

Sykes Cottages Holdings Limited

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

Registered number 9346246

Year ended 30 September 2017

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Contents

Strategic report	1
Directors' report	3
Statement of director's responsibilities in respect of the strategic report, the directors' report and the financial statements	4
Independent auditor's report to the members of Sykes Cottages Holdings Limited	5
Consolidated statement of profit and loss and other comprehensive income	7
Consolidated balance sheet	8
Consolidated statement of changes in equity	9
Consolidated cash flow statement	10
Notes	11
Company balance sheet	31
Company statement of changes in equity	32
Notes	33

Strategic report

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

Business review

The company was incorporated on 8 December 2014.

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 2017 of £654,000 (2016: profit of £356,000). 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	2017	2016
Gross profit margin	%	62.63	62.16
Operating profit margin	%	1.74	1.31
Current ratio	1.00	0.85	1.18

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



M S Graham
Director

One, St Peters Square
Manchester
M2 3DE

Directors' report

The directors present their report in respect of the year ended 30 September 2017.

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.

Go-Sykes Limited, which is a 100% owned subsidiary of Sykes Cottages Holdings Limited, has acquired 100% of the ordinary capital of the following companies during the year:

- Cornish Cottage Holidays Limited (26 January 2017)
- Helpful Holidays (Holdings) Limited (8 June 2017)
- Cottage Holidays (Carlisle) Limited (15 August 2017)

Proposed dividend

The directors do not recommend the payment of a dividend (2016:£nil).

Directors

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

Clive Peter Sykes
Michael Charles Rivis
Daniel Smith
Paul Gilbert
Michael Graham
Adam Holloway
Laurence Marlor
James Martin Shaw
Graham Donoghue
Peter John Harrison (appointed 1 August 2017)

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 subsidiary companies 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

One, St Peters Square
Manchester
M2 3DE

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 group and parent company 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 that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the 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

Opinion

We have audited the financial statements of Sykes Cottages Holdings Limited ("the company") for the year ended 30 September 2017 which comprise the consolidated statement of profit and loss and other comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, company balance sheet and company statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

Strategic report and directors' report

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

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they 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

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

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

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

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



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

21/3/18

Consolidated statement of profit and loss and other comprehensive income
for year ended 30 September 2017

	<i>Note</i>	Year ended 2017 £000	Year ended 2016 £000
Group revenue	3	37,506	27,273
Cost of sales		(14,015)	(10,321)
Gross profit		<u>23,491</u>	<u>16,952</u>
Administrative expenses		(21,513)	(15,960)
Exceptional costs	4	(1,324)	(636)
Operating profit		<u>654</u>	<u>356</u>
Financial income	6	7	26
Financial expenses	6	(4,956)	(4,197)
Net financing expense		<u>(4,949)</u>	<u>(4,171)</u>
Loss before tax		(4,295)	(3,815)
Taxation	7	(243)	972
Total comprehensive loss for the year		<u>(4,538)</u>	<u>(2,843)</u>

Turnover and operating profit derive wholly from continuing operations.

The financial statements include the notes on pages 11 to 29.

Consolidated balance sheet
at 30 September 2017

	Note	2017 £000	2016 £000
Non-current assets			
Property, plant and equipment	8	1,773	680
Intangible assets – goodwill	9	29,601	25,318
Intangible assets – other intangibles	9	28,637	27,334
		<u>60,011</u>	<u>53,332</u>
Current assets			
Trade and other receivables	11	4,927	525
Cash and cash equivalents	12	7,797	7,970
		<u>12,724</u>	<u>8,495</u>
Total assets		<u>72,735</u>	<u>61,827</u>
Current liabilities			
Other interest-bearing loans and borrowings	13	(1,300)	(1,100)
Trade and other payables	14	(10,833)	(4,509)
Tax payable	7	(716)	(458)
Loan notes	13	-	-
Accruals		(1,782)	(1,124)
		<u>(14,631)</u>	<u>(7,191)</u>
Non-current liabilities			
Other interest-bearing loans and borrowings	13	(18,936)	(15,471)
Loan notes	13	(45,007)	(40,707)
Tax payable	7	(4,823)	(4,636)
		<u>(68,766)</u>	<u>(60,814)</u>
Total liabilities		<u>(83,397)</u>	<u>(68,005)</u>
Net liabilities		<u>(10,662)</u>	<u>(6,178)</u>
Capital and reserves			
Share capital	16	110	103
Share premium	16	917	905
Reserve for own shares held by employee benefit trust	16	-	(35)
Retained earnings	16	(11,689)	(7,151)
Total equity		<u>(10,662)</u>	<u>(6,178)</u>

