Company Registration No. 00218550

SHEARINGS HOLIDAYS LIMITED

Annual report and financial statements
For the year ended 31 December 2018

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R J Calvert
G Speakman (Resigned 31 December 2018)
V Flower (Resigned 1 October 2018)
G J Rogers
P D Smith (Appointed 1 October 2018)

COMPANY SECRETARY

A G Secretarial Limited

REGISTERED OFFICE

Waterside House
Waterside Drive
Wigan
Lancashire
WN3 5AZ
United Kingdom

BANKERS

Lloyds Bank plc
Norfolk House
7 Norfolk Street
Manchester
M2 1DW
United Kingdom

AUDITOR

Deloitte LLP
Statutory Auditor
1 City Square
Leeds
LS1 2AL
United Kingdom

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The principal activity of the company continued to be that of holiday operations.

REVIEW OF THE BUSINESS

The main KPI's for the company are turnover and profit measure. As shown in the Profit and loss account the Company's sales have decreased by 3.0% on the prior year and the cost of sales have decreased by 3.6% on the prior year. Loss before tax has decreased on the prior year by £1.588m to £3.302m primarily due to the reduction in gross loss and gains in both derivative and foreign exchange versus losses in the prior year.

The Company was impacted by the extreme weather conditions of 2018 and also weakened consumer confidence in the wake of Brexit which resulted in reduced demand for European products. The reduced loss compared to prior year was in part due to improvements as a result of a group wide project led by PWC to identify and implement cost saving initiatives. The focus on cost saving initiatives will continue into FY19, in addition to the introduction of new revenue generative projects, albeit it is anticipated that the Company will continue to be loss making in 2019. However, there is ongoing support from the Group to ensure sufficient cashflow is available to meet debts as they fall due.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Specialist Leisure Group Limited ("Specialist Leisure Group") manages its operations on a group basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of Specialist Leisure Group, which includes the Company, is discussed in the Specialist Leisure Group Limited Strategic Report, which does not form part of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors of Specialist Leisure Group manage the group's risks at group level, rather than at an individual business level. For this reason, the directors of Shearings Holidays Limited believe that a discussion of the Company's risks would not be appropriate for an understanding of the development, performance or position of Shearings Holidays Limited's business. The principal risks and uncertainties of Specialist Leisure Group, which include those of the Company, are in the Specialist Leisure Group Limited Strategic Report, which does not form part of this report.

FUTURE DEVELOPMENTS

The directors expect the general level of business activity to remain at similar levels in the forthcoming year.

Approved by the Board of Directors and signed on behalf of the Board on 12 July 2019

P D Smith
Director

Waterside House
Waterside Drive
Wigan
Lancashire
WN3 5AZ

DIRECTORS' REPORT

The directors, in preparing the Directors Report, have complied with section 414(c) of the Companies Act 2006.

The directors present their annual report on the affairs of the Company, together with the audited financial statements and auditor's report, for the year ended 31 December 2018.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Company is a subsidiary of Specialist Leisure Group Limited. Specialist Leisure Group Limited manages working capital on a pooled basis. The directors of the Company are cognisant of the following going concern disclosure which appears in the financial statements of Specialist Leisure Group Limited for the year ended 31 December 2018:

The Group meets its day to day working capital requirements through an overdraft and revolving credit facility which expires on 19 October 2020. The net cash position at the end of December 2018 was £6.6m positive (2017: £0.4m negative), well within the banking facilities. This increase in cash was due to the receipt of an £8m capex replenishment shareholder loan to support the business through winter trading following the significant investment levels in 2018. The shareholder loan was repaid in May 2019.

However given the potential uncertainty with regards to Brexit and the general economic climate the Directors have obtained a letter of support from the shareholder, and therefore similar short term financing would be available if needed to support the seasonality of the Group's cash flows.

The directors have reviewed the financial position in line with cash flow forecasts and conclude that the adoption of the going concern basis in preparing the financial statements is still appropriate.

Having taken account of the above, the financial statements of the Company have been prepared on a going concern basis. Further details regarding the adoption of the going concern basis of accounting can be found in note 1 of the notes to the financial statements.

FUTURE DEVELOPMENTS

As noted in the strageic report on page 2, the directors expect the general level of business activity to remain at similar levels in the forthcoming year.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

DIRECTORS' REPORT (continued)

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses short-term debt finance. In light of the fact that the Company is in a net current liabilities and net deficit position, along with having significant intercompany loans and balances, the Company has sought and obtained a letter of support from the directors of Specialist Leisure Group Limited confirming the intention of the Group to continue to provide these facilities and confirming the continuing support from the Group.

