

Registered number: 06951692

THE ORIGINAL COTTAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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THE ORIGINAL COTTAGE COMPANY LIMITED

COMPANY INFORMATION

Directors	R M Ellis (Chairman) J A Ellis T M Ellis P J Ballard (appointed 19 January 2022) D S Cardwell S W Holman C D Simpson M Wickham J N Willmot
Company secretary	J N Willmot
Registered number	06951692
Registered office	Bank House Market Place Reepham Norwich Norfolk NR10 4JJ
Independent auditors	Larking Gowen LLP Chartered Accountants & Statutory Auditors King Street House 15 Upper King Street Norwich NR3 1RB

THE ORIGINAL COTTAGE COMPANY LIMITED

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THE ORIGINAL COTTAGE COMPANY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The directors present their Strategic Report on the company for the year ended 31 December 2021.

Business review

The principal activity of the company continued to be that of a holiday accommodation letting agent. The Statement of Income and Retained Earnings is set out on page 11. Adjusted EBITDA for the year ended 31 December 2021 was £10.9 million (31 December 2020: £4.7 million). Company turnover at £28.0 million shows an increase of 52% when compared to the prior year. The increase is due to the impact of Covid-19 reducing turnover in 2020 in addition to the high levels of demand seen in 2021 as well as the impact of the price increases seen across the sector.

As with all other businesses in its sector, during the year under review, the company has had to deal with the continuing impact of the Covid-19 global pandemic. The various travel restrictions put in place in the UK in the first few months of 2021 meant that holiday properties had to remain closed and/or guests were unable to travel, which adversely impacted the company's financial performance. However, the company benefited from the post-lockdown surge in bookings in the summer of 2021 and also from the international travel restrictions which saw a number of guests switching to UK holidays. During the year, the company utilised the UK Government's job retention scheme and was also the recipient of Government Covid-19 grant funding, the amount received under these Covid-19 related schemes during the year was £0.57 million (2020: £1.94 million).

The commitment and resilience displayed by the company's staff in dealing with the pandemic has been extraordinary. For the second year running, our people responded to all the challenges posed with real dedication, supporting our owners, guests and each other. The strong performance of the business in 2021 despite the challenges posed by Covid-19 is testament to their performance.

In March 2021, the company established an Employee Benefit Trust (EBT). During the year, the EBT acquired 4,624 shares in the company with a value of £4.68 million, see note 27 for further details.

During the year under review, the company acquired two businesses for expected total consideration of £1.66 million.

Principal risks and uncertainties

The company operates in a competitive market particularly regarding price and property availability. The company mitigates this risk by adopting competitive pricing policies and maintaining strong relationships with homeowners. In common with many businesses, the company's revenue is adversely affected during sustained periods of severe winter weather. As the company continues to widen its geographical presence the exposure to this risk will be mitigated to some extent.

Financial Risk Management

The company's operations expose it to a variety of financial risks that include liquidity risk, interest rate risk, credit risk and cash flow risk. Risk management is a fundamental part of the company's business activity and is an essential component in its planning process. Risk oversight sits with the board of directors who regularly review the key company risks.

Liquidity risk

The company retains sufficient cash and facilities to ensure it has sufficient available funds for operations and planned expansions.

THE ORIGINAL COTTAGE COMPANY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Interest rate risk

The company has interest bearing assets and liabilities. The company's income and operating cash inflows are substantially independent of changes in market interest rates. The company's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk, however, given the current and projected lack of volatility in interest rates the directors do not consider it necessary to mitigate the interest rate risk. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Credit risk

Although the company has a large number of small customers, the directors believe that the credit risk is mitigated by the fact that customers are required to pay before taking the holiday.

Cash flow risk

The directors consider the major cash flow risks are non payment by customers and increases in interest rates. These risks are mitigated by the methods noted above within interest rate risk and credit risk respectively.