These financial statements were approved by the board of directors on 21/5/18 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 2017

	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 loss for the period	-	-	-	(2,843)	(2,843)
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)

	Share capital £000	Share premium £000	Reserve for own shares held by EBT £000	Retained earnings £000	Total equity £000
Balance at 1 October 2016	103	905	(35)	(7,151)	(6,178)
Total comprehensive income for the year	-	-	-	(4,538)	(4,538)
Loss	-	-	-	(4,538)	(4,538)
Total comprehensive loss for the period	-	-	-	(4,538)	(4,538)
Transactions with owners, recorded directly in equity					
Issue of shares	42	12	-	-	54
Own shares acquired by EBT	(35)	-	35	-	-
Total transactions with owners	7	12	35	-	54
Balance at 30 September 2017	110	917	-	(11,689)	(10,662)

The financial statements include the notes on pages 11 to 29.

Consolidated cash flow statement
for year ended 30 September 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Loss for the year	(4,538)	(2,843)
Adjustments for:		
Depreciation and amortisation	6,805	5,862
Foreign exchange losses	32	3
Financial income	(7)	(26)
Financial expense	4,956	4,197
Taxation	243	(972)
	<hr/>	<hr/>
Increase in trade and other receivables	(9,637)	(110)
Increase in trade and other payables	13,319	1,820
	<hr/>	<hr/>
Tax paid	(1,347)	(348)
	<hr/>	<hr/>
Net cash from operating activities	9,826	7,583
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received	7	26
Acquisition of subsidiary, net of cash acquired	(5,944)	-
Acquisition of property, plant and equipment	(1,289)	(212)
Capitalised development expenditure	(1,330)	(1,345)
Acquisition of other intangible assets	(279)	(80)
	<hr/>	<hr/>
Net cash from investing activities	(8,835)	(1,611)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from the issue of share capital	19	75
Proceeds from new loan	6,295	-
Repurchase of own shares	35	-
Interest paid	(4,956)	(4,197)
Repayment of borrowings	(2,647)	(1,147)
Proceeds from the issue of loan notes	90	60
	<hr/>	<hr/>
Net cash from financing activities	(1,164)	(5,209)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	(173)	763
Cash and cash equivalents at 1 October	7,970	7,207
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	7,797	7,970
	<hr/>	<hr/>

The financial statements include the notes on pages 11 to 29.

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 30 to 38.

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.

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:

Brands (acquired)	10 years
Hogans brand (acquired)	2 years
Owner contracts (acquired)	6.15 years – 8.68 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 conformation, 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 1 January 2018)

IFRS 15 Revenue from Contract with Customers (effective 1 January 2018).

IFRS 16 Leases (effective date 1 January 2019)

Notes (continued)

2 Acquisitions of subsidiaries

Acquisitions in the period

On 26 January 2017 Go-Sykes Limited acquired all the ordinary share capital of Cornish Cottage Holidays Limited for £3,905,000, satisfied by cash. The company provides a holiday letting agency service. The following table sets out the aggregated book values of the identifiable assets and liabilities acquired on 26 January 2017 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	155
Intangible fixed assets	1,979
Investments	5
Current assets	14
Current liabilities	(132)
Debtors	86
Cash at bank and in hand	702
Creditors	(461)
Deferred tax	(376)
Other acquisition adjustments	85
	<hr/>
Net assets	2,057
	<hr/>
Goodwill	1,848
	<hr/>
Satisfied by: cash	3,905
	<hr/>

