

**REPORT AND ACCOUNTS 2020**

**Sefton Group plc**

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**SEFTON GROUP PLC  
REPORT & ACCOUNTS  
YEAR ENDED 31 DECEMBER 2020**

**DIRECTORS' NOTICE OF MEETING**

Notice is hereby given that the Ninety Seventh Annual General Meeting of Sefton Group plc will be held at the Best Western Palace Hotel & Casino, Douglas on 10<sup>th</sup> November 2021 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 2020.
2. To re-elect directors:
  - (i) To re-elect Mr C D Parrish 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 change the name of the Company from Sefton Group plc to Palace Holdings Limited.
5. To re-appoint CM Associates LLC as the Company's Auditors and to authorise the Directors to determine the Auditor's remuneration.
6. To transact any other business that may be lawful at such a meeting.

By order of the Board

R Hill  
Secretary  
Sefton Group plc

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**CHAIRMAN'S STATEMENT**

**Dear Shareholder**

The last eighteen months has been a hugely challenging time for your Group. The impact of the Covid pandemic on the hotel and hospitality industries has been profound, and the financial results summarised in these accounts reflect the depth of the problem that we have faced.

The limited border reopening from late June has seen an improvement in our prospects, with a relatively strong trading recovery at the tail-end of the summer. However, the loss of two TT and MGP festivals, and the equivalent of one and half peak seasons has left us, and every other local hotel and hospitality business, with a long road to recovery.

In May this year, shareholders approved changes that converted our parent company, Sefton Group plc, into a company governed by the Companies Act 2006. Inter alia, this changed Sefton Group plc from a public to a private company and increased the directors' ability to address the financial aftermath of the pandemic with a more flexible statutory framework.

Included with these accounts is a circular outlining a number of options for ordinary shareholders to consider. At the heart of these is a proposed share issue aimed at (a) expunging debts that have arisen as part of cost deferrals during the pandemic, and (b) raising additional funds to assist with our recovery process. Much of what I would normally say in a Chairman's statement is contained in the circular, so to avoid repetition, I will keep this statement succinct and ask that you read the circular in conjunction with it.

**Financial results**

From March 2020, your Group was largely prevented from trading by government measures taken to contain the spread of Covid-19. With borders closed to normal inward travel for over nine months, and almost three months of total lockdown, the Group's turnover was only 40% of 2019 levels. Such a drastic fall in sales would normally result in multi-million losses, but a combination of government support and cost savings limited overall losses to £1.2m for the year. Cash flow was preserved by carrying forward prepaid bookings, and by cost deferrals, in particular with respect to rental payments, management salaries and capital instalments on bank debt. These latter measures explain how we were able to maintain a viable cash flow whilst making significant losses.

As explained in the circular that accompanies these accounts, we plan to eliminate a large part of the deferred costs with a debt for equity swap that will expunge the majority of outstanding rental and salary balances.

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**CHAIRMAN'S STATEMENT (Cont.)**

**Current trading**

The Isle of Man's borders reopened to tourists on a restricted basis from 28 June. Since then, we have seen a recovery in the accommodation market, from around 50% in July to 90%-plus for September and October. However, the early indications are that the winter period will be challenging, with the bedrock corporate traffic likely to be impacted, and local confidence still fragile. Further lockdowns cannot be discounted, although it's clear from government pronouncements that this will only be used as a measure of last resort.

We are hopeful that the government will provide industry-wide support in the first quarter of next year to see hotels and hospitality businesses through to the commencement of the 2022 season. Their support to date has prevented widespread failures, and it would be a false economy to withdraw it at the year end when the sector is within a few months of recovery.

**Prospects**

We do face a number of significant challenges in the short term, in particular dealing with deferred prepaid bookings, and managing staff shortages and wage inflation arising from Brexit and/or the post-Covid recovery. However, the pandemic has given a boost to the UK staycation market, and we anticipate that the Isle of Man will become an even more desirable location to our core over-50s market.

**Strategy**

Our ambitions for the future remain unchanged and we're continuing to work on relocating our casino operations as 'stage one' of a modernisation programme. The pandemic has obviously slowed our progress, but we are still focussing on a tenanted presence at a new town -centre development on the Middlemarch site in lower Douglas.

