
	£000	£000	£000	£000	£000	£000
Non-current assets						
Property, plant and equipment	-	-	-	729	-	729
Intangible assets – goodwill	-	-	-	52,645	(27,327)	25,318
Intangible assets – other				1,315	30,195	31,510
	-	-	-	54,689	2,868	57,557
Current assets						
Trade and other receivables	-	-	-	415	-	415
Cash and cash equivalents	-	-	-	7,207	-	7,207
	-	-	-	7,622	-	7,622
Total assets				62,311	2,868	65,179
Current liabilities						
Other interest-bearing loans and borrowings	-	-	-	(900)	-	(900)
Loan notes				(3,430)	-	(3,430)
Accruals				(588)	-	(588)
Other creditors				(2,155)	-	(2,155)
Trade and other payables	-	-	-	(1,175)	-	(1,175)
Tax payable	-	-	-	-	-	-
	-	-	-	(8,248)	-	(8,248)
Non-current liabilities						
Other interest-bearing loans and borrowings	-	-	-	(53,897)	-	(53,897)
Deferred tax	-	-	-	(194)	(6,215)	(6,409)
Total liabilities	-	-	-	(62,339)	(6,215)	(68,554)
Net liabilities	-	-	-	(28)	(3,347)	(3,375)
Equity						
Share capital	-	-	-	64	-	64
Share premium	-	-	-	869	-	869
Retained earnings	-	-	-	(961)	(3,347)	(4,308)
Total equity	-	-	-	(28)	(3,347)	(3,375)

Notes (continued)

21 Explanation of transition to Adopted IFRSs (continued)

Reconciliation of profit for 30 September 2015

	UK GAAP £000	2015 Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Revenue	15,318	-	15,318
Cost of sales	(5,925)	-	(5,925)
Gross profit	9,393	-	9,393
Exceptional costs	-	(2,627)	(2,627)
Administrative expenses	(7,850)	(1,405)	(9,255)
Operating profit before net financing costs	1,543	(4,032)	(2,489)
Financial income	29	-	29
Financial expenses	(2,494)	-	(2,494)
Net financing expense	(2,465)	-	(2,465)
Loss before tax	(922)	(4,032)	(4,954)
Taxation	(39)	685	646
Loss after tax	(961)	(3,347)	(4,308)
Loss for the period	(961)	(3,347)	(4,308)

Notes to the reconciliation of loss

a) Goodwill on the acquisition has been adjusted to comply with IFRS. Intangibles that were not previously recognised on the acquisition have been valued at £33,423,000 and amortised over their useful lives as discussed in Note 1. Amortisation on the intangibles of £3,228,000 has been recognised for the period. Under IFRS, goodwill should not be amortised and £1,822,000 has been reversed. Notional deferred tax of £6,900,000 has arisen on the intangibles valuation on acquisition, with a subsequent credit to the profit and loss account of £685,000 representing origination and reversal of timing differences arising from the amortisation to the year-end. Goodwill at the acquisition date is valued at £25,318,000 and will be reviewed for impairment annually. Transaction costs of £2,627,000 on the acquisition that were previously capitalised have been re-classified to exceptional items.

Company balance sheet
at 30 September 2016

	<i>Note</i>	2016 £000	2015 £000	Restated 2015 £000	£000
Fixed assets					
Investments	24	-	-	-	-
Current assets					
Debtors (including £33,740,090 (2015 : £32,491,904) due after more than one year)	25	33,740	32,493		
Cash at bank and in hand		174	213		
Creditors: amounts falling due within one year	26	(7,298)	(5,298)		
Net current assets					
		26,616			27,408
Total assets less current liabilities					
		26,616			27,408
Creditors: amounts falling due after more than one year	27	(26,392)	(26,743)		
Net assets					
		224			665
Capital and reserves					
Called up share capital	29	103			64
Share premium account		905			869
Profit and loss account		(784)			(268)
Shareholders' funds					
		224			665

The financial statements include the notes on page 33 to 40.

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

Michael S Graham

M S Graham
Director

Company registered number: 9346246

Company statement of changes in equity

For the year ended 30 September 2016

	Called up Share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2014	-	-	-	-
Balance at 1 October 2014 (restated)	-	-	-	-
Total comprehensive income for the period				
Loss	-	-	(268)	(268)
Total comprehensive income for the period	-	-	(268)	(268)
Transactions with owners, recorded directly in equity				
Issue of shares	64	-	-	64
Share premium account	-	869	-	869
Total contributions by and distributions to owners	64	869	-	933
Balance at 30 September 2015	64	869	(268)	665
	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2015	64	869	(268)	665
Total comprehensive income for the year				
Loss	-	-	(516)	(516)
Total comprehensive income for the year	-	-	(516)	(516)
Transactions with owners, recorded directly in equity				
Issue of shares	39	36	-	75
Total contributions by and distributions to owners	39	36	-	75
Balance at 30 September 2016	103	905	(784)	224

The financial statements include the notes on pages 33 to 40.

Notes

(forming part of the financial statements)

22 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

In the transition to FRS 101, the company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the company is provided in note 31.

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;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- 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
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements 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 3 *Business Combinations* in respect of business combinations undertaken by the Company
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 8 December 2014 for the purposes of the transition to FRS 101.

Measurement convention

The financial statements are prepared on the historical cost basis.