On 8 June 2017 Go-Sykes Limited acquired all the ordinary share capital of Helpful Holidays (Holdings) Limited for £5,972,000 satisfied by cash and surplus cash. The company provides a holiday letting agency service. The following table sets out the aggregated book values of the identifiable assets and liabilities acquired on 8 June 2017 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	77
Intangible fixed assets	3,124
Debtors	5,064
Cash at bank and in hand	2,575
Creditors	(5,517)
Deferred taxation	(624)
	<hr/>
Net assets	4,699
	<hr/>
Goodwill	1,273
	<hr/>
Satisfied by: cash	4,128
Satisfied by: surplus cash	1,844
	<hr/>

Notes (continued)

Acquisitions in the period (continued)

On 15 August 2017 Go-Sykes Limited acquired all the ordinary share capital of Cottage Holidays (Carlisle) Limited for £2,500,000 satisfied by cash and surplus cash. The company provides a holiday letting agency service. The following table sets out the aggregated book values of the identifiable assets and liabilities acquired on 15 August 2017 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	4
Intangible fixed assets	1,019
Debtors	85
Cash at bank and in hand	828
Creditors	(369)
Deferred taxation	(195)
	<hr/>
Net assets	1,372
	<hr/>
Goodwill	1,128
	<hr/>
Satisfied by: cash	2,017
Satisfied by: surplus cash	483
	<hr/> <hr/>

3. Revenue

	2017 £000	2016 £000
By geographical market		
UK	35,928	25,768
Ireland	1,578	1,505
	<hr/>	<hr/>
	37,506	27,273
	<hr/>	<hr/>
Rendering of services	37,506	27,273
	<hr/>	<hr/>

Notes (continued)

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 £000	2016 £000
Depreciation:		
Owned	351	261
Amortisation	6,454	5,601
Hire of other assets – operating leases	261	217
Exceptional costs	1,324	636
	<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	77	31
IFRS transition	2	10
Taxation compliance services	34	10
	<hr/>	<hr/>

Exceptional costs of £1,324,000 related to £936,000 costs of acquisition, £175,000 staff restructuring, £114,000 one off consulting, £50,000 capital restructuring and £49,000 office relocation. 2016 exceptional costs of £636,000 relate to £122,000 capital restructuring, £114,000 one-off consulting costs and £400,000 staff restructuring costs.

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 2017	2016
Admin support	231	168
Sales	65	86
	<hr/>	<hr/>
	296	254
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	9,387	6,691
Contributions to defined contribution plans	157	82
	<hr/>	<hr/>
	9,544	6,773
	<hr/>	<hr/>

Notes (continued)

6 Finance income and expense

Recognised in profit or loss	2017 £000	2016 £000
Finance income		
Other	7	26
Total finance income	7	26
Finance expense		
On bank loans and overdrafts	727	747
On all other loans	4,229	3,450
Total finance expense	4,956	4,197

7 Taxation

Recognised in the income statement	2017 £000	2016 £000
<i>Current tax</i>		
Current year	1,013	776
Adjustments for prior years	104	25
Total current tax charge	1,117	801
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(874)	(805)
Adjustments in respect of prior periods	-	(7)
Effect of tax rate change on opening balance	-	(961)
Total deferred tax credit	(874)	(1,773)
Tax credit in income statement	243	(972)

Notes (continued)

7 Taxation (continued)

Reconciliation of effective tax rate

	2017 £000	2016 £000
Loss for the year	(4,052)	(2,843)
Total tax credit	(243)	(972)
	<hr/>	<hr/>
Loss excluding taxation	(4,295)	(3,815)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19.5% (2016:20%)	(838)	(763)
Fixed assets differences	-	1
Non-deductible expenses	357	417
Tax exempt revenues	-	(13)
Adjust closing deferred tax to average rate	-	(818)
Under provided in prior years	-	18
Deferred tax not recognised	(5)	186
Difference in current and deferred tax rates	131	-
Income not taxable for tax purposes	494	-
Adjustments to tax charge in previous period	104	-
	<hr/>	<hr/>
Total tax expense/(credit)	243	(972)
	<hr/>	<hr/>

Factors that may affect future tax charges

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

Notes (continued)