**Proposed change of name**

You will see in the Notice of Meeting that we are proposing a change in the Group's name to Palace Holdings Limited. This is to reflect the fact that our Palace trading operations are by far our largest and will become even more dominant when we relocate to the town centre. As explained in the circular, this is purely a renaming of the parent company and does not mean any change to the name of Sefton Hotel.

Several shareholders have written to me about the delay in the issue of the additional preference shares following the capitalisation of accrued dividends at the May EGM. The reason for this is the proposed change of name, which, if approved, will require a complete reissue of share certificates. In other words, we didn't want to issue new Sefton Group shares and then have to replace them with Palace Holdings certificates a couple of months later. I apologise for the delay, but I hope you will understand the reasons behind it.

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**CHAIRMAN'S STATEMENT (Cont.)**

**Conclusion**

It is hard to overstate how difficult the last year and a half have been for your Group. We had expected to build on the relatively positive results of 2019, but instead found ourselves in the unprecedented situation of lockdowns, border closures, and the hotel and hospitality sector taking the lions' share of the economic pain that resulted.

Despite this reversal in fortunes, we have weathered the worst of the crisis, reconstituted our corporate structure to better aid recovery, and developed a share issue as outlined in the accompanying circular that will substantially improve our forward prospects. We therefore look forward to commencing our fight back in 2022.

Finally, I would like to thank our staff and management for their incredible dedication through 2020 and 2021. It's my usual closing comment, but it's never been more deserved.



Clive Parrish  
Chairman

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**COMPANY INFORMATION**

**Directors**

C D Parrish, BSc C Dir (Chairman)\*  
A H Brockhouse (resigned 16<sup>th</sup> October 2020)  
R Hill, F.C.A.  
N B Martin, F.C.A.  
D Monks\*

**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

**Secretary and Registrar**

R Hill, F.C.A.

**Registered Office**

Sefton Hotel  
Harris Promenade  
Douglas  
Isle of Man  
IM1 2RW

**Auditors**

CM Associates LLC  
8 St George's Street, Douglas,

**\*denotes non-executive directors**

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**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 Act 2006. 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.

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**DIRECTORS' REPORT**

The Directors present their report together with the financial statements for the year ended 31 December 2020 which shows the state of the Company's and the Group's affairs.

**Results and Dividend**

The consolidated loss for the year before taxation amounted to £1,221,528 (year ended 31 December 2019 profit: £231,867) and after taxation amounted to £1,221,528 (year ended 31 December 2019 profit: £231,867).

A dividend was not paid in respect of the year ended 31 December 2019 and the directors do not recommend a dividend in respect of the year ended 31 December 2020.

**Substantial Interests in Share Capital**  
**At 14 October 2021**

	<i>Percentage Holding</i>
Cumulus Limited	33.31%
Panther Limited	15.86%
Trustees of Panther Limited Pension Fund	1.82%
Capital International (Holdings) Limited	12.64%
N B Martin	3.71%
GC Holdings Limited	3.33%
Proficient Worldwide Corporation	3.26%

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.

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**DIRECTORS' REPORT (cont.)**

**Directors**

The Director retiring by rotation is C D Parrish 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 2020 was as follows: -

	<i>Ordinary Shares of 25p each</i>	<i>Adjusted for Put and Calls</i>
C D Parrish	11,054	11,054
R Hill	799,815	799,815
N B Martin	1,297,207	1,297,207
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.

CM Associates 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

14<sup>th</sup> October 2021

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<i>Year ending 31 December 2020 £000</i>	<i>Year ending 31 December 2019 £000</i>
<b>TURNOVER</b>	<b>NOTE</b> 2	4,677	11,713
Cost of sales and expenses		<u>(5,308)</u>	<u>(10,635)</u>
<b>OPERATING (LOSS) / PROFIT</b>	2	<b>(631)</b>	<b>1,078</b>
(Loss) / Profit on disposal of fixed assets		(5)	6
<b>(LOSS) / PROFIT BEFORE FINANCE COSTS</b>		<u>(636)</u>	<u>1,084</u>
Interest payable		(586)	(853)
<b>(LOSS) / PROFIT BEFORE TAX</b>		<u>(1,222)</u>	<u>231</u>
Taxation	3	-	-
<b>(LOSS) / PROFIT FOR THE FINANCIAL YEAR</b>		<u>(1,222)</u>	<u>231</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(1,222)</u>	<u>231</u>
(Loss) / Profit per share			
- basic	6	(3.07p)	0.58p
- diluted	6	(2.71p)	0.81p