Covid-19

The Covid-19 global pandemic which took hold in early 2020 and continued throughout 2021 has caused significant disruption to both the domestic and international travel sectors. The national 'lockdowns' in the UK during 2020 and in 2021 meant that holiday properties had to remain closed which impacted on the business and presented several challenges. With the primary focus being the safety and wellbeing of its people, homeowners and guests, the company has and will continue work alongside its homeowners and guests trying to achieve outcomes beneficial to all. Whilst the directors anticipate that the effects of Covid-19 will continue, it is hoped that they will not be as significant going forward. However, if they were, the directors consider the lessons learned to date stand the company in good stead to manage the Covid-19 risks going forward. During 2021, the company benefited from the post-lockdown surge in demand for UK self-catering holidays. It is anticipated that this demand will continue into 2022.

Financial key performance indicators

The key performance indicators ("KPIs") used to monitor and manage the company's performance are turnover – 2021: £28.0 million (2020: £18.4 million), gross profit – 2021: £24.1 million (2020: £16.0 million) and adjusted EBITDA – 2021: £10.9 million (2020: £4.7 million) after add-backs in respect of certain staff costs and donations of £563,000 (2020: £Nil).

The directors do not consider there to be any material non financial KPIs.

Directors' statement of compliance with duty to promote the success of the company

The directors of the company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in the Companies Act 2006 and include a duty to promote the success of the company.

The directors consider it crucial that the company maintains a reputation for the highest standards of business conduct and are responsible for setting, reviewing and upholding the culture, values, standards, ethics and reputation of the company to ensure obligations to key stakeholders are met. By using the core values of our family-owned business, we seek to sustain and develop strong, stable, profitable partnerships with all our customers, employees and suppliers by providing outstanding innovative services and products.

THE ORIGINAL COTTAGE COMPANY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

During the year, the directors consider that they have at all times acted in a way, and have made decisions, that would most likely promote the success of the company and for the benefit of its members as a whole, and in making those decisions have had particular regard to:

- the likely consequences of any decision in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the company.

The engagement of key stakeholders is summarised as follows:

Our People

We have a range of mechanisms whereby we engage with and seek feedback with all our employees, including a number of regional meetings throughout the year and a regular staff survey. We want to work hand in hand with them to ensure the company is an inspiring place to work and maximise their involvement and contribution to the business.

Business Relationships

We regularly engage with both existing and future customers both seeking feedback from them and providing them with details for future holidays.

We value all of our suppliers and have built many long-standing mutually beneficial business relationships.

Community & Environment

We make frequent contributions to charities and local organisations and try to be a positive influence in the life of the communities in which we operate across the UK, encouraging our people to support the communities in which they live and work. We strive to minimise our impact on the environment as far as practicable.

Shareholders

Being a family-owned, family-run business, the shareholders are routinely involved with the running of the business.

This report was approved by the board and signed on its behalf.



.....
J N Willmot
Director

Date: 11 April 2022

THE ORIGINAL COTTAGE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the company's financial statements 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;
- 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 to 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.

Results and dividends

Dividends paid in the period amounted to £777,000 (2020: £3,210,000). The directors do not recommend the payment of a final dividend (2020: £nil).

The profit for the year, after taxation, amounted to £5,611,000 (2020 - £1,367,000).

Directors

The directors who served during the year were:

R M Ellis (Chairman)
J A Ellis
T M Ellis
D S Cardwell
S W Holman
C D Simpson
M Wickham
J N Willmot

THE ORIGINAL COTTAGE COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Future developments

The directors aim to maintain the management policies which have resulted in the company's substantial growth in recent years. In the absence of unforeseen circumstances, they anticipate that profitability will be maintained in the future.

Research and development

Research and development activities undertaken by the company relate solely to the development of the company's proprietary booking system.

Qualifying third party indemnity provisions

During the year and up to the date of signing these financial statements, the company had in force an indemnity provision in favour of the directors of The Original Cottage Company Limited against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006.

Engagement with employees

Consultation with employees takes place through a number of regional meetings throughout the year and a regular staff survey. The aim is to ensure that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the general progress of their business units and of the company as a whole. Communication with all employees continues through in house newsletters and regular regional team meetings.