8 Property, plant and equipment

	Assets under construction £000	Land and building £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
<i>Cost</i>					
Balance at 1 October 2015	21	-	16	834	871
Transfer	(21)	21	-	-	-
Additions	-	64	-	148	212
Balance at 30 September 2016	-	85	16	982	1,083
Balance at 1 October 2016	-	85	16	982	1,083
Acquisitions through business combinations	-	-	385	905	1,290
Additions	837	-	-	452	1,289
Disposals	-	-	(139)	(370)	(509)
Balance at 30 September 2017	837	85	262	1,969	3,153
<i>Depreciation and impairment</i>					
Balance at 1 October 2015	-	-	7	135	142
Depreciation charge for the year	-	19	2	240	261
Balance at 30 September 2016	-	19	9	375	403
Balance at 1 October 2016	-	19	9	375	403
Depreciation charge for the year	-	19	24	308	351
Acquisitions through business combinations	-	-	239	815	1,054
Disposals	-	-	(80)	(348)	(428)
Balance at 30 September 2017	-	38	192	1,150	1,380
<i>Net book value</i>					
At 30 September 2016	-	66	7	607	680
At 30 September 2017	837	47	70	819	1,773

Notes (continued)

9 Intangible assets

	Goodwill £000	Software £000	Brands £000	Owner Contracts £000	Customer Database £000	Total £000
Cost						
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
Balance at 1 October 2016	25,318	3,010	7,400	22,523	3,500	61,751
Other acquisitions – internally developed	-	1,439	-	-	-	1,439
Other acquisitions – purchased	4,283	279	1,355	3,812	955	10,684
Disposals	-	(109)	-	-	-	(109)
Balance at 30 September 2017	29,601	4,619	8,755	26,335	4,455	73,765
Amortisation and impairment						
Balance at 1 October 2015	-	270	520	22,41	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
Balance at 1 October 2016	-	1,029	1,300	5,603	1,167	9,099
Amortisation for the year	-	1,277	834	3,579	764	6,454
Disposals	-	(26)	-	-	-	(26)
Balance at 30 September 2017	-	2,280	2,134	9,182	1,931	15,527
Net book value						
At 30 September 2016	25,318	1,981	6,100	16,920	2,333	52,652
At 30 September 2017	29,601	2,339	6,621	17,153	2,524	58,238

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:

	2017 £000	2016 £000
Administrative expenses	6,454	5,601
	<u>6,454</u>	<u>5,601</u>

10 Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Liabilities 2017 £000	2016 £000
Provisions	4,823	4,636
Tax liabilities	<u>4,823</u>	<u>4,636</u>

Deferred tax liabilities not recognised amount to £73,161 (2016: deferred tax asset of 424,592).

Movement in deferred tax during the year

	1 October 2016 £000	Recognised in income £000	Acquired during the period £'000	30 September 2017 £000
Provisions	4,636	(874)	1,061	4,823
	<u>4,636</u>	<u>(874)</u>	<u>1,061</u>	<u>4,823</u>

Notes (continued)

10 Deferred tax liabilities (continued)

Movement in deferred tax during the prior year

	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>

11 Trade and other receivables

	2017 £000	2016 £000
Trade receivables due	3,615	137
Other receivables	876	45
Prepayments	436	343
	<u>4,927</u>	<u>525</u>

12 Cash and cash equivalents

	2017 £000	2016 £000
Cash and cash equivalents per balance sheet	7,797	7,970
Cash and cash equivalents per cash flow statement	<u>7,797</u>	<u>7,970</u>

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.

	2017 £000	2016 £000
Non-current liabilities		
Secured bank loans	18,936	15,471
Loan notes	45,007	40,707
	<u>63,943</u>	<u>56,178</u>
Current liabilities		
Current portion of secured bank loans	1,300	1,100
Loan notes	-	-
	<u>1,300</u>	<u>1,100</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
				2017 £000	2017 £000	2016 £000	2016 £000
Bank loan	GBP	LIBOR + 3% to 3.75%	2020	20,100	20,236	16,453	16,571
A loan notes	GBP	8% - 12%	2022	25,725	32,748	25,725	29,668
B loan notes	GBP	8% - 12%	2022	9,673	12,259	9,583	11,039
				<u>55,498</u>	<u>65,243</u>	<u>51,761</u>	<u>57,278</u>

14 Trade and other payables

	2016 £000	2015 £000
Trade payables	1,570	1,213
Other taxation and social security liabilities	1,037	511
Other payables	8,226	2,785
	<u>10,833</u>	<u>4,509</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 £157,000 (2016: £82,000).