**SEFTON GROUP PLC**  
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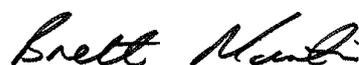
**CONSOLIDATED BALANCE SHEET**

	Note	As at 31 December 2020		As at 31 December 2019	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible fixed assets	7		26,180		26,523
Goodwill and other intangible fixed assets	8	-		-	
Negative goodwill	8	-		-	
	8		-		-
			<u>26,180</u>		<u>26,523</u>
<b>CURRENT ASSETS</b>					
Property held for sale	9	-		700	
Inventories	10	52		132	
Trade & other receivables	11	1,530		1,885	
Cash and cash equivalents		313		318	
		<u>1,895</u>		<u>3,035</u>	
<b>LIABILITIES: Amounts falling due within one year</b>					
Trade & other payables	12	3,503		2,618	
Current financial liabilities	12	4,585		1,280	
		<u>8,088</u>		<u>3,898</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(6,193)</u>		<u>(863)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>19,987</u>		<u>25,660</u>
<b>LIABILITIES: Amounts falling due after one year</b>					
Financial liabilities: Bank loans	13	5,969		6,057	
Other financial liabilities	14	11		67	
Other liabilities	14	455		4,780	
			<u>(6,435)</u>		<u>(10,904)</u>
<b>NET ASSETS</b>			<u>13,552</u>		<u>14,756</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	15		9,979		9,961
Capital reserves			15,706		15,706
Revenue reserves			(12,133)		(10,911)
Shares to be issued			-		-
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>			<u>13,552</u>		<u>14,756</u>

The financial statements were approved and authorised for issue by the board on 14<sup>th</sup> October 2021.  
Signed on behalf of the board of directors



C D Parrish, Director



N B Martin, Director

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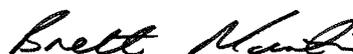
**COMPANY BALANCE SHEET**

	<i>Note</i>	<i>As at</i>		<i>As at</i>	
		<i>31 December</i>		<i>31 December</i>	
		<i>2020</i>		<i>2019</i>	
		<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>FIXED ASSETS</b>					
Tangible fixed assets	7		73		86
Investments in subsidiaries	5		15,096		15,096
Other receivables from Group undertakings	11		39,906		39,299
			<u>55,075</u>		<u>54,481</u>
<b>CURRENT ASSETS</b>					
Inventories		14		59	
Trade & other receivables	11	971		1,463	
Cash and cash equivalents		48		44	
		<u>1,033</u>		<u>1,566</u>	
<b>LIABILITIES: Amounts falling due within one year</b>					
Trade & other payables	12	1,688		1,018	
Current financial liabilities	12	1,331		157	
Other payables to related parties	18	26,945		26,459	
		<u>29,964</u>		<u>27,634</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(28,931)</u>		<u>(26,068)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>26,144</b>		<b>28,413</b>
<b>LIABILITIES: Amounts falling due after one year</b>					
Other liabilities	14	455		1,780	
			<u>(455)</u>		<u>(1,780)</u>
<b>NET ASSETS</b>			<u><b>25,689</b></u>		<u><b>26,633</b></u>
<b>CAPITAL AND RESERVES</b>					
Share capital	15		9,979		9,961
Capital reserves			15,706		15,706
Revenue reserves			4		966
Shares to be issued			-		-
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>			<u><b>25,689</b></u>		<u><b>26,633</b></u>

The financial statements were approved and authorised for issue by the board on 14<sup>th</sup> October 2021.  
Signed on behalf of the board of directors



C D Parrish, Director



N B Martin, Director

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<b>Group</b>	<i>Share capital</i>	<i>Share premium account</i>	<i>Equity component of preference shares</i>	<i>Revenue reserve</i>	<i>Shares to be issued</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2020	9,961	15,706	-	(10,911)	-	14,756
Shares based payment	-	-	-	-	18	18
Shares issued	18	-	-	-	(18)	-
Equity component movement	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(1,222)	-	(1,222)
At 31 December 2020	<u>9,979</u>	<u>15,706</u>	<u>-</u>	<u>(12,133)</u>	<u>-</u>	<u>13,552</u>

