REPORT AND ACCOUNTS 2019

Sefton Group plc

SEFTON GROUP PLC
REPORT & ACCOUNTS
YEAR ENDED 31 DECEMBER 2019

DIRECTORS' NOTICE OF MEETING

Notice is hereby given that the Ninety Sixth Annual General Meeting of Sefton Group plc will be held at the Best Western Palace Hotel & Casino, Douglas on 29th September 2020 at 10am for the following purposes:

1. To receive and adopt the Directors' and Auditors' Report and the Statement of Accounts for the year ended 31 December 2019.

2. To re-elect directors:

   (i) To re-elect Mr R Hill as a director of the Company.

3. To determine the remuneration of the Directors at a combined maximum total of £48,000 for the coming year.

4. To re-appoint Crowe Morgan LLC as the Company's Auditors and to authorise the Directors to determine the Auditor's remuneration.

5. To transact any other business that may be lawful at such a meeting.

By order of the Board

R Hill
Secretary
Sefton Group plc

SEFTON GROUP PLC
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CHAIRMAN'S STATEMENT

Dear Shareholder

Our focus for the last few years has been on our plans to step change the Group's prospects by progressing our long-term strategy of modernisation and relocation. Whilst this remains the ultimate aim, our immediate priority has had to switch to management of the very serious financial threat posed by the current Covid pandemic.

Financial results

The 2019 results are somewhat overshadowed by the unprecedented circumstances that we currently find ourselves in. However, our profitability did improve to £231,000 (2018 - £65,000) and our year-end net current assets position was significantly stronger.

On the back of the Sefton Hotel sale and leaseback deal, we were able to fully repay the commercial mortgage on the property, and the government's working capital loan from 2013. We also settled our forward lease liabilities on Capital House, a legacy issue that dated back over ten years. The Group still has an element of non-core liability to deal with, but it is a tiny fraction of the debt mountain we faced a decade ago.

It is worth noting that the improved performance seen in 2019 continued into the early months of 2020, with our profitability over £100,000 above budget prior to the pandemic.

Current trading

As you would expect, our 2020 trading has been massively impacted since the Covid crisis hit in March. For nearly three months, every aspect of our business was subject to closure under the government's emergency measures. Since the latter part of June we have been able to reopen our casino, health club and cinema businesses but, as I write, the borders remain closed to non-residents, so our hotel business is still largely shut. We are taking weekend local bookings at the Palace, but Sefton and Sefton Express remain mothballed, and more than half of our staff remain furloughed.

The parts of the business that we can viably operate are performing as well as could be expected under the difficult circumstances. Not only are we having to deal with the lack of visitors and the continuing impact of the pandemic on economic activity, but we are also struggling with the disruption caused by the overrunning promenade refurbishment scheme. Traffic and parking problems, unexpected changes in the timetable and one-way traffic restrictions are the very last things we, and other promenade hotels need during such difficult times.

A combination of limited trading income from our non-hotel businesses, government support measures and the deferral of financing costs is allowing us to survive without any material hotel income. The board and management have also taken major salary and fee reductions to help the cause, and I thank them for that. Unfortunately, as outlined in my letter to shareholders in June, we have had to suspend preference dividends for the foreseeable future. As I'm sure you'll appreciate, our banks and other impacted stakeholders would not take kindly to dividend payments at a time when we're asking for their continuing forbearance.

CHAIRMAN'S STATEMENT (Cont.)

Immediate prospects

As I write, there is no timetable for the lifting of border restrictions and therefore no clarity on when we can welcome back visitors to our hotels. To be fair, government faces an almost impossible balancing act, and the current upward trend of infection rates in the UK and elsewhere must be giving them pause for thought with regard to relaxation measures.

Looking at the Island's economy in the round, the current cautious policy on borders is justified. The visitor sector is around 6%-7% of local economic activity (the 'real economy') so, even without the health considerations, it has to make sense to sacrifice the visitor element to allow the other 90%-plus to operate with relative normality. However, it is only fair that those having to make the sacrifices for the greater good are protected from the worst of the impact via government intervention. To date this has been the case, but the worst is yet to come as the sector enters the winter without the benefits of a 2020 summer season, with much reduced forward bookings through continued uncertainty, and having to cope with £millions of carry forward booking liabilities from 2020. It is no exaggeration to say that the survival of our sector depends on the willingness of government to continue providing adequate support measures until normal trading conditions return.

Longer term prospects

If government is prepared to provide the right level of support to the hotel sector, the longer term prospects for Isle of Man tourism are probably stronger post-Covid than they were before the pandemic hit. The bedrock of our market is the over-50s demographic and many of these will have been put off long-haul travel, cruises and overseas winter sojourns by the horror stories that arose in the early weeks of the crisis. Most industry experts expect a boom in UK staycations over the next few years and the Isle of Man is perfectly positioned to take advantage of this as an 'overseas staycation' destination with plenty of attributes to attract the older visitor.

If we are to take best advantage of this unexpected opportunity, government support needs to be both short-term and long-term. The immediate need is to avoid business failures, and this requires a continuance of salary support and strategic capacity measures for the next six to nine months. However, we also need to improve the quality of our offering if we are to attract and retain new customers, and this requires investment in accommodation and other customer-facing infrastructure. A continuation of current support measures may keep the sector alive but many will emerge in a weakened financial condition, with little or no capacity for investment. Consequently, access to capital through government-backed loans or grants will be essential to satisfy the customer demands that we're likely to see once the market recovery begins.

The importance of building on recovery is not just an issue for the accommodation providers. Government's visitor surveys show that for every £100 spent by visitors on accommodation, £360 is spent elsewhere in the local economy, so investing in the future of accommodation providers has a direct and very tangible benefit to many other sectors within the broader Manx economy.

CHAIRMAN'S STATEMENT (Cont.)

Conclusion

Your Group and indeed the whole visitor sector on the Island is facing a critical period over the next year or so. If we do not receive adequate support to counter the massive losses from border closures or restrictions then many hotels and other accommodation providers will struggle to survive. However, if government protects the sector through the immediate impacts of Covid and follows up with investment-enabling measures, then we and others can take advantage of a growing market to the benefit of both the sector and the Island. I do hope that we will have more clarity on the key issues shortly and I will update shareholders as soon as possible, either in my comments at the forthcoming AGM or by follow-up circular.

