**Sykes Cottages Holdings Limited**

# Strategic report, Directors' report and financial statements

Registered number 9346246

Year ended 30 September 2018

## Contents

## Strategic report

The directors present their strategic report for the year ended 30 September 2018.

### 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 9, showing an operating profit for the year ended 30 September 2018 of £1,564,000 (2017: profit of £654,000).
The directors will continue to develop the existing activities of the group.

On 14 January 2019, one of the Group's subsidiaries, Sykes Cottages Limited acquired 100% of the share capital of Menai Holiday Cottages Limited. 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.

***Key financial indicators***

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

| | Unit | 2018 | 2017 |
|---|---|---|---|
| Gross profit margin | % | 62.77 | 62.63 |
| Operating profit margin | % | 3.00 | 1.74 |
| Current ratio | 1.00 | 1.37 | 0.85 |

### 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.

There are concerns about the implications surrounding the UK's departure from the EU. Economic conditions, currency volatility and consumer confidence levels could all be adversely affected. For the company specifically, if consumer confidence levels decrease, then there is a potential impact on the number of holiday bookings made. We believe our strong domestic based market position, combined with holidays remaining a high priority consideration for the UK consumer, means that we will remain in a position to deliver growth.

### 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 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 and Unitranche interest is currently charged between 3% - 6.25% 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, unpaid credit balances and change in interest rates. The company maintains a flexible cost structure that the directors believe would mitigate the demand risk and unpaid credit balances and interest rate risk are constantly monitored.

Approved by the Board on 26/3/19 and signed on its behalf by:

Michael S Graham

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**M S Graham**

Director

One, St Peter's Square
Manchester
M2 3AE

# Directors' report

The directors present their report in respect of the year ended 30 September 2018.

### 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, acquired 100% of the ordinary share capital of the following company during the year:

- Cornwall Holiday Cottages Limited (12 April 2018)

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

- Coast & Country Cottages (SW) Limited and Coast & Country Cottages (Holdings) Limited (31 July 2018)
- Manor Cottages UK Company Limited, Manor Cottages Laundry Services Limited, Manor Cottages Property Services Limited and Manor Cottages Property Services (South) Limited (3 August 2018)
- DCL NewCo Limited and Dream Cottages Limited (25 September 2018)

### Proposed dividend

The directors do not recommend the payment of a dividend (2017: £nil).

### Directors

The directors who held office during the year were as follows:
Clive Peter Sykes
Michael Charles Rivis
Daniel Smith (resigned 25th July 2018)
Paul Gilbert
Michael Graham
Adam Holloway
Laurence Marlor
James Martin Shaw
Graham Donoghue
Peter John Harrison (resigned 28th September 2018)
Matthew Jacobs (appointed 25th May 2018)

### Going concern

Notwithstanding net liabilities of £15,191,000 and a loss for the current year of £4,740,000 the directors have prepared the financial statements on a going concern basis which they believe to be appropriate for the following reasons.

The Group has generated significant positive earnings before interest, depreciation, amortisation and exceptional items in recent years and has long term funding facilities in place, including a Unitranche facility of up to £68,500,000 and an RCF facility of up to £2,000,000. These facilities were drawn to £61,500,000 at the balance sheet date. The Directors have prepared trading and cash flow forecasts for at least the next 12 months which indicate that the group will operate within these facilities. In addition, the forecasts show that the Group will comply with certain financial covenants that are set under their banking facilities.

The Directors have applied reasonable downside sensitivities to their forecasts which suggest the group will continue to operate within the facilities and the financial covenant requirements.

For these reasons, after making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months and for the foreseeable future thereafter.

## Directors' report (continued)

**Political contributions**

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

**Equal opportunities, diversity and inclusion**

The Group is committed to promoting equal opportunities in employment for existing employees and prospective employees throughout the recruitment process. All employees and job applicants will receive equal treatment regardless of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation.

**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. An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on page 1.

**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

Michael S Graham

**M S Graham**

Director

One, St Peters Square
Manchester
M2 3AE

## 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 2018 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 2018 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.

## The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

**Strategic report and directors' report**

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

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

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

**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 5, 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.

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

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

**Mick Davies (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
1 St Peter's Square
Manchester
M2 3AE
Date: 28 March 2019

## Consolidated statement of profit and loss and other comprehensive income
*for year ended 30 September 2018*

| | *Note* | **Year ended 2018 £000** | Year ended 2017 £000 |
|---|---|---|---|
| **Revenue** | *3* | **52,087** | 37,506 |
| Cost of sales | | **(19,392)** | (14,015) |
| **Gross profit** | | **32,695** | 23,491 |
| Administrative expenses | | **(28,053)** | (21,513) |
| Exceptional costs | *4* | **(3,078)** | (1,324) |
| **Operating profit** | | **1,564** | 654 |
| Financial income | *6* | **127** | 7 |
| Financial expenses | *6* | **(6,664)** | (4,956) |
| **Net financing expense** | | **(6,537)** | (4,949) |
| **Loss before tax** | | **(4,973)** | (4,295) |
| Taxation | *7* | **233** | (243) |
| **Total comprehensive loss for the year** | | **(4,740)** | (4,538) |

Revenue and operating profit are derived wholly from continuing operations.

The financial statements include the notes on pages 13 to 33.