<b>Group</b>	<i>Share capital</i>	<i>Share premium account</i>	<i>Equity component of preference shares</i>	<i>Revenue reserve</i>	<i>Shares to be issued</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
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	<u>9,961</u>	<u>15,706</u>	<u>-</u>	<u>(10,911)</u>	<u>-</u>	<u>14,756</u>

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**CONSOLIDATED CASH FLOW STATEMENT**

	Note	Year ending 31 December 2020		Year ending 31 December 2019	
		£000	£000	£000	£000
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	(a)		620		(1,351)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			(586)		(853)
<b>TAXATION PAID</b>			-		-
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>					
Payments to acquire tangible fixed assets		(19)		(219)	
Proceeds from sale of tangible fixed assets (net movement)		<u>695</u>		<u>7,571</u>	
			676		7,352
<b>Equity dividend paid</b>			-		-
<b>Net cash inflow before use of financing</b>			<u>710</u>		<u>5,148</u>
<b>FINANCING</b>					
Issue of ordinary share capital		-		-	
Loan capital received		-		-	
Loan capital repaid		(648)		(5,137)	
Capital element of finance lease rental payments		<u>(67)</u>		<u>(67)</u>	
			<u>(715)</u>		<u>(5,204)</u>
<b>(DECREASE) IN CASH</b>			<u>(5)</u>		<u>(56)</u>

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**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

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

	<i>Year ending 31 December 2020 £000</i>	<i>Year ending 31 December 2019 £000</i>
Operating (loss) / profit	(631)	1,078
Depreciation charge	408	473
Decrease / (Increase) in stocks	80	(10)
Decrease / (Increase) in debtors	355	(582)
Increase / (Decrease) in creditors	335	(2,387)
Property movement – non-cash	-	55
Net debt movement – non cash	55	-
Share based payment	18	22
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<u>620</u>	<u>(1,351)</u>

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

	Note	<i>Year ending 31 December 2020 £000</i>	<i>Year ending 31 December 2019 £000</i>
(Decrease) in cash in the year	(c)	(5)	(56)
Cash outflow from decrease in debt	(c)	648	5,137
Change in net debt resulting from cash flows		643	5,081
Non-cash transactions	(c)	(55)	(31)
Net movement in finance leases	(c)	21	18
Net debt at 1 <sup>st</sup> January		<u>(9,511)</u>	<u>(14,579)</u>
Net debt at 31 <sup>st</sup> December		<u>(8,902)</u>	<u>(9,511)</u>

**(c) ANALYSIS OF CHANGE IN NET DEBT**

	<i>2020 £000</i>	<i>Non-cash changes</i>	<i>Acquisitions</i>	<i>Cashflow</i>	<i>2019 £000</i>
Cash in hand	313	-	-	(5)	318
Overdraft	-	-	-	-	-
<b>Total</b>	<u>313</u>	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>318</u>
Debt due within 1 year	(635)	(31)	-	36	(640)
Debt due after 1 year	(8,469)	(24)	-	612	(9,057)
Finance leases	(111)	-	(46)	67	(132)
<b>Total</b>	<u>(9,215)</u>	<u>(55)</u>	<u>(46)</u>	<u>715</u>	<u>(9,829)</u>
	<u>(8,902)</u>	<u>(55)</u>	<u>(46)</u>	<u>710</u>	<u>(9,511)</u>

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**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 2RW

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.

During the course of 2020 and the early part of 2021 the Group's entire trading activities were closed for a material period of time as the Isle of Man Government sought to deal with Covid 19. Additionally, when opening was allowed, trading was restricted due to social distancing measures to prevent the spread of the virus, which included the closure of the Isle of Man border to non-residents.

In addressing these challenges, the Group took a number of mitigating actions. These included accessing available financial support from the Isle of Man Government through the Strategic Capacity Scheme and the Salary Support Scheme, material reductions in staffing and overhead costs, capital repayment holidays and deferred interest charges.

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 assumed that the Isle of Man will continue to live with Covid 19, albeit this will suppress demand that may have ordinarily occurred. They have also assumed that the main shareholder, Cumulus Limited, will continue to support the Group in line with its actions throughout the Covid 19 pandemic.

**Management of debt**

During 2020 the Palace Hotel & Casino Limited facility with AIB Group (UK) PLC was extended for an additional six months beyond its original loan term. 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.