Finally, I would like to thank our staff for their forbearance through the difficult last six months. Many have been stood down or furloughed and most have had to take direct pay reductions or live without the overtime and gratuities that usually help top up their basic pay. It hasn't been easy for them but the vast majority have stuck by us and I very much appreciate their loyalty and sacrifice.

Clive Parrish
Chairman

COMPANY INFORMATION

Directors
C D Parrish, BSc FCIB C Dir (Chairman)*
A H Brockhouse
R Hill, F.C.A.
N B Martin, A.C.A.
D Monks*

Secretary and Registrar
R Hill, F.C.A.

Registered Office
Sefton Hotel
Harris Promenade
Douglas
Isle of Man
IM1 2RW

Auditors
Crowe Morgan Chartered Accountants
8 St George's Street, Douglas,

Bankers
Barclays Wealth
Barclays House, Victoria Street
Douglas, Isle of Man

Isle of Man Bank Limited
Athol Street, Douglas, Isle of Man

AIB Group (UK) plc
Ann Street, Belfast, Northern Ireland

*__denotes non-executive directors__

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 “The Financial Reporting Standard applicable to the UK and Republic of Ireland”. The financial statements are required to give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business; and
- state whether they have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable to the UK and Republic of Ireland”, subject to any material departures disclosed and explained in the accounts;

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance of the corporate and financial information included within the Company’s website. Legislation in the Isle of Man governing the preparation and dissemination of the financial statements and other information included in the annual reports may differ from the legislation in other jurisdictions.

DIRECTORS' REPORT

The Directors present their report together with the financial statements for the year ended 31 December 2019 which shows the state of the Company's and the Group's affairs.

Results and Dividend

The consolidated profit for the year before taxation amounted to £231,867 (year ended 31 December 2018: £64,588) and after taxation amounted to £231,867 (year ended 31 December 2018: £64,588).

A dividend was not paid in respect of the year ended 31 December 2018 and the directors do not recommend a dividend in respect of the year ended 31 December 2019.

Substantial Interests in Share Capital
At 21 September 2020

	Percentage Holding
Auldyn Properties Limited	28.64%
Sunningdale Investments Limited	12.38%
Capital International (Holdings) Limited	11.10%
Panther Limited	8.27%
Trustees of Panther Limited Pension Fund	1.60%
Outward Limited (in receivership)	5.66%
N B Martin	3.15%

No further holdings of more than 3% of the issued share capital of the Company are known to the Board.

Principal Activities of the Company and of the Group

The principal activity of the Company is the provision of hotel services.

The principal activities of the Group are the provision of hotel and leisure services.

The principal activities of the subsidiaries are detailed in note 5 to the financial statements.

The results of the subsidiaries are incorporated in these consolidated financial statements for the period of control.

DIRECTORS' REPORT (cont.)

Directors

The Director retiring by rotation is R Hill who being eligible offers himself for re-election.

The interest of the Directors and their immediate family in the share capital of the Company at 31 December 2019 was as follows: -

	Ordinary Shares of 25p each	***Adjusted for Put and Calls***
C D Parrish	11,054	11,054
A H Brockhouse	346,982	346,982
R Hill	770,567	770,567
N B Martin	1,255,183	1,255,183
D Monks	2,000	2,000

Auditor

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Crowe Morgan Chartered Accountants have indicated their willingness to continue in office, in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

C D Parrish, Chairman

21 September 2020

SEFTON GROUP PLC
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YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	*Year ending 31 December 2019 £000*	*Year ending 31 December 2018 £000*
TURNOVER	2	11,713	11,739
Cost of sales and expenses		(10,635)	(10,709)
OPERATING PROFIT	2	**1,078**	**1,030**
Profit on disposal of fixed assets		6	-
PROFIT BEFORE FINANCE COSTS		1,084	1,030
Interest payable		(853)	(965)
PROFIT BEFORE TAX		**231**	**65**
Taxation	3	-	-
PROFIT FOR THE FINANCIAL YEAR		**231**	**65**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**231**	**65**

Profit per share			
- basic	6	0.58p	0.16p
- diluted	6	0.81p	0.23p

CONSOLIDATED BALANCE SHEET

	Note	*As at 31 December 2019*		*As at 31 December 2018*	
		£000	*£000*	*£000*	*£000*
FIXED ASSETS					
Tangible fixed assets	7		26,523		34,262
Goodwill and other intangible fixed assets	8	-		-	
Negative goodwill	8	-		-	
	8		-		-
			26,523		**34,262**
CURRENT ASSETS					
Property held for sale	9	700		755	
Inventories	10	132		122	
Trade & other receivables	11	1,885		1,303	
Cash and cash equivalents		318		434	
		3,035		**2,614**	
LIABILITIES: Amounts falling due within one year					
Trade & other payables	12	2,618		3,294	
Current financial liabilities	12	1,280		8,841	
		3,898		**12,135**	
NET CURRENT LIABILITIES			**(863)**		**(9,521)**
TOTAL ASSETS LESS CURRENT LIABILITIES			**25,660**		**24,741**
LIABILITIES: Amounts falling due after one year					
Financial liabilities: Bank loans	13	6,057		6,686	
Other financial liabilities	14	67		97	
Other liabilities	14	4,780		3,455	
			(10,904)		**(10,238)**
NET ASSETS			**14,756**		**14,503**
CAPITAL AND RESERVES					
Share capital	15		9,961		9,939
Capital reserves			15,706		15,706
Revenue reserves			(10,911)		(11,142)
Shares to be issued			-		-
TOTAL EQUITY SHAREHOLDERS' FUNDS			**14,756**		**14,503**

The financial statements were approved and authorised for issue by the board on 21 September 2020.
Signed on behalf of the board of directors