16 Share capital

	2017 £000	2016 £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	19	17
Ordinary C1 shares of £0.0012 each	-	-
Ordinary C2 shares of £0.0177 each	3	3
Ordinary C3 shares of £0.0085 each	3	3
Ordinary C4 shares of £0.046 each	5	5
Ordinary C5 shares of £0.046 each	5	-
Ordinary D shares of £0.01 each	-	-
Ordinary E shares of £0.0055 each	24	24
	<hr/>	<hr/>
Shares classified in shareholders' funds	110	103

Allotted, called up and fully paid

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:

	2017 £000	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	2	4
Ordinary C1 shares of £0.0012 each	-	-
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 C5 shares of £0.0046 each	5	-
Ordinary D shares of £0.01 each	-	-
Ordinary E shares of £0.0055 each	-	24
	<hr/>	<hr/>
	7	39
	<hr/>	<hr/>

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.

	2017 £000	2016 £000
Financial assets		
Cash (see note 12)	7,797	7,970
Trade and other receivables (see note 11)	4,927	525
	<u>12,724</u>	<u>8,495</u>
 Financial liabilities		
Bank loans (see note 13)	20,236	16,571
Loan notes (see note 13)	45,007	40,707
	<u>65,243</u>	<u>57,278</u>

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	288	220
Between one and five years	465	539
	<u>753</u>	<u>759</u>

The operating leases relate to buildings, vehicles and printers.

During the year £261,000 was recognised as an expense in the income statement in respect of operating leases (2016: £217,000).

19 Contingent Liabilities

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

Notes (continued)

20 Related parties

Identity of related parties with which the Group has transacted

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

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

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

During the period ended 30 September 2015 the company issued £25,725,000 loan notes to Living Bridge LLP. Principal plus interest owed at the year ended 30 September 2017 is £32,748,000 (2016: £29,668,000).

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

Number of loan notes	2017 £000	2016 £000
Clive Sykes	2,509	2,271
Lynne Teasdale	2,539	2,300
Miles Hill	5,045	4,571
Nick Magoolagan	1,891	1,713
Mike Ravis	38	34
Paul Gilbert	42	38
Laurence Marlor	36	33
Michael Graham	50	45
James Shaw	17	15
Tom Lowes	-	17
Graham Donoghue	79	-
Peter Harrison	15	-

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:

	2017 £000	2016 £000
Key management remuneration including social security costs	994	934
Company contributions to money purchase pension schemes	33	2
	<u>1,027</u>	<u>936</u>

Notes (continued)

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

Company balance sheet
at 30 September 2017

	<i>Note</i>	2017 £000	£000	2016 £000	£000
Fixed assets					
Investments	24		-		-
Current assets					
Debtors (including £ (2016:£33,740,090) due after more than one year)	25	38,397		33,740	
Cash at bank and in hand		232		174	
Creditors: amounts falling due within one year	26	(7,306)		(7,298)	
Net current assets			31,323		26,616
Total assets less current liabilities					26,616
Creditors: amounts falling due after more than one year	27	(31,195)		(26,392)	
Net assets			128		224
Capital and reserves					
Called up share capital	29		110		103
Share premium account			917		905
Profit and loss account			(899)		(784)
Shareholders' funds			128		224

The financial statements include the notes on page 32 to 38.