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**NOTES TO THE ACCOUNTS (cont.)**

**1 ACCOUNTING POLICIES (cont.)**

**(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 net of depreciation and any provision for impairment.

**(d) Depreciation**

Depreciation is provided on a straight line basis on all tangible fixed assets, other than investment properties 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.

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**NOTES TO THE ACCOUNTS (cont.)**

**1 ACCOUNTING POLICIES (cont.)**

**(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.

**(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.

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**NOTES TO THE ACCOUNTS (cont.)**

**1 ACCOUNTING POLICIES (cont.)**

**(k) 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.

**(l) Property held for sale**

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

**(m) Government Grants**

Government grants received in respect of the Isle of Man Government's Coronavirus Business Support Scheme, Strategic Capacity Scheme and Salary Support Scheme have no performance conditions and therefore are accounted for under the accruals model in accordance with FRS 102.

**(n) 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.

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**NOTES TO THE ACCOUNTS (cont.)**

**1 ACCOUNTING POLICIES (cont.)**

*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.

*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.

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**NOTES TO THE ACCOUNTS (cont.)**

**1 ACCOUNTING POLICIES (cont.)**

**(o) Investments in subsidiaries**

Investments in subsidiaries are reported as fixed assets and are stated at fair value with changes through profit and loss as determined by the Directors.

**(p) 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**

	<i>Year ending 31 December 2020 £000</i>	<i>Year ending 31 December 2019 £000</i>
<b>The composition of reported turnover is as follows:</b>		
Hotel operations	1,808	7,705
Gaming activities	2,707	3,138
Cinema activities	187	806
Property rental	(25)	64
	<b><u>4,677</u></b>	<b><u>11,713</u></b>

**The consolidated operating profit is stated after charging/  
(crediting):**

	<i>Year ending 31 December 2020 £000</i>	<i>Year ending 31 December 2019 £000</i>
Non-executive Directors' fees – Parent Company	27	35
Share based payments	18	22
Auditors' remuneration – Audit fees	58	55
Depreciation on fixtures, fittings, plant and machinery		
- Owned by the Group	226	123
- Held by finance leases	31	26
Depreciation on freehold and leasehold property	151	324

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**NOTES TO THE ACCOUNTS (cont.)**

**3 TAXATION**

**Tax on (loss) / profit of Ordinary Activities**

- (i) Analysis of Charge in the year

	<i>Year ending 31 December 2020 £000</i>	<i>Year ending 31 December 2019 £000</i>
<b>CURRENT TAX</b>		
Tax charge on ordinary activities (note (ii))	-	-
	<u>          </u>	<u>          </u>

- (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:

	<i>Year ending 31 December 2020 £000</i>	<i>Year ending 31 December 2019 £000</i>
(Loss) / Profit on ordinary activities before tax	(1,222)	231
(Loss) / Profit on ordinary activities multiplied by standard rate of Manx income tax of 0% (2019: 0%)	-	-
Effects of income taxable at a higher rate of income tax	-	-
Current tax credit for period (note (i))	-	-
	<u>          </u>	<u>          </u>

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 accumulated losses.

- (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 2019. Furthermore, the directors recommend that a dividend is not paid in respect of the year ended 31 December 2020.

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**NOTES TO THE ACCOUNTS (cont.)**

**5 FINANCIAL ASSETS**

**Fixed asset Investments**

<b>Company</b>	<i>Year ending 31 December 2020 £000</i>	<i>Year ending 31 December 2019 £000</i>
Subsidiary undertakings	<u>15,096</u>	<u>15,096</u>

As at 31 December 2020 the Company reported and consolidated the following 100% subsidiaries, all of which are incorporated in the Isle of Man:

<b>Name</b>	<b>Activity</b>
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 2020 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:

<b>Name</b>	<b>Activity</b>
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

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**NOTES TO THE ACCOUNTS (cont.)**

**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 loss of £1,221,528 (31 December 2019 post tax profit: £231,867) by 39,851,726 (31 December 2019: 39,777,163) 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 loss, after adding back interest charged on preference shares, resulting in a loss of £1,115,424 (31 December 2019 post tax profit: £335,666) by 41,208,998 (31 December 2019: 41,672,621) 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 loss per share are 3.07p (2019 post taxation profit per share: 0.58p).