C D Parrish, Director

N B Martin, Director

COMPANY BALANCE SHEET

	Note	As at 31 December 2019		Restated As at 31 December 2018	
		£000	£000	£000	£000
FIXED ASSETS					
Tangible fixed assets	7		86		7,745
Intangible fixed assets	8		-		-
Investments in subsidiaries	5		15,096		14,981
Other receivables from Group undertakings	11		39,299		30,475
			54,481		**53,201**
CURRENT ASSETS					
Inventories		59		45	
Trade & other receivables	11	1,463		782	
Cash and cash equivalents		44		198	
		1,566		**1,025**	
LIABILITIES: Amounts falling due within one year					
Trade & other payables	12	1,018		1,231	
Current financial liabilities	12	157		7,598	
Other payables to related parties	19	26,459		27,071	
		27,634		**35,900**	
NET CURRENT LIABILITIES			**(26,068)**		**(34,875)**
TOTAL ASSETS LESS CURRENT LIABILITIES			**28,413**		**18,326**
LIABILITIES: Amounts falling due after one year					
Financial liabilities- bank loans	13	-		-	
Other liabilities	14	1,780		455	
			(1,780)		**(455)**
NET ASSETS			**26,633**		**17,871**
CAPITAL AND RESERVES					
Share capital	15		9,961		9,939
Capital reserves			15,706		15,706
Revenue reserves			966		(7,774)
Shares to be issued			-		-
TOTAL EQUITY SHAREHOLDERS' FUNDS			**26,633**		**17,871**

The financial statements were approved and authorised for issue by the board on 21 September 2020.
Signed on behalf of the board of directors

C D Parrish, Director

N B Martin, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	*Share capital*	*Share premium account*	*Equity component of preference shares*	*Revenue reserve*	*Shares to be issued*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
At 1 January 2019	9,939	15,706	-	(11,142)	-	14,503
Shares based payment	-	-	-	-	22	22
Shares issued	22	-	-	-	(22)	-
Equity component movement	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	231	-	231
At 31 December 2019	9,961	15,706	-	(10,911)	-	14,756

Group	*Share capital*	*Share premium account*	*Equity component of preference shares*	*Revenue reserve*	*Shares to be issued*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
At 1 January 2018	9,921	15,706	62	(11,207)	-	14,482
Shares based payment	-	-	-	-	18	18
Shares issued	18	-	-	-	(18)	-
Equity component movement	-	-	(62)	-	-	(62)
Total comprehensive income for the year	-	-	-	65	-	65
At 31 December 2018	9,939	15,706	-	(11,142)	-	14,503

CONSOLIDATED CASH FLOW STATEMENT

	Note	*Year ending 31 December 2019 £000*		*Year ending 31 December 2018 £000*	
		£000	*£000*	*£000*	*£000*
NET CASH FLOW FROM OPERATING ACTIVITIES	(a)		(1,351)		2,459
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(853)		(965)
TAXATION PAID			-		-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Payments to acquire tangible fixed assets		(219)		(142)	
Proceeds from sale of tangible fixed assets (net movement)		7,571		1,210	
			7,352		1,068
Equity dividend paid			-		-
Net cash inflow before use of financing			5,148		2,562
FINANCING					
Issue of ordinary share capital		-		-	
Loan capital received		-		-	
Loan capital repaid		(5,137)		(2,188)	
Capital element of finance lease rental payments		(67)		(51)	
			(5,204)		(2,239)
(DECREASE) / INCREASE IN CASH			(56)		323

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ending 31 December 2019 £000	*Year ending 31 December 2018 £000*
Operating profit	1,078	1,030
Depreciation charge	473	588
(Increase) in stocks	(10)	(16)
(Increase) / Decrease in debtors	(582)	139
(Decrease) / Increase in creditors	(2,387)	608
Property movement – non-cash	55	154
Equity component of preference shares reversal	-	(62)
Share based payment	22	18
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	(1,351)	2,459

(b) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	*Year ending 31 December 2019 £000*	*Year ending 31 December 2018 £000*
(Decrease) / Increase in cash in the year	(c)	(56)	323
Cash outflow from decrease in debt	(c)	5,137	2,188
Change in net debt resulting from cash flows		5,081	2,511
Non-cash transactions	(c)	(31)	1,137
Net movement in finance leases	(c)	18	(132)
Net debt at 1st January		(14,579)	(18,095)
Net debt at 31st December		(9,511)	(14,579)

(c) ANALYSIS OF CHANGE IN NET DEBT

	2019 £000	*Non-cash changes*	*Acquisitions*	*Cashflow*	*2018 £000*
Cash in hand	318	-	-	(116)	434
Overdraft	-	-	-	60	(60)
Total	318	-	-	(56)	374
Debt due within 1 year	(640)	(31)	-	4,508	(5,117)
Debt due after 1 year	(9,057)	-	-	629	(9,686)
Finance leases	(132)	-	(49)	67	(150)
Total	(9,829)	(31)	(49)	5,204	(14,953)
	(9,511)	(31)	(49)	5,148	(14,579)

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

(a) Statement of compliance

Sefton Group Plc is a company limited by shares, incorporated in the Isle of Man. Its registered office is Sefton Hotel, Harris Promenade, Douglas, Isle of Man, IM1 2 RW

The Group's financial statements have been prepared in accordance with Financial Reporting Standard 102 and applicable law, and have been prepared under the historical cost convention except as stated below.

Going concern

The financial statements have been prepared on the going concern basis.
On 30th January 2020 the World Health Organisation announced the outbreak of the disease known as Covid 19 as a global health emergency. On 11th March 2020 the status was elevated to a global pandemic. On 16th March 2020 the Isle of Man Government declared a state of emergency, and subsequently passed emergency legislation to introduce social distancing measures to prevent the spread of the virus, which included the closure of the Isle of Man border to non-residents.
On 27th March 2020, the Group's hotels and leisure facilities were subject to a closure order under the aforesaid emergency legislation. The closures had a significant impact on the revenue, profits and cash flow of the Group, and at the date of approval of these financial statements, two of the Group's hotels remain closed, and the third is operating at weekends only, and the Isle of Man borders remain closed to non-residents.
The Group has taken a number of mitigating actions, including accessing available financial support from the Isle of Man Government through the strategic capacity scheme and the salary support scheme. In addition, the Group has negotiated certain payment deferral agreements in respect of its secured liabilities, and has suspended preference share dividends until further notice.
In concluding that it was appropriate to adopt the going concern basis the Directors have reviewed the cash flow forecasts of the Group that cover at least the next 12 months from the date of approval of these financial statements. In assessing the funding and liquidity available, the Directors have modelled a scenario which assumes that hotels remain shut until Spring 2021, and that government financial support remains available in the intervening period. A key judgement exists in making this determination as it involves factors outside of the Directors' control.
At the date of approval of these financial statements, the local and global outlook as a result of the pandemic is significantly uncertain in terms of its duration, extent, range of potential outcomes and ultimate impact, and therefore the Group cannot estimate with any precision the impact on its prospective financial performance.
The impact of the pandemic and the measures put in place to control the virus spreading have created a number of events and conditions which have indicated a material uncertainty related to going concern for the Group.