DIVIDEND

No dividend has or will be paid during the year (2017: £nil).

DIRECTORS

The directors, who served throughout the year and thereafter except as noted, are as set out on page 1.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. This is achieved through formal and informal meetings held throughout the year.

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (continued)

APPROVAL OF REDUCED DISCLOSURES

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intend to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by Shearings Group Limited, as the immediate parent of the entity.

Approved by the Board and signed on its behalf by:

P D Smith
Director

12 July 2019

Waterside House
Waterside Drive
Wigan
Lancashire
WN3 5AZ

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHEARINGS HOLIDAYS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Shearings Holidays Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

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).

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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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 respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHEARINGS HOLIDAYS LIMITED (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHEARINGS HOLIDAYS LIMITED (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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

Scott Bayne FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
12 July 2019

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	78,803	81,256
Cost of sales		(83,366)	(86,445)
Gross loss		(4,563)	(5,189)
Administrative expenses		(1,090)	(1,123)
Other operating income	5	1,815	1,528
Operating loss	6	(3,838)	(4,784)
Net finance income / (cost)	4	536	(106)
Loss before taxation		(3,302)	(4,890)
Tax credit on loss	7	633	939
Loss for the financial year		(2,669)	(3,951)

All of the above activities relate to continuing operations.

There are no recognised gains and losses in the current or previous year other than those stated in the profit and loss account. Accordingly, a separate statement of comprehensive income has not been presented.

The notes on pages 13 to 22 form an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2018

	Note	£'000	2018 £'000	£'000	2017 £'000
Fixed assets					
Investments	8	49,000			49,000
Current assets					
Debtors					
- due within one year	9	14,037		13,033	
Cash at bank and in hand		1,205		1,294	
		15,242		14,327	
Creditors: amounts falling due within one year	10	(76,406)		(72,822)	
Net current liabilities			(61,164)		(58,495)
Total assets less current liabilities being net liabilities			(12,164)		(9,495)
Capital and reserves					
Called up share capital	12		42,000		42,000
Profit and loss account			(54,164)		(51,495)
Shareholder's deficit			(12,164)		(9,495)

These financial statements of Shearings Holidays Limited (Company Registration No. 00218550), were approved by the Board of Directors and authorised for issue on 12 July 2019. They were signed on its behalf by:

P D Smith
Director

The notes on pages 13 to 22 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2017	42,000	(47,544)	(5,544)
Loss for the financial year and total comprehensive expense	-	(3,951)	(3,951)
At 31 December 2017	42,000	(51,495)	(9,495)
Loss for the financial year and total comprehensive expense	-	(2,669)	(2,669)
At 31 December 2018	42,000	(54,164)	(12,164)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a. General information and basis of accounting

Shearings Holidays Limited is a private Company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Shearings Holidays Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Shearings Holidays Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Shearings Holidays Limited is consolidated in the financial statements of its intermediary parent, Specialist Leisure Group Limited, which may be obtained from the address given in note 14. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Going concern

The Company is a subsidiary of Specialist Leisure Group Limited. Specialist Leisure Group Limited manages working capital on a pooled basis. The directors of the Company are cognisant of the following going concern disclosure which appears in the financial statements of Specialist Leisure Group Limited for the year ended 31 December 2018:

The Group meets its day to day working capital requirements through an overdraft and revolving credit facility which expires on 19 October 2020. The current economic conditions create uncertainty particularly over (a) the level of demand for the Group's products; (b) the exchange rate between Sterling and other currencies (the Euro in particular) and thus the consequence for the Group's cost base; and (c) the availability of bank finance in the foreseeable future.

The net cash position at the end of December 2018 was £6.6m positive (2017: £0.4m negative), well within the banking facilities. This increase in cash was due to the receipt of an £8m capex replenishment shareholder loan to support the business through winter trading following the significant investment levels in 2018. The shareholder loan was repaid in May 2019. However given the potential uncertainty with regards to Brexit and the general economic climate the Directors have obtained a letter of support from the shareholder.

The directors have reviewed the financial position in line with cash flow forecasts and conclude that the adoption of the going concern basis in preparing the Group financial statements is still appropriate.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility, including associated covenants. The Group keeps its bankers regularly informed on its trading and covenant position.