**7 TANGIBLE FIXED ASSETS**

<b>Group</b>	<i>Land &amp; buildings</i>	<i>Equipment, plant &amp; vehicles</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Cost</b>			
At 1 January 2020	29,437	11,864	41,301
Additions at cost	-	65	65
Disposals	-	-	-
Total at 31 December 2020	29,437	11,929	41,366
<b>Depreciation</b>			
At 1 January 2020	3,742	11,036	14,778
Charge	151	257	408
Disposals	-	-	-
Total at 31 December 2020	3,893	11,293	15,186
<b>Net book value</b>			
At 31 December 2020	25,544	636	26,180
At 31 December 2019	25,695	828	26,523

The net book amounts of Equipment, Plant & Vehicles above include £198,745 (31 December 2019: £203,193) in respect of assets held under finance leases. The depreciation charge for the year in respect of assets held under finance leases is £30,771 (31 December 2019: £25,797).

Included within land and buildings are the following:

Assets held under leaseholds totalling £523,588 (31 December 2019: £523,588) and accumulated depreciation of £240,247 (31 December 2019: £229,495);

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**NOTES TO THE ACCOUNTS (cont.)**

**7 TANGIBLE FIXED ASSETS (cont)**

<b>Company</b>	<i>Land &amp; buildings</i>	<i>Equipment, plant &amp; vehicles</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Cost</b>			
At 1 January 2020	-	112	112
Additions at cost	-	-	-
Disposals	-	-	-
Total at 31 December 2020	<u>-</u>	<u>112</u>	<u>112</u>
<b>Depreciation</b>			
At 1 January 2020	-	26	26
Charge	-	13	13
Disposals	-	-	-
Total at 31 December 2020	<u>-</u>	<u>39</u>	<u>39</u>
<b>Net book value</b>			
At 31 December 2020	<u>-</u>	<u>73</u>	<u>73</u>
At 31 December 2019	<u>-</u>	<u>86</u>	<u>86</u>

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**NOTES TO THE ACCOUNTS (cont.)**

**8 INTANGIBLE FIXED ASSETS**

<b>Group</b>	<i>Trade names</i>	<i>Goodwill</i>	<i>Negative goodwill</i>	<i>Net intangible fixed assets</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Cost</b>				
At 1 January 2020	-	-	(5,558)	(5,558)
Additions	-	-	-	-
Disposals	-	-	-	-
Total at 31 December 2020	<u>-</u>	<u>-</u>	<u>(5,558)</u>	<u>(5,558)</u>
<b>Amortisation</b>				
At 1 January 2020	-	-	(5,558)	(5,558)
Charge	-	-	-	-
Disposals	-	-	-	-
Total at 31 December 2020	<u>-</u>	<u>-</u>	<u>(5,558)</u>	<u>(5,558)</u>
<b>Net book value</b>				
At 31 December 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**9 PROPERTY HELD FOR SALE**

<b>Group</b>	<i>2020 £000</i>	<i>2019 £000</i>
At 1 January 2020	700	755
Additions	-	-
Disposals	(700)	-
Revaluation	-	(55)
At 31 December 2020	<u>-</u>	<u>700</u>

The residential property held for sale was sold in 2020 realising a loss on disposal of £5,028 after all costs were accounted for.

**10 INVENTORIES**

<b>Group</b>	<i>2020 £000</i>	<i>2019 £000</i>
Inventories	<u>52</u>	<u>132</u>
	<u>52</u>	<u>132</u>

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**NOTES TO THE ACCOUNTS (cont.)**

**11 TRADE & OTHER RECEIVABLES**

<b>Group</b>	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
Trade receivables	52	95
Other receivables	<u>1,478</u>	<u>1,790</u>
	<u><u>1,530</u></u>	<u><u>1,885</u></u>
<b>Company</b>	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
<i>Amounts included in fixed assets:</i>		
Other receivables from Group undertakings (note 18)	<u>39,906</u>	<u>39,299</u>
	<u><u>39,906</u></u>	<u><u>39,299</u></u>
Trade receivables	12	28
Other receivables	<u>959</u>	<u>1,435</u>
	<u><u>971</u></u>	<u><u>1,463</u></u>

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.