NOTES TO THE ACCOUNTS (cont.)

1 ACCOUNTING POLICIES (cont.)

Management of debt

In September 2016 the Group successfully replaced the lending relating to Palace Hotel & Casino Limited with a new five-year facility. As a result, all of the Group bank lending facilities now have a minimum term of twelve months to run.

In view of the nature of the lending facilities and the ability of the Group to service those facilities, the Directors have concluded that the risk of the Group being unable to renew and/or refinance and/or repay loans as they become due is low, and as such believe the adoption of the going concern assumption is appropriate.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (as detailed in note 5).

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at fair values at the date of the acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Where the fair value of the assets, liabilities and contingent liabilities acquired is greater than the cost, the excess is recognised as negative goodwill.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as applicable. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

(c) Tangible Fixed Assets

Tangible fixed assets, other than investment properties, are reflected at cost (with the exception of the Sefton Hotel building which is reflected at previous GAAP revaluation as its deemed cost under the transitional provisions of FRS 102) net of depreciation and any provision for impairment.

Assets in the course of construction and those held for future development are shown at cost less provision for impairment and are not depreciated.

NOTES TO THE ACCOUNTS (cont.)

1 ACCOUNTING POLICIES (cont.)

(d) Depreciation

Depreciation is provided on a straight line basis on all tangible fixed assets, other than investment properties, assets under the course of construction and land, over their useful economic lives:

Freehold buildings are depreciated at a rate of 2.04% per annum on a straight line basis and allowing for a residual balance of 50% of initial cost. Where the useful economic life is considered to be shorter assets are depreciated over a shorter period to a higher residual value. Residual values are reviewed annually for indication of impairment.

Leasehold Properties are capitalised at cost and depreciated over the course of the lease.

Plant and equipment, furniture and fittings and motor vehicles are depreciated at rates estimated to write off assets over their anticipated lives of between 3 and 30 years.

(e) Goodwill

Goodwill is recognised as an intangible fixed asset, is amortised over its useful economic life, and is reviewed at least annually for impairment. Any impairment is recognised immediately in the profit and loss account. Negative goodwill is recognised as a negative intangible fixed asset and is released to the profit and loss account, on a basis consistent with the depreciation of the non-monetary assets acquired in the transaction giving rise to the creation of negative goodwill. The following amortisation rates are used:

Goodwill	10 years
Negative Goodwill	10 years

(f) Leasing

Assets acquired under finance leases are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

(g) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value.

(h) Finance costs

Finance costs comprise interest payable on bank and other loans and are accounted for on an accruals basis.

NOTES TO THE ACCOUNTS (cont.)

1 ACCOUNTING POLICIES (cont.)

(i) Pensions

The Company makes payments to private personal money purchase pension schemes. The pension charge in the profit and loss account represents the amounts payable by the Company in respect of the year.

(j) Turnover

Turnover represents the amounts derived from the provision of goods and services for the period, stated net of value added tax.

In relation to gaming activities, casino revenue is principally the net gaming win, which represents the difference between gaming wins and losses. Bingo revenue is recorded as customer stake less cash prizes.

(k) Capitalised interest

Interest incurred on loans in respect of fixed asset development activities is capitalised as part of the asset cost until such times as the development is complete.

(l) Share based payments

The Group issues equity-settled share based payments to certain directors and employees. Equity-settled share based payments are measured at fair value at the date of grant. The fair value is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

(m) Property held for sale

Properties held for sale are reported as current assets where the intention is to realise the asset within 12 months.

(n) Government Grants

Government grants received as a contribution towards expenditure on fixed assets are deducted from the cost of the related asset. There is a consequent reduction in the annual charge for depreciation.

1 ACCOUNTING POLICIES (cont.)

(o) Financial Instruments

The Group has elected to apply the recognition and measurement provisions of Section 11 and 12 of FRS 102 for all its financial instruments. Financial assets and liabilities are recognised on the date on which the Company becomes party to the contractual provisions of the instrument giving rise to the asset or liability.

Financial assets
The Company classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are classified as 'held for trading' as they are acquired for the purpose of selling in the near term. Held for trading financial assets comprise quoted equity investments which are reported at the year end 'bid-price' of the security and unquoted equity investments whose fair value cannot be otherwise reliably measured are recognised at cost less impairment. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within 'fair value gain/loss on financial instruments' in the period in which they arise.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as fixed assets. Loans and receivables are classified as 'trade and other receivables' on the balance sheet. Other receivables are recognised and carried at original invoice amount, less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off, when identified.

c) Cash and cash equivalents
Cash in the balance sheet comprises cash at bank and in hand, and is a financial asset. Bank overdrafts are shown within current financial liabilities on the balance sheet. Cash at bank earns interest at floating rates, based on daily bank deposit rates. There is no difference between the fair value and book value of cash and cash equivalents.

Financial liabilities
The Company classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial liabilities were accrued.

NOTES TO THE ACCOUNTS (cont.)

1 ACCOUNTING POLICIES (cont.)

a) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified in this category, if acquired principally for the purpose of selling in the short term. They are included in current liabilities, except for maturities greater than 12 months after the balance sheet date.

b) Derivative financial instruments
Derivative financial instruments comprise interest rate swaps and are stated at fair value on initial recognition and at subsequent balance sheet dates in accordance with values advised by the issuer. The movement in the fair value at the balance sheet date is recognised in the profit and loss account.

c) Other financial liabilities
Other financial liabilities are measured at fair value on initial recognition and subsequently measured at amortised cost, using the effective-interest method, and comprise;
Trade and other payables
Trade and other payables are initially recognised at cost and subsequently at amortised cost using the effective interest method.
Bank loans and loan notes
Interest-bearing bank loans are recorded initially at fair value of consideration received net of direct issue costs. Borrowings are subsequently recorded at amortised cost, with any difference between the amount initially recorded and the redemption value recognised in the profit and loss account over the period of the bank loans, using the effective-interest method. Bank loans and loan notes are classified as current liabilities, unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Share capital
Ordinary shares are classified as equity.