Disabled employees

Applications for employment by disabled people are always fully considered, bearing in mind the respective aptitudes and 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 that the training, career development and promotion of a disabled person should be, as far as possible, identical to that of a person who does not have a disability.

Matters covered in the Strategic Report

Information regarding the use of financial instruments and our s172(1) statement is included in the Strategic report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, Larking Gowen LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

THE ORIGINAL COTTAGE COMPANY LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

This report was approved by the board and signed on its behalf.



.....
J N Willmot
Director

Date: 11 April 2022

THE ORIGINAL COTTAGE COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ORIGINAL COTTAGE COMPANY LIMITED

Opinion

We have audited the financial statements of The Original Cottage Company Limited (the 'company') for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, 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 company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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 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 other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

THE ORIGINAL COTTAGE COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ORIGINAL COTTAGE COMPANY LIMITED (CONTINUED)

Opinion 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 have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

THE ORIGINAL COTTAGE COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ORIGINAL COTTAGE COMPANY LIMITED (CONTINUED)

Auditors' 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 Auditors' 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.

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.

Due to the field in which the company operates, we identified the areas most likely to have a direct material impact on the financial statements as compliance with UK tax legislation, UK accounting standards and the Companies Act 2006. In addition, we considered the provisions of other laws and regulations which whilst not having a direct impact on the financial statements, are fundamental to the company's ability to operate including health and safety, letting regulations, employment law and GDPR.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing legal and professional fees for indications of litigation;
- Reviewing board minutes;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to goodwill and intangible assets and the amortisation of them; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of any significant transactions outside the normal course of business.

Due to the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 Auditors' Report.

THE ORIGINAL COTTAGE COMPANY LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ORIGINAL COTTAGE COMPANY
LIMITED (CONTINUED)**

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 Auditors' 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.

Larking Gowen LLP

Charles Savory FCA (Senior Statutory Auditor)
for and on behalf of
Larking Gowen LLP
Chartered Accountants
Statutory Auditors
Norwich

11 April 2022

THE ORIGINAL COTTAGE COMPANY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
Turnover	4	28,023	18,435
Cost of sales		(3,923)	(2,460)
Gross profit		24,100	15,975
Administrative expenses		(16,710)	(15,557)
Other operating income	5	567	1,937
Operating profit	6	7,957	2,355
Income from shares in group undertakings		1,161	-
Amounts written off investments		(1,161)	-
Interest receivable and similar income	10	-	4
Interest payable and expenses	11	(271)	(341)
Profit before tax		7,686	2,018
Tax on profit	12	(2,075)	(651)
Profit for the financial year		5,611	1,367
Total comprehensive income for the year		5,611	1,367

The notes on pages 14 to 36 form part of these financial statements.

THE ORIGINAL COTTAGE COMPANY LIMITED
REGISTERED NUMBER: 06951692

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	14	16,471	17,009
Tangible assets	15	857	917
Investments	16	3	3
		<u>17,331</u>	<u>17,929</u>
Current assets			
Stocks	17	37	27
Debtors: amounts falling due within one year	18	25,435	20,650
Cash at bank and in hand	19	10,514	9,703
		<u>35,986</u>	<u>30,380</u>
Creditors: amounts falling due within one year	20	(37,192)	(31,653)
Net current liabilities		<u>(1,206)</u>	<u>(1,273)</u>
Total assets less current liabilities		<u>16,125</u>	<u>16,656</u>
Creditors: amounts falling due after more than one year	21	(7,858)	(8,870)
Provisions for liabilities			
Deferred tax	24	(2,271)	(1,794)
Net assets		<u>5,996</u>	<u>5,992</u>
Capital and reserves			
Called up share capital	25	58	208
Capital redemption reserve	26	300	150
EBT reserve	26	(4,680)	-
Profit and loss account	26	10,318	5,634
		<u>5,996</u>	<u>5,992</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