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**NOTES TO THE ACCOUNTS (cont.)**

**12 LIABILITIES: amounts falling due within one year**

**Trade and other payables**

<b>Group</b>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Trade payables, other payables and accruals	3,503	2,618
	<u>3,503</u>	<u>2,618</u>

<b>Company</b>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Trade payables, other payables and accruals	1,688	1,018
	<u>1,688</u>	<u>1,018</u>

**Current financial liabilities**

<b>Group</b>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Lease obligations (note 14)	101	65
Bank loans (note 13)	635	640
8% £1 cumulative redeemable preference shares	1,325	-
B cumulative redeemable preference shares	6	7
Other loans	2,518	568
	<u>4,585</u>	<u>1,280</u>

Preference shares

At 31 December 2020, there were 1,325,453 of 8% £1 preference shares in issue. Each share has a nominal value of £1 and at the balance sheet date were 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 (note 21).

Other loans include:

- £17,500 (2019: £17,500) from Black (Isle of Man) Limited (novated from Jojay Limited)
- £nil (2019: £550,000) from Auldyn Properties Limited
- £2,500,000 (2019: £nil) from Cumulus Limited (note 18)

<b>Company</b>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Liability component of 'B' cumulative redeemable preference share	6	7
8% £1 cumulative redeemable preference shares	1,325	-
Other loans	-	150
	<u>1,331</u>	<u>157</u>

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**NOTES TO THE ACCOUNTS (cont.)**

**13 FINANCIAL LIABILITIES: BANK AND OTHER LOANS**

<b>Group</b>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
<i>Loans fall due for repayment as follows:</i>		
Within one year	635	640
Between one and two years	5,597	585
Between two and five years	228	5,354
After more than five years	144	118
	<u>5,969</u>	<u>6,057</u>
Total	<u>6,604</u>	<u>6,697</u>

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.

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**NOTES TO THE ACCOUNTS (cont.)**

**14 OTHER LIABILITIES**

<b>Group</b>	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
<b>Finance liabilities: finance leases</b>		
Within one year (note 12)	100	65
Between one and five years	11	67
After more than five years	-	-
	<u>111</u>	<u>132</u>

<b>Group</b>	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
<b>Other liabilities: amounts falling due after one year</b>		
8% £1 cumulative redeemable preference shares	-	1,325
Other loans	455	3,455
	<u>455</u>	<u>4,780</u>

Other loans include: £nil (2019: £3,000,000) from Sunningdale Investments Limited (note 18) and £454,972 (2019: £454,972) from Millyard Services Limited (note 18).

<b>Company</b>	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
<b>Other liabilities: amounts falling due after one year</b>		
8% £1 cumulative redeemable preference shares	-	1,325
Other loans	455	455
	<u>455</u>	<u>1,780</u>

Other loans include: £454,972 (2019: £454,972) from Mill Yard Services Limited (note 18).

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**NOTES TO THE ACCOUNTS (cont.)**

**15 SHARE CAPITAL**

	<i>Authorised number of shares</i>	<i>Authorised £000</i>	<i>Issued number of shares</i>	<i>Issued £000</i>
At 1 January 2020 Ordinary shares of 25p each	54,200,000	13,550	39,845,787	9,961
<i>Issues:</i>				
Scrip dividend	-	-	-	-
Other issues	-	-	71,272	18
<i>Conversions:</i>	-	-		-
<i>Redemptions:</i>				
Shares buyback and cancellation	-	-	-	-
At 31 December 2020	<u>54,200,000</u>	<u>13,550</u>	<u>39,917,059</u>	<u>9,979</u>

On 31 December 2020 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 2020. 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 2020 Sefton Group plc had annual commitments under a lease with Douglas Hotel Holdings Limited for the Sefton Hotel (note 20).

**17 PARENT COMPANY RESULTS**

The Company-only loss after taxation and dividends of Sefton Group Plc amounts to £962,411 (2019 profit: £8,740,005).

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**NOTES TO THE ACCOUNTS (cont.)**

**18 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 (2019: £454,972) to Sefton Group Plc. The loan bears interest at 9% and is repayable in full on 30 September 2022.

Sefton Group Plc hold a lease with Douglas Hotel Holdings Limited to operate the Sefton Hotel for an initial lease term of twenty years, the annual rent being set at £641,136 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. In 2020, Palace Hotel & Casino Limited paid £350,000 to Sunningdale Investments Limited in accordance with an agreement struck which resulted in an additional £150,000 offset against the loan. The loan balance of £2,500,000 was transferred from Sunningdale Investments Limited to Cumulus Limited, a related party being the largest shareholder in Sefton Group Plc. 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 2020 (including fees, salaries, pension contributions and other benefits) was £158,006 (2019: £381,822).