(p) Investments in subsidiaries

Investments in subsidiaries are reported as fixed assets and are stated at fair value with changes through profit and loss. This represents a change in accounting policy from previous years when investments in subsidiaries were recognised at acquisition costs less any provision for impairment. The Directors have undertaken a review of accounting policies in accordance with Financial Reporting Standard 102 and consider that the revised policy is more appropriate and gives a fairer representation of the results and financial position of the parent company. Applied retrospectively, the effect of the change in accounting policy is to recognise £14,422,814 within reserves as at 1st January 2018, and to reflect an associated increase of £14,422,814 in fixed asset investments as at 1st January 2018.

NOTES TO THE ACCOUNTS (cont.)

1 ACCOUNTING POLICIES (cont.)

(q) Judgements and key sources of estimation uncertainty

No significant judgments have had to be made by the directors in preparing these financial statements. The directors have made key assumptions in determining the fair value of the property held for sale in respect of the state of the property market in the location where the properties are situated, and in respect of the range of reasonable fair value estimates of the assets. The valuation method is further described in note 9. As described in Note 11, the receivable due from Auldyn Properties Limited is contingent upon the Antiguan land achieving the target sale. The Directors have made estimates and assumptions about the prospects of achieving the target price, which include regard to valuations prepared by CBRE, in their determination of provisions against the receivable. The Directors have also made estimates and assumptions in arriving at the fair value of the investments in subsidiaries, with reference to the net assets of the investments.

2 TURNOVER AND OPERATING PROFIT

	Year ending 31 December 2019 £000	*Year ending 31 December 2018 £000*
The composition of reported turnover is as follows:		
Hotel operations	7,705	7,918
Gaming activities	3,138	2,942
Cinema activities	806	729
Property rental	64	79
Other trading operations- continuing operations	-	71
	11,713	**11,739**

The consolidated operating profit is stated after charging/ (crediting):	*Year ending 31 December 2019 £000*	*Year ending 31 December 2018 £000*
Non-executive Directors' fees – Parent Company	35	35
Share based payments	22	18
Auditors' remuneration – Audit fees	55	56
Auditors' remuneration – Non-audit services	-	-
Depreciation on fixtures, fittings, plant and machinery		
- Owned by the Group	123	199
- Held by finance leases	26	4
Depreciation on freehold and leasehold property	324	385

NOTES TO THE ACCOUNTS (cont.)

3 TAXATION

Tax on (loss) / profit of Ordinary Activities

(i) Analysis of Charge in the year

	Year ending 31 December 2019 £000	*Year ending 31 December 2018 £000*
CURRENT TAX		
Tax charge on ordinary activities (note (ii)	-	-

(ii) Factors affecting tax charge for the year

The tax assessed for the year is less than would be expected by multiplying profit on ordinary activities by the standard rate of Manx income tax of 0%. The differences are explained below:

	Year ending 31 December 2019 £000	*Year ending 31 December 2018 £000*
Profit on ordinary activities before tax	231	65
Profit on ordinary activities multiplied by standard rate of Manx income tax of 0% (2018: 0%)	-	-
Effects of income taxable at a higher rate of income tax	-	-
Current tax credit for period (note (i))	-	-

No provision for tax is required in respect of other income as the general rate of income tax for companies in the Isle of Man is 0%. No provision for tax on rental income is required as a result of group relief claims.

(iii) Factors that may affect future tax charges

The Company has carried forward tax losses which will mean that in respect of non-rental income, no tax will be payable for the foreseeable future.

4 DIVIDENDS

No dividend was paid in respect of the year ended 31 December 2018. Furthermore, the directors recommend that a dividend is not paid in respect of the year ended 31 December 2019.

NOTES TO THE ACCOUNTS (cont.)

5 FINANCIAL ASSETS

Fixed asset Investments

Company	*Year ending 31 December 2019* *£000*	Restated *Year ending 31 December 2018* *£000*
Subsidiary undertakings	15,096	14,981

As at 31 December 2019 the Company reported and consolidated the following 100% subsidiaries, all of which are incorporated in the Isle of Man:

Name	**Activity**
Sefton Spa Limited	Property Holding
Torpenhow Limited (formerly Sefton Properties (Duke St) Limited)	Dormant
Sefton Express Limited	Hotelier
Palace Entertainments Limited	Cinema
Chandalier Properties Limited	Dormant
Sefton Media Limited	Investment Holding
Palace Hotel Holdings Limited	Investment Holding
Palace Hotel & Casino Limited (Subsidiary of Palace Hotel Holdings Limited)	Hotel/Casino
Sefton Hotel Limited	Hotelier
Sefton Properties Limited	Investment Holding
Ronaldsway Airport Hotel Limited (Subsidiary of Sefton Properties Limited)	Property Holding
Carrick Lodge Limited	Property Holding

As at 31 December 2019 the Company held the following 100% subsidiaries, all of which are incorporated in the Isle of Man. The Company has opted not to consolidate these subsidiaries as they formed part of the 2013 restructure agreement with Lloyds Banking Group ('LBG') under which LBG assumed responsibility for all assets and liabilities of those companies listed below:

Name	**Activity**
Sefton Manx Properties Limited	Dormant
The Wave Limited (Subsidiary of Sefton Manx Properties Limited)	Dormant
Manx Properties plc (Subsidiary of Sefton Manx Properties Limited)	Dormant
Archfield Limited (Subsidiary of Manx Properties plc)	Dormant
Dreamtown Limited (Subsidiary of Manx Properties plc)	Dormant
Wayfall Limited (Subsidiary of Manx Properties plc)	Dormant

6 EARNINGS PER SHARE

Basic earnings per share as disclosed on the face of the Profit and Loss Account is computed by dividing post tax profit of £231,867 (31 December 2018 post tax profit: £64,588) by 39,777,163 (31 December 2018: 39,691,335) being the weighted average number of shares in issue for the year.