# Consolidated balance sheet
*at 30 September 2018*

| | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Tangible fixed assets | 8 | 1,982 | 1,773 |
| Intangible fixed assets – goodwill | 9 | 37,790 | 29,601 |
| Intangible fixed assets – other intangibles | 9 | 33,014 | 28,637 |
| | | 72,786 | 60,011 |
| **Current assets** | | | |
| Trade and other receivables | 11 | 10,697 | 4,927 |
| Cash and cash equivalents | | 10,658 | 7,797 |
| | | 21,355 | 12,724 |
| **Total assets** | | 94,141 | 72,735 |
| **Current liabilities** | | | |
| Other interest-bearing loans and borrowings | 12 | - | (1,300) |
| Trade and other payables | 13 | (15,449) | (12,615) |
| Tax payable | 7 | (162) | (716) |
| | | (15,611) | (14,631) |
| **Non-current liabilities** | | | |
| Other interest-bearing loans and borrowings | 12 | (59,734) | (18,936) |
| Loan notes | 12 | (28,677) | (45,007) |
| Deferred taxation | 10 | (5,310) | (4,823) |
| | | (93,721) | (68,766) |
| **Total liabilities** | | (109,332) | (83,397) |
| **Net liabilities** | | (15,191) | (10,662) |
| **Capital and reserves** | | | |
| Share capital | 15 | 111 | 110 |
| Share premium | 15 | 1,127 | 917 |
| Reserve for own shares held by employee benefit trust | 15 | - | - |
| Retained earnings | 15 | (16,429) | (11,689) |
| **Total equity** | | (15,191) | (10,662) |

The financial statements include the notes on pages 13 to 33.
These financial statements were approved by the board of directors on 26/3/19 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 2018*

| | 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 loss for the year** | | | | | |
| Loss for the year | - | - | - | (4,538) | (4,538) |
| Total comprehensive loss for the year | - | - | - | (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)** |

| | Share capital £000 | Share premium £000 | Reserve for own shares held by EBT £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|
| Balance at 1 October 2017 | **110** | **917** | **-** | **(11,689)** | **(10,662)** |
| **Total comprehensive income for the year** | | | | | |
| Loss for the year | - | - | - | (4,740) | (4,740) |
| Total comprehensive loss for the year | - | - | - | (4,740) | (4,740) |
| **Transactions with owners, recorded directly in equity** | | | | | |
| Issue of shares | 1 | 210 | - | - | 211 |
| Total transactions with owners | 1 | 210 | - | - | 211 |
| **Balance at 30 September 2018** | **111** | **1,127** | **-** | **(16,429)** | **(15,191)** |

The financial statements include the notes on pages 13 to 33.

# Consolidated cash flow statement
*for year ended 30 September 2018*

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| **Cash flows from operating activities** | | |
| Loss for the year | (4,740) | (4,538) |
| *Adjustments for:* | | |
| Depreciation and amortisation | 7,924 | 6,805 |
| Foreign exchange losses | 23 | 32 |
| Financial income | (127) | (7) |
| Financial expense | 6,664 | 4,956 |
| Taxation | (233) | 243 |
| Increase in trade and other receivables | (6,932) | (9,637) |
| Increase in trade and other payables | (1,950) | 13,319 |
| Tax paid | (1,863) | (1,347) |
| **Net cash from operating activities** | (1,234) | 9,826 |
| **Cash flows from investing activities** | | |
| Interest received | 17 | 7 |
| Acquisition of subsidiary, net of cash acquired | (11,863) | (5,944) |
| Acquisition of property, plant and equipment | (607) | (1,289) |
| Capitalised development expenditure | (2,186) | (1,330) |
| Acquisition of other intangible assets | (11) | (279) |
| **Net cash from investing activities** | (14,650) | (8,835) |
| **Cash flows from financing activities** | | |
| Proceeds from the issue of share capital | 211 | 19 |
| Proceeds from new loan | 61,500 | 6,295 |
| Repurchase of own shares | - | 35 |
| Interest paid | (13,235) | (4,956) |
| Repayment of borrowings | (29,731) | (2,647) |
| Proceeds from the issue of loan notes | - | 90 |
| **Net cash from financing activities** | 18,745 | (1,164) |
| Net increase in cash and cash equivalents | 2,861 | (173) |
| Cash and cash equivalents at 1 October | 7,797 | 7,970 |
| **Cash and cash equivalents at 30 September** | 10,658 | 7,797 |

The financial statements include the notes on pages 13 to 33.

# Notes
*(forming part of the financial statements)*

## 1 Accounting policies

Sykes Cottages Holdings Limited (the "Company") is a private company incorporated, domiciled and registered in England 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 39.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

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*

Notwithstanding net liabilities of £15,191,000 and a loss for the current year of £4,740,000 the directors have prepared the financial statements on a going concern basis which they believe to be appropriate for the following reasons.

The Group has generated significant positive earnings before interest, depreciation, amortisation and exceptional items in recent years and has long term funding facilities in place, including a Unitranche facility of up to £68,500,000 and an RCF facility of up to £2,000,000. These facilities were drawn to £61,500,000 at the balance sheet date. The Directors have prepared trading and cash flow forecasts for at least the next 12 months which indicate that the group will operate within these facilities. In addition, the forecasts show that the Group will comply with certain financial covenants that are set under their banking facilities.