**Related company balances**

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

<b>Due to Sefton Group plc</b>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Sefton Spa Limited	3,003	2,979
Palace Hotel Holdings Limited	28,411	27,759
Sefton Hotel Limited	7,008	7,007
Carrick Lodge Limited	-	104
Ronaldsway Airport Hotel Limited	661	632
Torpenhow Limited	463	460
Sefton Properties Limited	360	358
	<u>39,906</u>	<u>39,299</u>

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**NOTES TO THE ACCOUNTS (cont.)**

**18 RELATED PARTY TRANSACTIONS AND BALANCES (cont.)**

<b>Due from Sefton Group plc</b>	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
Sefton Express Limited	105	52
Chandalier Properties Limited	-	1
Palace Hotel & Casino Limited	26,642	26,266
Sefton Media Limited	-	1
Carrick Lodge Limited	173	-
Palace Entertainments Limited	25	139
	<u>26,945</u>	<u>26,459</u>

**19 PENSION CONTRIBUTIONS**

Contributions made by the Group to private Pension schemes during the year amounted to £85,396 (2019: £80,204). At 31 December 2020, £39,194 was outstanding (2019: £44,324).

**20 OPERATING LEASE COMMITMENTS**

At the 31 December 2020, Sefton Group Plc had annual lease commitments for Palace Cinema and the Sefton Hotel. All properties are situated in Douglas, Isle of Man:

	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
Expiry date:		
Not later than one year	741	851
Later than one year and not later than five years	2,581	2,528
Later than five years	8,546	8,600
	<u>                    </u>	<u>                    </u>

**21 POST BALANCE SHEET EVENTS**

On 8<sup>th</sup> June 2021 Sefton Group Plc de-registered under the Isle of Man Companies Act 1931-2004 and re-registered under the Companies Act 2006.

On 8<sup>th</sup> June 2021, Sefton Group Plc repurchased 4,934,271 ordinary shares of 25p each and 66,713 8% £1 cumulative redeemable preference shares from Sunningdale Investments Limited for £1. This transaction was part of the same agreement with Sunningdale Investments Limited as disclosed in note 18, which saw Palace Hotel and Casino Limited pay £350,000 in exchange for a reduction of £500,000 in respect of the loan that was payable to Sunningdale Investments Limited (notes 12 & 18), a forgiveness of a portion of the unpaid interest and a material reduction in the rental payable for Palace Cinema.

On 8<sup>th</sup> June 2021, it was agreed by the holders of the 8% £1 cumulative redeemable preference shares that the outstanding interest to 31<sup>st</sup> December 2021 be capitalised and exchanged for further 8% £1 cumulative redeemable preference shares. In addition, the repayable date was extended out to 31<sup>st</sup> December 2023.

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**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 (the 'group') for the year ended 31<sup>st</sup> December 2020 which comprise the consolidated statement of comprehensive income, the consolidated group and parent balance sheet, 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 31<sup>st</sup> December 2020 and of the group's loss 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 Act 2006.

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

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**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.

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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 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 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks within which the group and parent company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, for instance through the imposition of fines or litigation or could impact on the group's ability to operate. We identified the Companies Act 2006, United Kingdom Accounting Standards including Financial Reporting Standard 102, Isle of Man Employment laws, GDPR, Isle of Man Health and Safety legislation, and the Casino Act 1986 and its regulations as being the areas most likely to have such an affect, recognising the regulated nature of the group's activities and its legal form.
- Auditing standards limit the required audit procedures to enquiry of management and inspection of regulatory and legal correspondence, if any. If a breach of operational regulations is not disclosed to us or evident from the relevant correspondence, an audit will not detect that breach.
- We performed procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. Our procedures involved testing of journal entries that met specific criteria and comparing to supporting documentation, and the use of analytical procedures to detect any unusual or unexpected relationships.
- We assessed events and conditions that could indicate an incentive or pressure to commit fraud. We enquired whether management have knowledge of any actual, suspected or alleged fraud, and we reviewed minutes of meetings of those charged with governance.

There are inherent limitations of an audit, and more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Section 80(C) 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.

8 St. George's Street  
Douglas  
Isle of Man  
IM1 1AH  
Date: 14<sup>th</sup> October 2021

CM Associates  
Chartered Accountants