Diluted earnings per share as disclosed on the face of the Profit and Loss Account is computed by dividing post tax profit, after adding back interest charged on preference shares, resulting in a profit of £335,666 (31 December 2018 post tax profit: £101,850) by 41,672,621 (31 December 2018: 44,273,985) being the diluted weighted average number of shares in issue for the year added to the potential number of ordinary shares that could be redeemed by holders of preference shares.

The post taxation profit per share are 0.58p (2018 post taxation profit per share: 0.16p).

7 TANGIBLE FIXED ASSETS

Group	*Land & buildings*	*Equipment, plant & vehicles*	*Total*
	£000	*£000*	*£000*
Cost			
At 1 January 2019	40,702	15,179	55,881
Additions at cost	-	266	266
Disposals	(11,265)	(3,581)	(14,846)
Total at 31 December 2019	29,437	11,864	41,301
Depreciation			
At 1 January 2019	7,565	14,054	21,619
Charge	324	149	473
Disposals	(4,147)	(3,167)	(7,314)
Total at 31 December 2019	3,742	11,036	14,778
Net book value			
At 31 December 2019	25,695	828	26,523
At 31 December 2018	33,137	1,125	34,262

During the year, the Group entered into a sale and leaseback of the Sefton Hotel, and settled its forward lease liabilities on Capital House. As a result of both transactions, the Group realised a net profit on disposal of fixed assets of £5,824.

The net book amounts of Equipment, Plant & Vehicles above include £203,193 (31 December 2018: £179,411) in respect of assets held under finance leases. The depreciation charge for the year in respect of assets held under finance leases is £25,797 (31 December 2018: £4,447).

NOTES TO THE ACCOUNTS (cont.)

7 TANGIBLE FIXED ASSETS (cont)

Included within land and buildings are the following:

- Assets held under leaseholds totalling £523,588 (31 December 2018: £523,588) and accumulated depreciation of £229,495 (31 December 2018: £218,743);

Company	*Land & buildings*	*Equipment, plant & vehicles*	*Total*
	£000	*£000*	*£000*
Cost			
At 1 January 2019	11,265	3,623	14,888
Additions at cost	-	70	70
Disposals	(11,265)	(3,581)	(14,846)
Total at 31 December 2019	-	112	112
Depreciation			
At 1 January 2019	3,975	3,169	7,144
Charge	172	25	197
Disposals	(4,147)	(3,168)	(7,315)
Total at 31 December 2019	-	26	26
Net book value			
At 31 December 2019	-	86	86
At 31 December 2018	7,290	454	7,744

8 INTANGIBLE FIXED ASSETS

Group	*Trade names*	*Goodwill*	*Negative goodwill*	*Net intangible fixed assets*
	£000	*£000*	*£000*	*£000*
Cost				
At 1 January 2019	10	-	(5,558)	(5,548)
Additions	-	-	-	-
Disposals	(10)	-	-	(10)
Total at 31 December 2019	-	-	(5,558)	(5,558)
Amortisation				
At 1 January 2019	10	-	(5,558)	(5,548)
Charge	-	-	-	-
Disposals	(10)	-	-	(10)
Total at 31 December 2019	-	-	(5,558)	(5,558)
Net book value				
At 31 December 2019	-	-	-	-
At 31 December 2018	-	-	-	-

Company	*Trade names*
	£000
Cost	
At 1 January 2019	10
Additions	-
Disposals	(10)
At 31 December 2019	-
Amortisation	
At 1 January 2019	10
Charge	-
Disposals	(10)
At 31 December 2019	-
Net book value	
At 31 December 2019	-
At 31 December 2018	-

NOTES TO THE ACCOUNTS (cont.)

9 PROPERTY HELD FOR SALE

Group	*2019*	*2018*
	£000	*£000*
At 1 January 2019	755	3,255
Additions	-	-
Disposals	-	(2,500)
Revaluation	(55)	-
At 31 December 2019	700	755

The valuation of the residential property held for sale has been reviewed by the Directors and in light of the current market value they have amended the carrying value.

10 INVENTORIES

Group	*2019*	*2018*
	£000	*£000*
Inventories	132	122
	132	122

NOTES TO THE ACCOUNTS (cont.)

11 TRADE & OTHER RECEIVABLES

Group	*2019*	*2018*
	£000	*£000*
Trade receivables	95	315
Other receivables	1,790	988
	1,885	1,303

Company	*2019*	Restated *2018*
	£000	*£000*
Amounts included in fixed assets:		
Other receivables from Group undertakings (note 19)	39,299	30,475
	39,299	30,475
Trade receivables	28	63
Other receivables	1,435	719
	1,463	782

Included within other receivables is a balance of £573,000 which is subject to the disposal proceeds agreement with Auldyn Properties Limited which requires a parcel of land in Antigua to achieve a target price. Subject to the target price achieved, the balance will be settled in cash or a mix of cash and shares. The directors having had access to valuations prepared by CBRE are satisfied that the sale of the underlying parcel of land held by Antigua & Barbuda Properties Limited will meet or exceed the target price and that no provision is required.

As part of the sale and leaseback of the Sefton Hotel, there was an initial deferred consideration due of £600,000. Of this amount, £240,000 was received in 2019, the balance of £360,000 is included in other receivables and was received in 2020.

NOTES TO THE ACCOUNTS (cont.)

12 LIABILITIES: amounts falling due within one year

Trade and other payables

Group	*2019*	*2018*
	£000	*£000*
Trade payables, other payables and accruals	2,618	3,294
	2,618	3,294

Company	*2019*	*2018*
	£000	*£000*
Trade payables, other payables and accruals	1,018	1,231

Current financial liabilities

Group	*2019*	*2018*
	£000	*£000*
Lease obligations (note 14)	65	53
Bank loans (note 13)	640	5,117
Overdrafts	-	60
8% A cumulative redeemable preference shares	-	1,000
B cumulative redeemable preference shares	7	146
Other loans	568	2,465
	1,280	8,841

Other loans include:

- £17,500 (2018: £49,500) from Jojay Limited
- £550,000 (2018: £560,000 from Auldyn Properties Limited (see note 19)
- £nil (2018: £1,355,000) from Isle of Man Government
- £nil (2018: £500,000) from a third party finance provider

Company	*2019*	*2018*
	£000	*£000*
Overdrafts	-	60
Liability component of 8% ‘A’ cumulative redeemable preference shares	-	1,000
Liability component of ‘B’ cumulative redeemable preference share	7	146
Bank and other loans (note 13)	-	4,477
Other loans	150	1,915
	157	7,598

NOTES TO THE ACCOUNTS (cont.)