In light of the fact that the Company in is in a net current liabilities and a net deficit position, along with having significant intercompany loans and balances, the Company has sought and obtained a letter of support from the directors of Specialist Leisure Group Limited confirming the intention of the Group to continue to provide these facilities and confirming the continuing support from the Group.

Having taken account of the above, the financial statements of the Company have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iv) Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to fluctuations in foreign exchange currency. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(v) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

d. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

c. Impairment of assets (continued)

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

d. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

e. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise. The Company is not adopting hedge accoun

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

f. Turnover

Turnover, which excludes value added tax (as calculated under the Tour Operators Margin Scheme), represents the sale of services from the operation of coach holidays in the year. Turnover is recognised when the trip departs. Any advance payments received from customers are held within deferred income until the date of departure.

g. Leases

Operating lease payments are charged to the Profit and loss account on a straight-line basis over the lease term, even where payments are not made on such a basis.

h. Other operating income

Other operating income comprises management charges receivable from fellow subsidiary companies and any foreign exchange differences on foreign currency purchases in the period in which they arise.

i. Interest Receivable

Interest income is recognised when it is probable that the economic benefit will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The directors do not consider there to be any areas of critical judgements that have been made in the process of applying the Company's accounting policies.

Key source of estimation uncertainty

Impairment of investments

Determining whether investments are impaired requires an estimation of the value in use of the income generating units to which the assets have been allocated. Specialist Leisure Group Limited is deemed to be the smallest income generating unit in operation due to the significant reliance of each individual entity on others within the group to support their operations, as such this is reviewed on a Group wide basis. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

A number of key assumptions within these forecasts have been based on management's past experience and knowledge of the market. Given the uncertainty surrounding Brexit, an assumption has been made that the UK will leave the EU through an orderly exit. The following assumptions for growth were used;

- 2-5 year revenue growth, 2-5 year cost of sales growth and 2-5 year operating expense growth (5% (2018) and 6% (2017))
- Post 5 year growth rate (3% (2018) and 5% (2017))

A post-tax discount rate of 11.25% (2018) and 15% (2017) was used, which was calculated and benchmarked against externally available data. No impairment has been identified following the value in use calculation.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

3. TURNOVER

An analysis of the Company's turnover is as follows:

	2018 £'000	2017 £'000
Rendering of package holiday services	78,803	81,256

	2018 £'000	2017 £'000
Turnover:		
United Kingdom	78,803	81,256

4. NET FINANCE COST

	2018 £'000	2017 £'000
Interest receivable and similar income	537	(105)
Interest payable and similar charges	(1)	(1)
	536	(106)

Interest receivable and similar income:	2018 £'000	2017 £'000
Fair value movement on derivatives	537	-
	537	-

Interest payable and similar charges:	2018 £'000	2017 £'000
Bank loans and overdrafts	(1)	(1)
Fair value movement on derivatives	-	(105)
	(1)	(106)

5. OTHER OPERATING INCOME

	2018 £'000	2017 £'000
Management charges received	1,550	1,550
Foreign exchange gain / (losses)	265	(22)
	1,815	1,528

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

6. OPERATING LOSS

Fees payable to Deloitte LLP for the audit of the Company's annual financial statements were £24,000 (2017: £20,000).

Fees payable to Deloitte LLP and its associates for non-audit services to the Company are £nil (2017: £nil).

No directors received any emoluments in respect of their duties as a director of the Company in the year ended 31 December 2018 (2017: £nil). There are no employees, other than the directors.

7. TAX ON LOSS

	2018 £'000	2017 £'000
Current tax		
UK corporation tax	(682)	(925)
Total current tax credit	(682)	(925)
Deferred tax		
Current year	54	(17)
Prior year		-
Changes in tax rates	(5)	2
Total deferred tax	49	(15)
Total tax credit	(633)	(940)

The standard rate of tax applied to reported loss on ordinary activities is 19% (2017: 19.25%). The applicable tax rate changed from 20% to 19% from 1 April 2017.