The Directors have applied reasonable downside sensitivities to their forecasts which suggest the group will continue to operate within the facilities and the financial covenant requirements.

For these reasons, after making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months and for the foreseeable future thereafter.

### *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.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

*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.

### *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.

## Notes *(continued)*

### *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.

*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 Derivative financial instruments and hedging*

*Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

*Fair value hedges (interest rate swaps)*

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognized firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

### *1.9 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

## Notes (continued)

### *1.9 Property, plant and equipment (continued)*

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

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

### *1.10 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.

### *1.11 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.

# Notes *(continued)*

## *1.11 Intangible assets and goodwill*

*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) | 6-9 years |
| Customer database (acquired) | 5 years |
| Capitalised software development costs | 3-4 years |
| Goodwill | indefinite life |

## *1.12 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.

## *1.13 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. This is when risks and rewards relating to the transaction are transferred.

## *1.14 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.

## Notes *(continued)*

### *1.15 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.

### *1.16 Adopted IFRS not yet applied*

The following adopted IFRSs have been issued but have not yet been applied by the Group in these financial statements. The Group is currently assessing the effect of these standards on the financial statements.

- IFRS 9 Financial Instruments and IFRS 15 Revenue from Contract with Customers

  The Group is required to adopt IFRS 9 and IFRS 15 from 1 October 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on its consolidated financial statements and does not expect this to be material.

- IFRS 16 Leases

  The group is required to adopt IFRS 16 from 1 October 2019 which replaces IAS 17 'Leases'. The Group's lease commitments will be brought onto the consolidated statement of financial position, as a liability with a corresponding asset. Total costs incurred remain unchanged over the life of the lease but the timing of when those costs are recognised within the consolidated income statement will be impacted. Based on analysis of property lease commitments held by the group at 30 September 2018, and using an estimated discount rate, the net impact on profit is not expected to be material. There is no impact on the Group's cash flows.

# Notes *(continued)*

## 2 Acquisitions of subsidiaries

### *Acquisitions in the period*

On 12 April 2018 Go-Sykes Limited acquired all the ordinary share capital of Cornwall Holiday Cottages Limited for £700,000, satisfied by cash. The company provides a holiday letting agency service. The primary reason for the business combination is to expand the existing group.

The following table sets out the aggregated book values of the identifiable assets and liabilities acquired on 12 April 2018 and their provisional fair value to the group. Goodwill has arisen on acquisition in relation to access to additional properties and reputation in the local area. The acquisition had the following effect on the Group's assets and liabilities.

| | Book value at transfer £000 | Measurement adjustment £000 | Fair value £000 |
|---|---|---|---|
| **Net assets acquired** | | | |
| Tangible fixed assets | - | - | - |
| Intangible fixed assets | - | 362 | 362 |
| Debtors | 2 | 2 | 4 |
| Cash at bank and in hand | 413 | - | 413 |
| Creditors | (364) | 96 | (268) |
| Deferred tax | - | (62) | (62) |
| Net assets | 51 | 398 | 449 |
| Goodwill | | | 251 |
| Consideration | | | 700 |

On 31 July 2018 Sykes Cottages Limited acquired all the ordinary share capital of Coast & Country Cottages (Holdings) Limited and Coast & Country Cottages (South West) Limited for £3,909,000 satisfied by cash and surplus cash. The company provides a holiday letting agency service. The primary reason for the business combination is to expand the existing group.

The following table sets out the aggregated book values of the identifiable assets and liabilities acquired on 31 July 2018 and their provisional fair value to the group. Goodwill has arisen on acquisition in relation to access to additional properties and reputation in the local area. The acquisition had the following effect on the Group's assets and liabilities.

| | Book value at transfer £000 | Measurement adjustment £000 | Fair value £000 |
|---|---|---|---|
| **Net assets acquired** | | | |
| Tangible fixed assets | 315 | (100) | 215 |
| Intangible fixed assets | 1,050 | 2,332 | 3,382 |
| Debtors | 176 | (2) | 174 |
| Cash at bank and in hand | 51 | 1,655 | 1,706 |
| Creditors | (1,141) | (1,839) | (2,980) |
| Deferred taxation | - | (575) | (575) |
| Net assets | 451 | 1,471 | 1,922 |
| Goodwill | | | 1,987 |
| Consideration | | | 3,909 |

# Notes *(continued)*

## 2 Acquisitions of subsidiaries (continued)

On 3 August 2018 Sykes Cottages Limited acquired all the ordinary share capital of Manor Cottages UK Company Limited, Manor Cottages Laundry Services Limited, Manor Cottages Property Services Limited, Manor Cottages Property Services (South) Limited, Hideaway Holiday Cottages Limited and La Manga Direct Limited for £8,053,000, satisfied by cash. The companies provide a holiday letting agency service. The primary reason for the business combination is to expand the existing group.