13 FINANCIAL LIABILITIES: BANK AND OTHER LOANS

Group	*2019*	*2018*
	£000	*£000*
Loans fall due for repayment as follows:		
Within one year	640	5,117
Between one and two years	585	640
Between two and five years	5,354	5,863
After more than five years	118	183
	6,057	6,686
Total	6,697	11,803

Company	*2019*	*2018*
	£000	*£000*
Loans fall due for repayment as follows:		
Within one year	-	4,477
Between one and two years	-	-
Between two and five years	-	-
After more than five years	-	-
	-	4,477
Total	-	4,477

NOTES TO THE ACCOUNTS (cont.)

13 FINANCIAL LIABILITIES: BANK AND OTHER LOANS (cont.)

At the year end Bank loan financing was provided by AIB Group (UK) plc, HSBC Bank plc and Barclays Bank plc with the security as listed below held by the banks.

AIB Group (UK) plc hold the following as security for the financing provided to the Group

- A first legal charge over the building known as the Palace Hotel & Casino, Douglas, Isle of Man.
- An 'All Monies' debenture agreement with Palace Hotel Holdings Limited in respect of the provision of security for all monies and liabilities due to AIB.
- A 'Conditional Bond and Security' with Palace Hotel & Casino Limited to provide assets as security in respect of all monies and liabilities owing or incurred to AIB.
- 'All monies' debenture agreements with Palace Hotel & Casino Limited for the provision of security for all monies and liabilities due to AIB.
- A 'shares charge' with Palace Hotel Holdings Limited in respect of the shares held in Palace Hotel & Casino Limited.
- A 'shares charge' with Sefton Group Plc in respect of the shares held in Palace Hotel Holdings Limited.
- In the event of any loss or material impairment of the casino licence held by Palace Hotel & Casino Limited, Sefton Group Plc and Palace Hotel Holdings Limited have agreed to act as guarantors to AIB in respect of the loan held by Palace Hotel & Casino Limited.
- The loan in respect of Palace Hotel & Casino Limited is a five-year mortgage and repayments comprise capital and interest. Interest is charged at 3% plus 3 month libor.

Barclays Bank plc hold the following as security for the financing provided to the Group:

- An all monies deed of conditional bond and security over the property known as 'The Sefton Express', Ronaldsway, Isle of Man.
- The loan in respect of Sefton Express is a 20-year mortgage and repayments comprise capital and interest. Interest is charged at 1.375% plus base.

In addition to the bank loans above, the Group has a loan of £400,000 from Auldyn Properties Limited which holds the following as security:

- An all monies debenture agreement with Carrick Lodge Limited in respect of the provision of security for all monies and liabilities due to the third party private finance provider.
- A first legal charge over the property known as Glen Auldyn Lodge, Glen Auldyn, Lezayre, Isle of Man.
- A Company guarantee given by Sefton Group Plc.

NOTES TO THE ACCOUNTS (cont.)

14 OTHER LIABILITIES

Group	*2019*	*2018*
	£000	*£000*
Finance liabilities: finance leases		
Within one year (note 12)	65	53
Between one and five years	67	97
After more than five years	-	-
	132	150

Group	*2019*	*2018*
	£000	*£000*
Other liabilities: amounts falling due after one year		
8% £1 cumulative redeemable preference shares	1,325	-
Other loans	3,455	3,455
	4,780	3,455

Other loans include: £3,000,000 (2018: £3,000,000) from Sunningdale Investments Limited (note 18) and £454,972 (2018: £454,972) from Millyard Services Limited (note 19).

Preference shares
At 31 December 2019, there were 1,325,235 of 8% £1 preference shares in issue. Each share has a nominal value of £1 and are redeemable for cash at par no later than 31 December 2021. The preference shares carry a dividend of 8% per annum, payable quarterly in arrears, and the dividend rights are cumulative.

Company	*2019*	*2018*
	£000	*£000*
Other liabilities: amounts falling due after one year		
8% £1 cumulative redeemable preference shares	1,325	-
Other loans	455	455
	1,780	455

Other loans include: £454,972 (2018: £454,972) from Mill Yard Services Limited (note 19).

Preference share details are provided in the Group note above.

NOTES TO THE ACCOUNTS (cont.)

15 SHARE CAPITAL

	Authorised number of shares	*Authorised £000*	*Issued number of shares*	*Issued £000*
At 1 January 2019 Ordinary shares of 25p each	54,200,000	13,550	39,754,766	9,939
Issues:				
Scrip dividend	-	-	-	-
Other issues	-	-	91,021	22
Conversions:	-	-		-
Redemptions:				
Shares buyback and cancellation	-	-	-	-
At 31 December 2019	54,200,000	13,550	39,845,787	9,961

On 31 December 2019 share based payments were made to NB Martin and R Hill in lieu of pension contributions payable in respect of the year ended 31 December 2019. 71,272 ordinary shares of 25p each were issued at par and the cost has been recorded within operating profit.

16 CAPITAL COMMITMENTS & CONTINGENT LIABILITIES

Sefton Group Plc has provided guarantees to the providers of finance to the Company and its subsidiaries. This has been detailed in full in note 13.

At 31 December 2019 Sefton Group plc had annual commitments under a lease with Douglas Hotel Holdings Limited for the Sefton Hotel (note 21).

17 PARENT COMPANY RESULTS

The Company-only profit after taxation and dividends of Sefton Group Plc amounts to £8,740,005 (2018: restated £957,663).

NOTES TO THE ACCOUNTS (cont.)

18 PRIOR YEAR ADJUSTMENT

The company only balance sheet has been restated as follows:

(i) Change in fixed asset investment measurement policy

Investments in subsidiaries are reported as fixed assets and are stated at fair value with changes through profit and loss. This represents a change in accounting policy from previous years when investments in subsidiaries were recognised at acquisition costs less any provision for impairment. The Directors have undertaken a review of accounting policies in accordance with Financial Reporting Standard 102 and consider that the revised policy is more appropriate and gives a fairer representation of the results and financial position of the parent company. If the accounting policy is changed, then in accordance with Financial Reporting Standard 102, it must be applied retrospectively as though it had always applied.