J N Willmot
 Director

Date: 11 April 2022

THE ORIGINAL COTTAGE COMPANY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £000	Capital redemption reserve £000	EBT reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2020	208	150	-	7,477	7,836
Comprehensive income for the year					
Profit for the year	-	-	-	1,367	1,367
Dividends: Equity capital	-	-	-	(3,210)	(3,210)
At 1 January 2021	208	150	-	5,634	5,992
Comprehensive income for the year					
Profit for the year	-	-	-	5,611	5,611
Dividends: Equity capital	-	-	-	(777)	(777)
Acquisition of shares by EBT	-	-	(4,680)	-	(4,680)
Redemption of preference shares	(150)	150	-	(150)	(150)
At 31 December 2021	58	300	(4,680)	10,318	5,996

The notes on pages 14 to 36 form part of these financial statements.

THE ORIGINAL COTTAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

The principal activity of the company is that of a holiday accommodation letting agent.

The Original Cottage Company Limited is a private company limited by shares incorporated and domiciled in England and Wales, registration number 06951692. The address of the registered office is Bank House, Market Place, Reepham, Norwich, Norfolk, NR10 4JJ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in Sterling and rounded to the nearest £000.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments certain paragraphs 11.42 to 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of The Original Holding Company Limited as at 31 December 2021 and these financial statements may be obtained from Companies House.

THE ORIGINAL COTTAGE COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.3 Going concern

Based on cash flow projections prepared, taking account of reasonably possible changes in trading performance, having considered the net liabilities position, the directors have a reasonable expectation that the company has sufficient resources and facilities to meet its liabilities as they fall due for a period of at least twelve months from the date of signing these financial statements, and have accordingly prepared the financial statements on a going concern basis.

2.4 Turnover

Turnover includes commissions and other income in respect of sales made on an agency basis, as well as subscription and installation fees (including training) arising from the sale of the company's booking and administration system. Turnover excludes value added tax, and is derived from operations in the United Kingdom.

Where the company acts as a booking agent, turnover is recognised at the point of booking confirmation, when a deposit is received. This is when the risks and rewards relating to the transaction are transferred and the company has no further obligation. Subscription fee turnover is recognised on a straight-line basis over the life of the underlying subscription contract. Installation fees are recognised when the customer commences using the product.

THE ORIGINAL COTTAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

Goodwill represents the difference between the fair value of the purchase consideration and the fair value of the company's share of the identifiable net assets of an acquired entity. The fair value of the purchase consideration includes the directors' best estimate as to the value of contingent consideration which is adjusted against the cost of acquisition until settled. Goodwill is amortised over its expected useful life. Goodwill on incorporation of The Original Cottage Company Partnership is amortised over 22.5 years as this reasonably reflects the best estimate of the consumption of the economic resource acquired in the acquisition of TOCCP. Where the company is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the Statement of Comprehensive Income.

In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives of three years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Research and development expenditure

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the company is expected to benefit. This period is three to ten years. Provision is made for any impairment.

Customer relationships

Customer relationships are recognised as intangible assets at the fair value of the consideration paid to acquire them and are carried at historical cost less provisions for amortisation and impairment. The fair value attributable to customer relationships acquired through a business combination is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted post tax weighted average cost of capital for the Company. The residual values of customer relationships are assumed to be £nil. Customer relationship intangibles are reviewed for impairment if conditions exist that indicate review is required. Amortisation is provided so as to write off the cost of customer relationships over the expected economic lives of the assets, which is considered to be ten years.

Customer lists

Customer lists are recognised as intangible assets at fair value of the consideration paid to acquire them and are carried at historical cost less provisions for amortisation and impairment. The fair value attributable to customer lists acquired through a business combination is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted post tax weighted average cost of capital for the company. The residual values of customer lists are assumed to be £nil. Customer lists are reviewed for impairment if conditions exist that indicate review is required. Amortisation is provided so as to write off the cost of customer lists over the expected economic lives of the asset in equal installments over a period of three years.