The following table sets out the aggregated book values of the identifiable assets and liabilities acquired on 3 August 2018 and their provisional fair value to the group. Goodwill has arisen on acquisition in relation to access to additional properties and reputation in the local area. The acquisition had the following effect on the Group's assets and liabilities.

| | Book value at transfer £000 | Measurement adjustment £000 | Fair value £000 |
|---|---|---|---|
| **Net assets acquired** | | | |
| Tangible fixed assets | 18 | - | 18 |
| Intangible fixed assets | 292 | 3,425 | 3,717 |
| Debtors | 106 | 207 | 313 |
| Cash at bank and in hand | 1,339 | - | 1,339 |
| Creditors | (1,392) | 233 | (1,159) |
| Deferred tax | - | (632) | (632) |
| Net assets | 363 | 3,233 | 3,596 |
| Goodwill | | | 4,457 |
| Consideration | | | 8,053 |

On 25 September 2018 Sykes Cottages Limited acquired all the ordinary share capital of DCL NewCo Limited and Dream Cottages Limited for £3,879,000 satisfied by cash. The company provides a holiday letting agency service. The primary reason for the business combination is to expand the existing group.

The following table sets out the aggregated book values of the identifiable assets and liabilities acquired on 25 September 2018 and their provisional fair value to the group. Goodwill has arisen on acquisition in relation to access to additional properties and reputation in the local area. The acquisition had the following effect on the Group's assets and liabilities.

| | Book value at transfer £000 | Measurement adjustment £000 | Fair value £000 |
|---|---|---|---|
| **Net assets acquired** | | | |
| Tangible fixed assets | 51 | - | 51 |
| Intangible fixed assets | - | 2,003 | 2,003 |
| Debtors | 3 | - | 3 |
| Cash at bank and in hand | 1,221 | - | 1,221 |
| Creditors | (643) | 94 | (549) |
| Deferred taxation | (6) | (338) | (344) |
| Net assets | 626 | 1,759 | 2,385 |
| Goodwill | | | 1,494 |
| Consideration | | | 3,879 |

# Notes *(continued)*

## 3 Revenue

| | 2017 £000 | 2016 £000 |
|---|---|---|
| By geographical market | | |
| UK | **50,353** | 35,928 |
| Ireland | **1,734** | 1,578 |
| Total revenues | **52,087** | 37,506 |
| Rendering of services | **52,087** | 37,506 |

## 4 Expenses and auditor's remuneration

*Included in loss are the following:*

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Depreciation: | | |
| Owned | **645** | 351 |
| Amortisation | **7,273** | 6,454 |
| Hire of other assets – operating leases | **761** | 261 |
| Exceptional costs | **3,078** | 1,324 |
| *Auditor's remuneration:* | | |
| Audit of these financial statements | **4** | 3 |
| Amounts receivable by the company's auditor and its associates in respect of: | | |
| Audit of financial statements of subsidiaries of the company | **124** | 77 |
| Other assurance services | **138** | 2 |
| Taxation compliance services | **102** | 34 |
| Internal audit | **21** | - |

Exceptional costs of £3,078,000 include £1,001,000 costs of acquisition, £1,402,000 one-off consulting, £433,000 restructuring costs and £242,000 office relocation costs.

2017 exceptional costs of £1,324,000 include £936,000 costs of acquisition, £114,000 one-off consulting costs, £225,000 restructuring costs and £49,000 office relocation costs.

# Notes *(continued)*

## 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 | |
|---|---|---|
| | **2018** | 2017 |
| Admin support | **322** | 231 |
| Sales | **74** | 65 |
| | **396** | 296 |

The aggregate payroll costs of these persons were as follows:

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **12,917** | 9,387 |
| Contributions to defined contribution plans | **234** | 157 |
| | **13,151** | 9,544 |

## 6 Finance income and expense

**Recognised in loss**

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Finance income | | |
| Other | **17** | 7 |
| Fair Value Hedge | **110** | - |
| **Total finance income** | **127** | 7 |
| Finance expense | | |
| On bank loans and overdrafts | **176** | 727 |
| On all other loans | **6,488** | 4,229 |
| **Total finance expense** | **6,664** | 4,956 |

# Notes *(continued)*

## 7 Taxation

**Recognised in the income statement**

| | 2018 £000 | 2017 £000 |
|---|---|---|
| *Current tax* | | |
| Current year | **943** | 1,013 |
| Adjustments for prior years | **(57)** | 104 |
| Total current tax charge | **886** | 1,117 |
| *Deferred tax* | | |
| Origination and reversal of temporary differences | **(1,003)** | (874) |
| Adjustments in respect of prior periods | **(116)** | - |
| Effect of tax rate change on opening balance | - | - |
| Total deferred tax credit | **(1,119)** | (874) |
| Tax in income statement | **(233)** | 243 |

### *Reconciliation of effective tax rate*

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Loss for the year | **(4,740)** | (4,538) |
| Total tax (expense)/credit | **233** | (243) |
| Loss excluding taxation | **(4,973)** | (4,295) |
| Tax using the UK corporation tax rate of 19% (2017:19.5%) | **(945)** | (838) |
| Fixed assets differences | **133** | - |
| Non-deductible expenses | **305** | 851 |
| Tax exempt revenues | - | - |
| Group relief surrendered/(claimed) | - | - |
| Adjust closing deferred tax to average rate | **1** | - |
| Under provided in prior years | - | - |
| Deferred tax not recognised | **444** | (5) |
| Difference in current and deferred tax rates | - | 131 |
| Adjustments to tax charge in previous period | **(171)** | 104 |
| Total tax expense/(credit) | **(233)** | 243 |