(ii) Management fees

Management fees are now recognised to reflect the proactive management of subsidiaries by the central function. These fees relate to prior periods and should have been recognised in the periods in which the central management services were performed. As the error is considered significant, the Directors have restated the comparatives.

The adjustments that have been made to account for the change in investment in subsidiaries policy and the management charges have had the following effect:

	Investments in subsidiaries	*Other receivables from Group undertakings*	*Retained reserves*
	£000	*£000*	*£000*
As originally reported 2018	558	23,325	(29,347)
Change in investment in subsidiary policy	14,423	-	14,423
Management charges	-	7,150	7,150
At restated 2018	14,981	30,475	(7,774)

NOTES TO THE ACCOUNTS (cont.)

19 RELATED PARTY TRANSACTIONS AND BALANCES

All related party transactions and balances between companies included in the Group consolidation have been eliminated on consolidation.

The Group is party to the following transactions with Capital International (Holdings) Limited (or companies with the same beneficial owners as Capital International (Holdings) Limited or the beneficial owners of Capital International (Holdings) Limited), a shareholder of Sefton Group plc:

- As part of a process to address a long term debt in relation to the rental in respect of Capital House, Mill Yard Services Limited provided a loan of £454,972 (2018: £454,972) to Sefton Group Plc. The loan bears interest at 9% and is repayable in full on 30 September 2021.

At the balance sheet date Auldyn Properties Limited had a loan balance due from Sefton Group Plc of £550,000 (2018: £560,000).

On 3 May 2019 Sefton Group Plc sold the Sefton Hotel to Douglas Hotel Holdings Limited for £7.6m with the right to reacquire the Sefton Hotel within the next eight years based on a pricing formula closely linked to the operational profitability of the Sefton Hotel. Sefton Group Plc agreed a lease with Douglas Hotel Holdings Limited to continue to operate the Sefton Hotel for an initial lease term of twenty years, the annual rent being set at £600,000 per annum with capped and collared increases every five years. The directors of Sefton Group Plc consider the transaction to be related as Douglas Hotel Holdings Limited has the same parent undertaking as the largest shareholder in Sefton Group Plc.

As part of the refinancing of Palace Hotel & Casino Limited, Sunningdale Investments Limited loaned £3,000,000 to Palace Hotel & Casino Limited on 19 September 2016. The loan bears interest at 10% and is repayable in full on 19 September 2021 and is secured by an ‘All Monies’ debenture agreement with Palace Hotel and Casino Limited, subordinated in favour of AIB Group (UK) Plc.

The total remuneration of the Directors in the year ended 31 December 2019 (including fees, salaries, pension contributions and other benefits) was £381,822 (2018: £371,884).

Related company balances

At the year end Sefton Group plc (company only) had the following inter-company balances with subsidiary undertakings:

Due to Sefton Group plc	*2019*	*Restated 2018*
	£000	*£000*
Sefton Spa Limited	2,979	2,899
Sefton Express Limited	-	23
Palace Hotel Holdings Limited	27,759	27,107
Sefton Hotel Limited	7,007	-
Carrick Lodge Limited	104	-
Ronaldsway Airport Hotel Limited	632	-
Torpenhow Limited	460	426
Sefton Properties Limited	358	20
	39,299	30,475

NOTES TO THE ACCOUNTS (cont.)

19 RELATED PARTY TRANSACTIONS AND BALANCES (cont.)

Due from Sefton Group plc	*2019*	*Restated 2018*
	£000	*£000*
Sefton Express Limited	52	-
Chandalier Properties Limited	1	250
Palace Hotel & Casino Limited	26,266	25,634
Ronaldsway Airport Hotel Limited	-	106
Sefton Media Limited	1	39
Carrick Lodge Limited	-	32
Palace Entertainments Limited	139	1,010
	26,459	27,071

20 PENSION CONTRIBUTIONS

Contributions made by the Group to private Pension schemes during the year amounted to £80,204 (2018: £84,127). At 31 December 2019, £44,324 was outstanding (2018: £37,062).

21 OPERATING LEASE COMMITMENTS

At the 31 December 2019, Sefton Group Plc had annual lease commitments for Palace Cinema and the Sefton Hotel. All properties are situated in Douglas, Isle of Man:

	2019	*2018*
Expiry date:	*£000*	*£000*
Not later than one year	851	400
Later than one year and not later than five years	2,528	661
Later than five years	8,600	-

22 POST BALANCE SHEET EVENTS

In regard to the Covid 19 pandemic, the situation at 31st December 2019 was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. The subsequent spread of the virus and its identification as a new coronavirus does not provide additional evidence about the situation that existed at 31st December 2019 and it is therefore a non-adjusting event. Accordingly, the financial position and results for the year ended 31st December 2019 have not been adjusted. The financial position and results for future periods may need to be adjusted as and when sufficient information on the medium to long-term impact of the pandemic becomes available, should the prospects of the Company and Group have deteriorated to such an extent that necessitates an impairment provision or other adjustment.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEFTON GROUP PLC

Opinion

We have audited the financial statements of Sefton Group Plc (the 'parent Company') and its subsidiaries for the year ended 31st December 2019 which comprise the consolidated statement of comprehensive income, the consolidated group and parent balance sheet as at 31st December 2019, the consolidated statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group and parent Company's affairs as at 31st December 2019 and of the Group's profit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Isle of Man Companies Acts 1931 – 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1(a) in the financial statements, which explains the impact of the Covid-19 pandemic, including the closure of the Group's hotels, on trading conditions. Given the uncertainty regarding the duration, extent and ultimate impact of the Covid-19 pandemic, together with the uncertainty of future financial support from the Isle of Man Government, the Group cannot estimate with any precision the impact on its prospective financial performance. As stated in note 1(a), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Isle of Man Companies Acts 1931 – 2004 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

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Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 15 of Companies Act 1982. 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.

8 St. George's Street
Douglas
Isle of Man
IM1 1AH

Crowe Morgan
Chartered Accountants

Date: 21st September 2020