These financial statements were approved by the board of directors on 21/3/18 and were signed on its behalf by:

Michael S Graham
M S Graham
Director

Company registered number: 9346246

Company statement of changes in equity

For the year ended 30 September 2017

	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 period				
Loss	-	-	(516)	(516)
Total comprehensive income for the period	-	-	(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

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2016	103	905	(784)	224
Total comprehensive income for the year				
Loss	-	-	(115)	(115)
Total comprehensive income for the year	-	-	(115)	(115)
Transactions with owners, recorded directly in equity				
Issue of shares	7	12	-	19
Total contributions by and distributions to owners	7	12	-	19
Balance at 30 September 2017	110	917	(899)	128

The financial statements include the notes on pages 32 to 38.

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 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

	2017 £000	2016 £000
Directors' remuneration	206	244

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £170,000 (2016:£170,000)

24 Fixed asset investments

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

Notes (continued)

24 Fixed asset investments (continued)

The Group and Company have the following investments in subsidiaries:

Company	Principal place of business/ Country of Incorporation	Registered number	Class of shares held	Ownership	
				2017	2016
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%	-
Cornish Cottage Holidays Limited*	UK	04717186	Ordinary	100%	-
Complete Cottage Holidays Limited	UK	06980918	Ordinary	100%	-
Devonshire Cottage Holidays Limited*	UK	06980919	Ordinary	100%	-
Dorset Cottage Holidays Limited*	UK	07494512	Ordinary	100%	-
Holiday Cottage Housekeeping Limited*	UK	08859641	Ordinary	100%	-
Holiday Cottage Experts Limited*	UK	08870393	Ordinary	100%	-
Helpful Holidays (Holdings) Limited*	UK	08632456	Ordinary	100%	-
Helpful Holidays Limited*	UK	03800436	Ordinary	100%	-
West Country Cottages Limited*	UK	03741255	Ordinary	100%	-
Crackway Limited*	UK	01608897	Ordinary	100%	-
Cottage Holidays (Carlisle) Limited*	UK	07463275	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

	2017 £000	2016 £000
Amounts owed by group undertakings	38,397	33,740
	<u>38,397</u>	<u>33,740</u>

26 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Bank loans and overdrafts	1,300	1,100
Amounts owed to group undertakings	5,994	6,068
Loan notes	-	-
Accruals	12	130
	<u>7,306</u>	<u>7,298</u>

Notes (continued)

27 Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Loan notes	12,259	11,039
Bank loans and overdrafts	18,936	15,353
	<u>31,195</u>	<u>26,392</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.

	2017 £000	2016 £000
Creditors falling due more than one year		
Secured bank loans	18,936	15,353
Loan notes	12,259	11,039
	<u>31,195</u>	<u>26,392</u>
Creditors falling due within less than one year		
Current portion of secured bank loans	1,300	1,100
Loan notes	-	-
	<u>1,300</u>	<u>1,100</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2017 £000	Carrying amount 2017 £000	Face value 2016 £000	Carrying amount 2016 £000
Bank loan	GBP	LIBOR + 3% to 3.75%	2020	20,236	20,372	16,453	16,571
B loan notes	GBP	8% - 12%	2022	9,658	12,259	9,583	11,039
				<u>29,894</u>	<u>32,631</u>	<u>26,036</u>	<u>27,610</u>

Notes (continued)

29 Called up share capital

Share capital

	2017 £000	2016 £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	19	17
Ordinary C1 shares of £0.0012 each	-	-
Ordinary C2 shares of £0.0177 each	3	3
Ordinary C3 shares of £0.0085 each	3	3
Ordinary C4 shares of £0.046 each	5	5
Ordinary C5 shares of £0.046 each	5	-
Ordinary D shares of £0.01 each	-	-
Ordinary E shares of £0.0055 each	24	24
	<hr/>	<hr/>
Shares classified in shareholders' funds	110	103
	<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.

30 Related party disclosures

Identity of related parties with which the company has transacted

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

	2017 £000	2016 £000
Number of loan notes		
Clive Sykes	2,509	2,271
Lynne Teasdale	2,539	2,300
Miles Hill	5,045	4,571
Nick Magoolagan	1,891	1,713
Mike Ravis	38	34
Paul Gilbert	42	38
Laurence Marlor	36	33
Michael Graham	50	45
James Shaw	17	15
Tom Lowes	-	17
Graham Donoghue	79	-
Peter Harrison	15	-