### *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 Tangible fixed assets

| | Land and building £000 | Plant and machinery £000 | Fixtures, fittings, tools and equipment £000 | Assets under construction £000 | Total £000 |
|---|---|---|---|---|---|
| ***Cost*** | | | | | |
| Balance at 1 October 2016 | 85 | 16 | 982 | - | 1,083 |
| Acquisitions through business combinations | - | 385 | 905 | - | 1,290 |
| Additions | - | - | 452 | 837 | 1289 |
| Disposals | - | (139) | (370) | - | (509) |
| Balance at 30 September 2017 | **85** | **262** | **1,969** | **837** | **3,153** |
| Balance at 1 October 2017 | **85** | **262** | **1,969** | **837** | **3,153** |
| Acquisitions through business combinations | - | 49 | 235 | - | 284 |
| Transfers | 837 | - | - | (837) | - |
| Additions | 22 | - | 584 | | 606 |
| Disposals | - | (173) | (271) | | (444) |
| **Balance at 30 September 2018** | **944** | **138** | **2,517** | - | **3,599** |
| ***Depreciation and impairment*** | | | | | |
| 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** |
| Balance at 1 October 2017 | **38** | **192** | **1,150** | - | **1,380** |
| Depreciation charge for the year | 98 | 42 | 505 | - | 645 |
| Disposals | - | (155) | (253) | - | (408) |
| **Balance at 30 September 2018** | **136** | **79** | **1,402** | - | **1,617** |
| ***Net book value*** | | | | | |
| At 30 September 2017 | **47** | **70** | **819** | **837** | **1,773** |
| **At 30 September 2018** | **808** | **59** | **1,115** | - | **1,982** |

## Notes *(continued)*

### 9 Intangible fixed assets

| | Goodwill £000 | Software £000 | Brands £000 | Owner Contracts £000 | Customer Database £000 | Total £000 |
|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | |
| Balance at 1 October 2016 | 25,318 | 3,010 | 7,400 | 22,523 | 3,500 | 61,751 |
| Acquisitions through business combinations | 4,283 | 279 | 1,355 | 3,812 | 955 | 10,684 |
| Other acquisitions – internally developed | | 1,439 | | | | 1,439 |
| Other acquisitions - other | - | (109) | - | - | - | (109) |
| Balance at 30 September 2017 | **29,601** | **4,619** | **8,755** | **26,335** | **4,455** | **73,765** |
| Balance at 1 October 2017 | **29,601** | **4,619** | **8,755** | **26,335** | **4,455** | **73,765** |
| Acquisitions through business combinations | 8,189 | 11 | 1,414 | 7,283 | 767 | 17,664 |
| Other acquisitions – internally developed | - | 2,186 | - | - | - | 2,186 |
| Disposals | - | - | - | - | - | - |
| **Balance at 30 September 2018** | **37,790** | **6,816** | **10,169** | **33,618** | **5,222** | **93,615** |
| ***Amortisation and impairment*** | | | | | | |
| 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 | - | **2,2 80** | **2,134** | **9,182** | **1,931** | **15,527** |
| Balance at 1 October 2017 | - | 2,280 | 2,134 | 9,182 | 1,931 | 15,527 |
| Acquisitions through business combinations | - | 11 | - | - | - | 11 |
| Amortisation for the year | - | 1,406 | 931 | 4,023 | 913 | 7,273 |
| Disposals | - | - | - | - | - | - |
| **Balance at 30 September 2018** | - | **3,697** | **3,065** | **13,205** | **2,844** | **22,811** |
| ***Net book value*** | | | | | | |
| At 30 September 2017 | 29,601 | 2,339 | 6,621 | 17,153 | 2,524 | 58,238 |
| **At 30 September 2018** | **37,790** | **3,119** | **7,104** | **20,413** | **2,378** | **70,804** |

# 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:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Administrative expenses | 7,273 | 6,454 |
| | **7,273** | **6,454** |

*Goodwill impairment testing*

The Group tests goodwill annually for impairment. Goodwill is allocated to the Group cash-generating unit ('CGU') as this is the smallest identifiable group of assets that generates cash inflows independently. The recoverable amount of the CGU is determined from a value-in-use calculation that uses cash flow forecasts derived from the most recent financial budgets and forecasts approved by management covering a four year period. Budgets and forecasts are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth, from both new business and like for like growth and taking into consideration external economic factors.

Cash flows beyond the four year period are extrapolated using the estimated growth rate of 2.2% into perpetuity. The growth rate does not exceed the long-term average growth rate for the markets in which the CGU operates.

The pre-tax discount rate of 14% is based on the Group's weighted average cost of capital adjusted for specific principal risks and uncertainties. The discount rate takes into account the risk-free rate of return, the market risk premium and beta factor reflecting the average beta for the Group and comparator companies which are used in deriving the cost of equity.

The Board acknowledges that there are additional factors that could impact the risk profile of the CGU, which has been considered by way of sensitivity analysis performed as part of the annual impairment test. Significant headroom exists in the CGU. The level of headroom may change if different growth rate assumptions or a different pre-tax discount rate were used in the cash flow projections, however there are no likely changes to these assumptions that would result in any impairment recorded.

# Notes *(continued)*

## 10 Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

| | Liabilities 2018 £000 | 2017 £000 |
|---|---|---|
| Provisions | **5,310** | **4,823** |
| Tax liabilities | **5,310** | **4,823** |

Deferred tax assets not recognised amount to £90,625 (2017: deferred tax asset of £73,161).