THE ORIGINAL COTTAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

Trade names

Trade names are recognised as intangible assets at fair value of the consideration paid to acquire them and are carried at historical cost less provisions for amortisation and impairment. The fair value attributable to trade names acquired through a business combination is determined using the royalty relief method by discounting the expected future cash flows (savings by acquiring rather than creating the trade name) at the risk adjusted post tax weighted average cost of capital for the company. The residual values of trade names are assumed to be £nil. Trade names are reviewed for impairment if conditions exist that indicate review is required. Amortisation is provided so as to write off the cost of trade names over the expected economic lives of the asset in equal installments of 5% per annum.

2.6 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Freehold land is not depreciated on the basis that it is deemed to have an unlimited life. Depreciation on other assets is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful economic life.

The estimated useful lives range as follows:

Long-term leasehold property	- 50 years straight line
Motor vehicles	- 25% reducing balance
Fixtures and fittings	- 3 to 12 years straight line

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.7 Valuation of investments

Investments in subsidiary undertakings are held at cost less accumulated impairment losses.

2.8 Impairment of assets

At each reporting date non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits. Bank overdrafts are shown within borrowings in current liabilities.

THE ORIGINAL COTTAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.10 Financial Instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the Instrument.

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.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables and bank loans are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

THE ORIGINAL COTTAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.11 Equity

Equity instruments are classified in accordance with the substance of the contractual agreement. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Ordinary shares are classified as equity and are recorded at the value of cash or other resources received. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Compound financial instruments issued by the company comprise redeemable preference shares that can be redeemed at the option of the company or the holder. The substance of these preference shares is that they are classified within equity and are recorded on the same basis as the ordinary shares.

2.12 Employee benefit trust

In the current year the company has established a trust for the benefit of employees. Monies held in this trust are held by independent trustees and managed at their discretion.

Where the company retains future economic benefit from, and has de facto control of the assets and liabilities of the trust, they are accounted for as assets and liabilities of the company until the earlier of the date that an allocation of trust funds to employees in respect of past services are declared and the date that assets of the trust are vested in identified individuals.

2.13 Dividends

Dividends proposed or declared after the balance sheet date are not recognised as a liability at the Statement of Financial Position date. Final dividends are recognised once formally approved by the board and interim dividends are recognised once paid.

2.14 Leased assets: Lessee

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the Income Statement over the period of the leases to produce a periodic rate of interest on the remaining balance of the liability. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

2.15 Pensions

The company operates a defined contribution (money purchase) pension scheme for the benefit of its employees. The assets of the scheme are administered in a fund fully independent from the company. The pension costs charged in the year represent the contributions payable by the company in the year.

THE ORIGINAL COTTAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.16 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.17 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.18 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the difference between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

THE ORIGINAL COTTAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgments in applying the company's accounting policies

Development expenditure

Development expenditure is capitalised in accordance with the accounting policy given above. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Key accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Goodwill and intangible assets

The company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Intangibles acquired in business combinations

Determining the value of intangibles acquired in business combinations; requires the calculation of estimated future cash flows expected to arise from the intangible assets at a suitable discount rate in order to calculate their present value.

Cancellation provision

Due to the impact of Covid-19 in the prior year, alongside local and national measures that were used to control this, including lockdowns, the level of cancellation provision that is required is considered to be a key accounting estimate. Estimating the levels of cancellations in such a changeable climate is based on the experience of the last twelve months alongside historical performance.

THE ORIGINAL COTTAGE COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. Turnover

The whole of the turnover is attributable to the principal activities of the company, namely by acting as a holiday cottage letting agent, and through the sale of the company's booking and administration system.

All turnover arose within the United Kingdom.

5. Other operating income

	2021 £000	2020 £000
Government grants receivable	567	1,937

Government grants receivable includes Coronavirus Job Retention Scheme grants receivable from central government to cover some of the costs of employing certain members of staff placed on furlough leave in response to the coronavirus pandemic, alongside other government business support funding.