The difference between the total tax credit shown above and the amount calculated by applying standard rate of UK corporation tax to the loss before tax is as follows:

	2018 £'000	2017 £'000
Loss before taxation	(3,302)	(4,890)
Tax on loss at standard UK corporation tax rate of 19% (2017: 19.25%)	(627)	(941)
Effects of:		
Other	-	-
Changes in tax rates	(6)	2
Total tax credit for the year	(633)	(939)

Finance Act 2016, which was substantively enacted in September 2016, included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020, and Finance Act 2015 (No.2) included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017. Accordingly, deferred tax balances have been revalued to the lower rate of 17% in these accounts which has resulted in a credit to the profit & loss account of £6,000 (2017: £2,000). To the extent that the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax asset will be reduced.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

8. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares in subsidiary undertakings £'000
Cost and net book value	
At 1 January 2018 and 31 December 2018	49,000

Subsidiary undertakings	Country of registration	Principal activity	Class and percentage of shares held
Shearings Hotels Limited	Scotland	Hotelier	100% Ordinary Shares
Shearings Limited	England and Wales	Coach Operator	100% Ordinary Shares

The registered office for Shearings Limited is Waterside House, Waterside Drive, Wigan, Lancashire, WN3 5AZ. The registered office for Shearings Hotels Limited is The Tarbet Hotel, Loch Lomond, Arrochar, G83 7DE.

Subsidiary undertakings have not been consolidated by Shearings Holidays Limited as permitted by s.400 of the Companies Act 2006 as they are consolidated in the financial statements of Specialist Leisure Group Limited, Waterside House, Waterside Drive, Wigan, Lancashire, WN3 5AZ.

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Trade debtors	546	302
Amounts owed by fellow subsidiaries	1,554	88
Other taxes	96	883
Group relief	10,761	10,080
Deferred tax recoverable (note 11)	3	52
Prepayments and accrued income	752	1,628
Derivative financial instruments	325	-
	14,037	13,033

Amounts owed by fellow subidiaries carry an interest rate of 0% (2017: 0%) are unsecured and are repayable on demand.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Bank overdraft	2	278
Trade creditors	1,878	3,219
Amounts owed to parent	6,437	10,837
Amounts owed to fellow subsidiaries	59,980	49,896
Other taxation	643	348
Accruals and deferred income	7,466	8,032
Derivative financial instruments	-	212
	76,406	72,822

The bank overdraft is secured by a legal charge over the assets of Specialist Leisure Group Limited.

Amounts owed to fellow subidiaries carry an interest rate of 0% (2017: 0%) are unsecured and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. DEFERRED TAX

The movement on the deferred taxation asset in the year was as follows:

	£'000
Balance at 1 January 2018	52
Credit to profit and loss account	(49)
Balance at 31 December 2018	3

The amounts of deferred taxation provided and unprovided in the financial statements are as follows:

	31 December 2018		31 December 2017	
	Provided	Unprovided	Provided	Unprovided
	£'000	£'000	£'000	£'000
Difference between accumulated depreciation and capital allowances	13	-	16	-
Short term timing differences	(55)	-	36	-
Trading losses	45	-	-	42

There is a deferred tax asset totalling £45,000 (2017: £42,000) in relation to trading losses that has not been provided for given the entity continues to make a loss year on year.

12. CALLED UP SHARE CAPITAL

	2018	2017
	£'000	£'000
Allotted, called up and fully paid		
42,000,000 ordinary shares of £1 each	42,000	42,000

13. CONTINGENT LIABILITIES

The Group has provided bonds to the Association of British Travel Agents ("ABTA"), the Civil Aviation Authority ("CAA"), the Bonded Coach Holiday Group ("BCH"), the International Air Transport Association ("IATA") and Accor Hotels. At 31 December 2018 the bonds amounted to £16,524,094 across the entire Group (2017: £16,504,094). It is not possible to split out the amount attributable to the company therefore group total has been disclosed.

14. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent company is Shearings Group Limited, a company registered in England and Wales. The address is Waterside House, Waterside Drive, Wigan, Lancs, WN3 5AZ, United Kingdom. The ultimate parent at the balance sheet date is Lone Star International Finance Designated Activity Company, a company registered in Ireland. The smallest and largest group in which the results of the Company are consolidated is Specialist Leisure Group Limited. The address is Waterside House, Waterside Drive, Wigan, Lancs, WN3 5AZ, United Kingdom.

In the opinion of the directors the ultimate controlling party at the balance sheet date is the ultimate parent undertaking, Lone Star International Finance Designated Activity Company. Lone Star International Finance Designated Activity Company is indirectly owned by various Lone Star LP funds. No one Fund has a controlling interest.