*Movement in deferred tax during the year*

| | 1 October 2017 £000 | Recognised in income £000 | Acquired during the period £'000 | 30 September 2018 £000 |
|---|---|---|---|---|
| Provisions | 4,823 | (1,119) | 1,606 | 5,310 |
| | 4,823 | (1,119) | 1,606 | 5,310 |

*Movement in deferred tax during the prior 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 |
| | 4,636 | (874) | 1,061 | 4,823 |

# Notes *(continued)*

## 11 Trade and other receivables

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Trade receivables | **8,782** | 3,615 |
| Other receivables | **705** | 876 |
| Prepayments | **848** | 436 |
| Accrued income | **74** | - |
| Interest rate hedge | **110** | - |
| Director loan account | **178** | - |
| | **10,697** | 4,927 |

## 12 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.

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Non-current liabilities** | | |
| Secured bank loans | **61,500** | 18,936 |
| Capitalised arrangement fee | **(1,766)** | - |
| Loan notes | **28,677** | 45,007 |
| | **88,411** | 63,943 |
| **Current liabilities** | | |
| Current portion of secured bank loans | - | 1,300 |
| | - | 1,300 |

*Terms and debt repayment schedule*

| | Currency | Nominal interest rate | Year of maturity | Face value 2018 £000 | Carrying amount 2018 £000 | Face value 2017 £000 | Carrying amount 2017 £000 |
|---|---|---|---|---|---|---|---|
| Bank loan | GBP | LIBOR + 3% to 3.75% | 2020 | - | - | 20,100 | 20,236 |
| Unitranche | GBP | LIBOR + 6.25% | 2023 | 61,500 | 61,500 | - | - |
| RCF | GBP | LIBOR + 3% | 2022 | - | - | - | - |
| A loan notes | GBP | 8% - 12% | 2022 | 18,254 | 19,881 | 25,725 | 32,748 |
| B loan notes | GBP | 8% - 12% | 2022 | 8,076 | 8,796 | 9,673 | 12,259 |
| | | | | 87,830 | 90,177 | 55,498 | 65,243 |

On 15 December 2017 the bank loan was repaid in full and Unitranche and RCF debt issued.

A loan note interest of £7,772,431 and principal of £7,471,100 were repaid during the year.

B loan note interest of £2,881,860 and principal of £1,582,875 were repaid during the year.

# Notes *(continued)*

## 12 Other interest bearing loans and borrowings (continued)

*Changes in liabilities from financing activities*

| | Loans and borrowings £000 |
|---|---|
| **Balance at 1 October 2017** | 65,243 |
| ***Changes from financing cash flows*** | |
| Proceeds from loans and borrowings | 61,500 |
| Repayment of borrowings | (29,731) |
| **Total changes from financing cash flows** | 31,769 |
| ***Other changes*** | |
| Interest expense | 6,400 |
| Interest paid | (13,235) |
| Capitalised arrangement fee | (1,766) |
| **Total other changes** | (8,601) |
| **Balance at 30 September 2018** | 88,411 |

## 13 Trade and other payables

| | **2018 £000** | 2017 £000 |
|---|---|---|
| Trade payables | **2,898** | 1,570 |
| Other taxation and social security | **1,628** | 1,037 |
| Accruals | **3,142** | 1,782 |
| Other payables | **7,781** | 8,226 |
| | **15,449** | 12,615 |

All trade and other payables are due within one year.

# Notes *(continued)*

## 14 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 £234,000 (2017: £157,000).

## 15 Share capital

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Allotted, called up and fully paid | | |
| 5,846,667 ordinary A shares of £0.005 each | **29** | 29 |
| 2,153,333 ordinary B shares of £0.01 each | **22** | 22 |
| 1,000 ordinary B1 shares of £0.001 each | **-** | - |
| 2,000,000 ordinary C shares of £0.01 each | **20** | 19 |
| 500,000 ordinary C1 shares of £0.0012 each | **-** | - |
| 200,000 ordinary C2 shares of £0.0177 each | **3** | 3 |
| 300,000 ordinary C3 shares of £0.0085 each | **3** | 3 |
| 100,000 ordinary C4 shares of £0.046 each | **5** | 5 |
| 1000,000 ordinary C5 shares of £0.046 each | **5** | 5 |
| Nil ordinary D shares of £0.01 each | **-** | - |
| 4,347,000 ordinary E shares of £0.0055 each | **24** | 24 |
| Shares classified in shareholders' funds | **111** | 110 |

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 125,000 Ordinary C shares for £211,250. The nominal value of these shares is £0.01 and therefore £210,000 has been recognised as share premium.

## 16 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.

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| **Financial assets** | | |
| Cash (see note 12) | **10,658** | 7,797 |
| Trade and other receivables (see note 11) | **12,463** | 4,927 |
| | **23,121** | 12,724 |
| **Financial liabilities** | | |
| Bank loans (see note 12) | - | 20,236 |
| Unitranche loan (see note 12) | **61,500** | - |
| Loan notes (see note 12) | **28,677** | 45,007 |
| | **90,177** | 65,243 |

## 17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Less than one year | **789** | 288 |
| Between one and five years | **2,038** | 465 |
| | **2,827** | 753 |

The operating leases relate to buildings, vehicles and printers.

During the year £761,000 was recognised as an expense in the income statement in respect of operating leases (2017: £261,000).