6. Operating profit

The operating profit is stated after charging:

	2021 £000	2020 £000
Depreciation of tangible fixed assets	268	328
(Profit)/loss on disposal of assets	(14)	4
Amortisation of intangible assets	2,078	2,046
Loss on foreign exchange	(8)	20
Other operating lease rentals	616	693
Defined contribution pension cost	422	398

7. Auditors' remuneration

	2021 £000	2020 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	22	17

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

THE ORIGINAL COTTAGE COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

8. Employees

Staff costs were as follows:

	2021	2020
	£000	£000
Wages and salaries	9,060	8,627
Social security costs	823	727
Cost of defined contribution scheme	422	398
	10,305	9,752

The average monthly number of employees, including the directors, during the year was as follows:

	2021	2020
	No.	No.
Management	13	12
Sales and administration	401	441
	414	453

9. Directors' remuneration

Key management is considered to be the executive and non-executive directors of the company. The directors' remuneration is as follows:

	2021	2020
	£000	£000
Remuneration	553	462
Contributions to defined contribution pension scheme	21	15
Amounts paid as consultancy fees	18	18
	592	485

During the year 4 directors (2020 - 4) accrued benefits under a money purchase pension scheme.

The highest paid director received remuneration of £184,000 (2020 - £141,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,000 (2020 - £6,000).

THE ORIGINAL COTTAGE COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

10. Interest receivable

	2021 £000	2020 £000
Other interest receivable	-	4
	<u>-</u>	<u>4</u>

11. Interest payable and similar expenses

	2021 £000	2020 £000
Bank interest payable	269	334
Finance leases and hire purchase contracts	2	4
Other interest payable	-	3
	<u>271</u>	<u>341</u>

12. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	1,838	782
Adjustments in respect of previous periods	-	2
Total current tax	<u>1,838</u>	<u>784</u>
Deferred tax		
Origination and reversal of timing differences	(330)	(268)
Adjustments in respect of previous periods	-	(5)
Effect of tax rate change on opening balance	567	140
Total deferred tax	<u>237</u>	<u>(133)</u>
Taxation on profit on ordinary activities	<u>2,075</u>	<u>651</u>

THE ORIGINAL COTTAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - *higher than*) the standard rate of corporation tax in the UK of 19.0% (2020 - 19.0%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	7,686	2,018
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2020 - 19.0%)	1,460	383
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	48	131
Adjustment to tax charge in respect of prior periods	-	(3)
Effect of tax rate change on opening deferred tax balance	567	140
Total tax charge for the year	2,076	651

Factors that may affect future tax charges

Future tax charges may be affected by the increase in corporation tax rate from 19% to 25% with effect from 1 April 2023. This has already been reflected in the deferred tax liability.

THE ORIGINAL COTTAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. Dividends

	2021 £000	2020 £000
Redeemable preference		
Dividend paid: £0.01 (31 December 2020: £0.01) per share	1	1
Ordinary		
Interim paid: £13.67 (31 December 2020: £68.34) per share	600	3,000
Ordinary A		
Interim paid: £Nil (31 December 2020: £8.08) per share	-	30
Ordinary B		
Interim paid: £46,000 (31 December 2020: £46,500) per share	46	47
Ordinary C		
Interim paid: £Nil (31 December 2020: £4.18) per share	-	7
Interim paid: £112.46 (31 December 2020: £26.36) per share	65	45
Ordinary D		
Interim paid: £65,000 (31 December 2020: £80,000) per share	65	80
	<u>777</u>	<u>3,210</u>

THE ORIGINAL COTTAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14. Intangible assets

	Brand name and customer lists £000	Develop- ment £000	Customer relationships £000	Software £000	Goodwill £000	Total £000
Cost						
At 1 January 2021	606	622	15,487	89	10,597	27,401
Additions	-	340	960	-	240	1,540
At 31 December 2021	606	962	16,447	89	10,837	28,941
Amortisation						
At 1 January 2021	294	228	5,977	73	3,820	10,392
Charge for the year on owned assets	23	72	1,419	6	558	2,078
At 31 December 2021	317	300	7,396	79	4,378	12,470
Net book value						
At 31 December 2021	289	662	9,051	10	6,459	16,471
At 31 December 2020	312	394	9,510	16	6,777	17,009