Notes

(forming part of the financial statements)

22 Accounting policies *(continued)*

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.

Business combinations

Unincorporated business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the company.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the company measures goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

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.

Notes

(forming part of the financial statements)

22 Accounting policies (continued)

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) 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.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, 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.

Investments in subsidiaries

Investments in subsidiaries are stated at amortised cost less impairment. Financial instruments held for trading are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

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.

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.

Notes

(forming part of the financial statements)

22 Accounting policies (continued)

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.

23 Remuneration of directors

	2016 £000	2015 £000
Directors' remuneration	244	164

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £170,000 (2015:£113,000)

24 Fixed asset investments

	Shares in group undertakings £
<i>Cost and net book value</i>	
At beginning of year	1
Additions	100
	<hr/>
Net book value	
At end of year	101
	<hr/>

Notes (continued)

24 Fixed asset investments (continued)

The Group and Company have the following investments in subsidiaries:

	Principal place of business/ Country of Incorporation	Registered number	Class of shares held	Ownership	
				2016	2015
Company					
Go-Sykes Limited	UK	09329266	Ordinary	100%	100%
Sykes Cottages EBT Limited	UK	10253138	Ordinary	100%	-
Group					
Go-Sykes Limited	UK	09329266	Ordinary	100%	100%
Sykes Cottages Limited*	UK	04469189	Ordinary	100%	100%
Self Catering Travel Limited*	UK	07730563	Ordinary	100%	100%
Sykes Cottages EBT Limited	UK	10253138	Ordinary	100%	-

* These are not direct investments but investments held by subsidiary undertakings

Subsidiaries

Sykes Cottages EBT was incorporated on 27 Jun 2016 as an Employment Benefit Trust. Sykes Cottages Holdings Limited own 100% of the share capital. Sykes Cottages EBT Limited's first set of individual accounts are to be made up to period ended 30 June 2017.

25 Debtors

	2016 £000	2015 £000
Amounts owed by group undertakings	33,740	32,493
	<u>33,740</u>	<u>32,493</u>

26 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Bank loans and overdrafts	1,100	900
Amounts owed to group undertakings	6,068	831
Loan notes	-	3,430
Accruals	130	137
	<u>7,298</u>	<u>5,298</u>

Notes (continued)

27 Creditors: amounts falling due after more than one year

	2016 £000	2015 £000
Loan notes	11,039	10,043
Bank loans and overdrafts	15,353	16,700
	<u>26,392</u>	<u>26,743</u>

28 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2016 £000	2015 £000
Creditors falling due more than one year		
Secured bank loans	15,353	16,700
Loan notes	11,039	10,043
	<u>26,392</u>	<u>26,743</u>
Creditors falling due within less than one year		
Current portion of secured bank loans	1,100	900
Loan notes	-	-
	<u>1,100</u>	<u>900</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2016 £000	Carrying amount 2016 £000	Face value 2015 £000	Carrying amount 2015 £000
Bank loan	GBP	LIBOR + 3% to 3.75%	2020	16,453	16,571	17,600	17,737
B loan notes	GBP	8% - 12%	2022	9,583	11,039	9,523	10,043
				<u>26,036</u>	<u>27,610</u>	<u>27,123</u>	<u>27,780</u>

Notes (continued)

29 Called up share capital

Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
Ordinary A shares of £0.005 each	29	29
Ordinary B shares of £0.01 each	22	22
Ordinary B1 shares of £0.001 each	-	-
Ordinary C shares of £0.01 each	17	13
Ordinary C2 shares of £0.0177 each	3	-
Ordinary C3 shares of £0.0085 each	3	-
Ordinary C4 shares of £0.046 each	5	-
Ordinary D shares of £0.01 each	-	-
Ordinary E shares of £0.0055 each	24	-
	<hr/>	<hr/>
Shares classified in shareholders' funds	103	64
	<hr/> <hr/>	<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.

At year end £35,000 of its own shares were held by EBT, a wholly owned subsidiary of Sykes Cottages Holdings Limited.

30 Related party disclosures

Identity of related parties with which the company has transacted

During the prior period the company received and repaid £18,000,000 senior loan notes to Living Bridge LLP who is the majority shareholder in Sykes Cottages Holdings Limited. Interest of £32,000 was paid in the prior period.

The company has the following principal plus interest on loan notes outstanding from related parties at £1 per note:

Number of loan notes	2016 £000	2015 £000
Clive Sykes	2,271	2,078
Lynne Teasdale	2,300	2,104
Miles Hill	4,571	4,183
Nick Magoolagan	1,713	1,568
Mike Ravis	34	32
Paul Gilbert	38	36
Laurence Marlor	33	32
Michael Graham	45	-
James Shaw	15	-
Tom Lowes	17	16

Notes *(continued)*

31 Explanation of transition to FRS 101 from old UK GAAP

As stated in note 21, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 21 have been applied in preparing the financial statements for the year ended 30 September 2016, the comparative information presented in these financial statements for the 10 month period ended 30 September 2015.

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

32 Post balance sheet events

In January 2017, Go-Sykes Limited, a subsidiary company of Sykes Cottages Holdings Limited acquired a business in its sector. The initial accounting is incomplete for this acquisition as at the date of authorising these financial statements, and in line with IFRS 3.B66, no further details of these acquisitions are included within these financial statements.