# Notes *(continued)*

## 18 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 *(2017: £60,000)*.

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 and are partners in CLM Chester LLP. Rents paid during the year amounted to £150,000 *(2017: £150,000)*. £nil *(2017: £39,000)* was left in creditors owing to CLM Chester LLP at year end in relation to these properties.

CLM Chester LLP rents three properties through Sykes Cottages Ltd. Commission of £26,261 *(2017: £30,525)* were recognised on these properties during the year.

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 2018 is £19,881,000 (2017: £32,748,000). Loan note interest of £7,772,431 and principal of £7,471,100 were repaid during the year ended 30th September 2018.

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

| Number of loan notes | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| Clive Sykes | **2,145** | 2,509 |
| Lynne Teasdale | **2,172** | 2,539 |
| Miles Hill | **3,064** | 5,045 |
| Nick Magoolagan | **1,148** | 1,891 |
| Mike Rivis | **33** | 38 |
| Paul Gilbert | **37** | 42 |
| Laurence Marlor | **33** | 36 |
| Michael Graham | **49** | 50 |
| James Shaw | **16** | 17 |
| Graham Donoghue | **82** | 79 |
| Peter Harrison | **16** | 15 |

Loan note interest of £2,881,860 and principal of £1,582,875 were repaid during the year ended 30th September 2018.

*Transactions with key management personnel*

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

| | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| Key management remuneration including social security costs | **1,148** | 994 |
| Company contributions to money purchase pension schemes | **51** | 33 |
| | **1,199** | 1,027 |

# Notes *(continued)*

## 19 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.

## 20 Post balance sheet events

On 14 January 2019, Sykes Cottages Limited acquired 100% of the share capital of Menai Holiday Cottages Limited. 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.

## 21 Contingent Liabilities

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

# Company balance sheet
*at 30 September 2018*

| | Note | 2018 £000 | £000 | 2017 £000 | £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investments | *24* | | - | | - |
| **Current assets** | | | | | |
| Debtors (including £nil *(2017:£nil) due after more than one year)* | *25* | 37,577 | | 38,397 | |
| Cash at bank and in hand | | 131 | | 232 | |
| **Creditors:** amounts falling due within one year | *26* | (27,798) | | (7,306) | |
| **Net current assets** | | | 9,910 | | 31,323 |
| **Total assets less current liabilities** | | | | | |
| **Creditors:** amounts falling due after more than one year | *27* | (8,796) | | (31,195) | |
| **Net assets** | | | 1,114 | | 128 |
| **Capital and reserves** | | | | | |
| Called up share capital | *29* | | 111 | | 110 |
| Share premium account | | | 1,127 | | 917 |
| Profit and loss account | | | (124) | | (899) |
| **Shareholders' funds** | | | 1,114 | | 128 |

The financial statements include the notes on page 36 to 42.

These financial statements were approved by the board of directors on 26/3/19 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 2018*

| | Called up Share capital | Share premium account | Profit and loss account | Total equity |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Balance at 1 October 2016 | 103 | 905 | (784) | 224 |
| **Total comprehensive income for the period** | | | | |
| Loss | - | - | (115) | (115) |
| Total comprehensive income for the period | - | - | (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** |

| | Called up share capital | Share premium account | Profit and loss account | Total equity |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Balance at 1 October 2017 | **110** | **917** | **(899)** | **128** |
| **Total comprehensive income for the year** | | | | |
| Profit | - | - | 775 | 775 |
| Total comprehensive income for the year | - | - | 775 | 775 |
| **Transactions with owners, recorded directly in equity** | | | | |
| Issue of shares | 1 | 210 | - | 211 |
| Total contributions by and distributions to owners | 1 | 210 | - | 211 |
| **Balance at 30 September 2018** | **111** | **1,127** | **(124)** | **1,114** |

The financial statements include the notes on pages 36 to 42.

# 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*

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

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

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

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.

***Measurement convention***

The financial statements are prepared on the historical cost basis.

# Notes (continued)

## 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.

## Notes (continued)

**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.

# Notes (continued)

## 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

| | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| Directors' remuneration | **203** | 206 |

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £170,000 (2017:£170,000).

## 24 Fixed asset investments

| | Shares in group undertakings<br>£ |
|---|---|
| ***Cost and net book value*** | |
| 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:

| | Principal place of business/ Country of Incorporation | Registered number | Class of shares held | Ownership 2018 | 2017 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| Go-Sykes Limited | UK | 09329266 | Ordinary | 100% | 100% |
| Sykes Cottages EBT Limited | UK | 10253138 | Ordinary | 100% | 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% | 100% |
| Cornish Cottage Holidays Limited* | UK | 04717186 | Ordinary | 100% | 100% |
| Complete Cottage Holidays Limited* | UK | 06980918 | Ordinary | 100% | 100% |
| Devonshire Cottage Holidays Limited* | UK | 06980919 | Ordinary | 100% | 100% |
| Dorset Cottage Holidays Limited* | UK | 07494512 | Ordinary | 100% | 100% |
| Holiday Cottage Housekeeping Limited* | UK | 08859641 | Ordinary | 100% | 100% |
| Holiday Cottage Experts Limited* | UK | 08870393 | Ordinary | 100% | 100% |
| Helpful Holidays (Holdings) Limited* | UK | 08632456 | Ordinary | 100% | 100% |
| Helpful Holidays Limited* | UK | 03800436 | Ordinary | 100% | 100% |
| West Country Cottages Limited* | UK | 03741255 | Ordinary | 100% | 100% |
| Crackway Limited** | UK | 01608897 | Ordinary | 100% | 100% |
| Cottage Holidays (Carlisle) Limited* | UK | 07463275 | Ordinary | 100% | 100% |
| Cornwall Holiday Cottages Limited * | UK | 04924028 | Ordinary | 100% | - |
| Coast & Country Cottages (Holdings)* Limited* * | UK | 08739127 | Ordinary | 100% | - |
| Coast & Country Cottages (South West) Limited * Limited* | UK | 04073439 | Ordinary | 100% | - |
| Manor Cottages UK Company Limited* | UK | 05750184 | Ordinary | 100% | - |
| Manor Cottages Laundry Services Limited * | UK | 10315174 | Ordinary | 100% | - |
| Manor Cottages Property Services Limited* | UK | 07675654 | Ordinary | 100% | - |
| Manor Cottages Property Services (South) Limited* | UK | 09084982 | Ordinary | 100% | - |
| Hideaway Holiday Cottages Limited* | UK | 10439904 | Ordinary | 100% | - |
| La Manga Direct Limited* | UK | 03727523 | Ordinary | 100% | - |
| DCL NewCo Limited* | UK | 11421216 | Ordinary | 100% | - |
| Dream Cottages Limited* | UK | 03665465 | Ordinary | 100% | - |

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

** Crackway has been dissolved during the period ended 30th September 2018

The registered address of Sykes Cottages Limited is One City Place, Queens Road, Chester, Cheshire, CH1 3BQ

The registered address of all other investments is One St Peters Square, Manchester, M2 3DE

## 25 Debtors

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Amounts owed by group undertakings | 37,397 | 38,397 |
| Director loan account | 180 | - |
| | 37,577 | 38,397 |

# Notes *(continued)*

## 26 Creditors: amounts falling due within one year

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Bank loans and overdrafts | - | 1,300 |
| Amounts owed to group undertakings | 27,750 | 5,994 |
| Accruals | 48 | 12 |
| | 27,798 | 7,306 |

## 27 Creditors: amounts falling due after more than one year

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Loan notes | 8,796 | 12,259 |
| Bank loans and overdrafts | - | 18,936 |
| | 8,796 | 31,195 |

## 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.

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| **Creditors falling due more than one year** | | |
| Secured bank loans | - | 18,936 |
| Loan notes | 8,795 | 12,259 |
| | 8,795 | 31,195 |
| **Creditors falling due within less than one year** | | |
| Current portion of secured bank loans | - | 1,300 |
| Loan notes | - | - |
| | - | 1,300 |

*Terms and debt repayment schedule*

| | Currency | Nominal interest rate | Year of maturity | Face value 2018 £000 | Carrying amount 2018 £000 | Face value 2017 £000 | Carrying amount 2017 £000 |
|---|---|---|---|---|---|---|---|
| Bank loan | GBP | LIBOR + 3% to 3.75% | 2020 | - | - | 20,236 | 20,372 |
| B loan notes | GBP | 8% - 12% | 2022 | 8,076 | 8,795 | 9,658 | 12,259 |
| | | | | 8,076 | 8,795 | 29,894 | 32,631 |

On 15th December 2017 the bank loan and loan note interest of £2,881,860 and principal of £1,582,875 were repaid.

# Notes *(continued)*

## 29 Called up share capital

### Share capital

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Allotted, called up and fully paid | | |
| 5,846,667 ordinary A shares of £0.005 each | **29** | 29 |
| 2,153,333 ordinary B shares of £0.01 each | **22** | 22 |
| 1,000 ordinary B1 shares of £0.001 each | **-** | - |
| 2,000,000 ordinary C shares of £0.01 each | **20** | 19 |
| 500,000 ordinary C1 shares of £0.0012 each | **-** | - |
| 200,000 ordinary C2 shares of £0.0177 each | **3** | 3 |
| 300,000 ordinary C3 shares of £0.0085 each | **3** | 3 |
| 100,000 ordinary C4 shares of £0.046 each | **5** | 5 |
| 1000,000 ordinary C5 shares of £0.046 each | **5** | 5 |
| Nil ordinary D shares of £0.01 each | **-** | - |
| 4,347,000 ordinary E shares of £0.0055 each | **24** | 24 |
| Shares classified in shareholders' funds | **111** | 110 |

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 125,000 Ordinary C shares for £211,250. The nominal value of these shares is £0.01 and therefore £210,000 has been recognised as share premium.

## 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:

| Number of loan notes | 2018 £000 | 2017 £000 |
|---|---|---|
| Clive Sykes | **2,145** | 2,508 |
| Lynne Teasdale | **2,172** | 2,538 |
| Miles Hill | **3,064** | 5,045 |
| Nick Magoolagan | **1,148** | 1,891 |
| Mike Rivis | **33** | 38 |
| Paul Gilbert | **37** | 42 |
| Laurence Marlor | **33** | 36 |
| Michael Graham | **49** | 50 |
| James Shaw | **16** | 17 |
| Graham Donoghue | **82** | 79 |
| Peter Harrison | **16** | 15 |
| Loan notes | **8,795** | 12,259 |

Loan note interest of £2,881,860 and principal of £1,582,875 were repaid during the year ended 30th September 2018.