THE ORIGINAL COTTAGE COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

15. Tangible fixed assets

	Long-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 January 2021	899	511	1,193	2,603
Additions	70	18	137	225
Disposals	(30)	(107)	(7)	(144)
At 31 December 2021	939	422	1,323	2,684
Depreciation				
At 1 January 2021	357	346	983	1,686
Charge for the year on owned assets	94	36	127	257
Charge for the year on financed assets	-	11	-	11
Disposals	(30)	(90)	(7)	(127)
At 31 December 2021	421	303	1,103	1,827
Net book value				
At 31 December 2021	518	119	220	857
At 31 December 2020	542	165	210	917

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2021 £000	2020 £000
Motor vehicles	33	67

THE ORIGINAL COTTAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

16. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2021	11,099
Additions	1,161
At 31 December 2021	<u>12,260</u>
Impairment	
At 1 January 2021	11,096
Charge for the period	1,161
At 31 December 2021	<u>12,257</u>
Net book value	
At 31 December 2021	<u><u>3</u></u>
At 31 December 2020	<u><u>3</u></u>

THE ORIGINAL COTTAGE COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

16. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Norfolk Country Cottages Limited	Dormant	Ordinary	100%
Yorkshire Holiday Cottages Limited	Dormant	Ordinary	100%
W.M. Powell Development Company Limited	Dormant	Ordinary	100%
Suffolk Country Cottages Limited	Dormant	Ordinary	100%
Suffolk Holidays Limited	Dormant	Ordinary	100%
Perfect Example Limited	Dormant	Ordinary	100%
Blueriver Cottages Ltd	Dormant	Ordinary	100%
Ready to Travel Limited	Dormant	Ordinary	100%
Big House Holidays Limited	Dormant	Ordinary	100%
Suffolk Cottage Holidays Limited	Dormant	Ordinary	100%
RTT Property Care Limited	Dormant	Ordinary	100%
Destination Suffolk Limited	Dormant	Ordinary	100%
Visit Suffolk Coast Limited	Dormant	Ordinary	100%
Mills and Barns Limited	Dormant	Ordinary	100%
Discovery Holiday Homes Limited	Dormant	Ordinary	100%
Holiday Homes & Cottages Ltd	Dormant	Ordinary	100%
Best of Wales Limited	Dormant	Ordinary	100%
Above Beach Cottages Ltd	Dormant	Ordinary	100%
Lanham's Limited	Dormant	Ordinary	100%
St Ives Holidays Limited	Dormant	Ordinary	100%
Northumbria Byways Limited	Dormant	Ordinary	100%
Heritage Hideaways Limited	Dormant	Ordinary	100%
Grace Darling Holidays Limited	Dormant	Ordinary	100%
Douglas-Jones Limited	Dormant	Ordinary	100%
Home From Home (Wales) Limited	Dormant	Ordinary	100%
Coastal Retreats Limited	Dormant	Ordinary	100%

17. Stocks

	2021 £000	2020 £000
Raw materials and consumables	<u>37</u>	<u>27</u>

THE ORIGINAL COTTAGE COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

18. Debtors

	2021 £000	2020 £000
Trade debtors	24,305	20,523
Other debtors	713	52
Prepayments and accrued income	417	75
	<u>25,435</u>	<u>20,650</u>

Trade debtors are stated after provisions for Impairment of £Nil (2020 - £20,000).

19. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	10,514	9,703
	<u>10,514</u>	<u>9,703</u>

Included above is £3,219,000 (2020: £2,000,000), readily accessible, held on deposit as security.

20. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Bank loans	1,000	1,000
Trade creditors	29,260	27,751
Amounts owed to group undertakings	69	249
Amounts owed to related parties	3,600	84
Corporation tax	1,097	532
Other taxation and social security	177	319
Obligations under finance lease and hire purchase contracts	12	21
Other creditors	1,977	1,697
	<u>37,192</u>	<u>31,653</u>

Bank overdrafts and loans are secured by fixed and floating charges over certain assets of the company and the group.

The amounts owed to related parties are unsecured and interest free.

THE ORIGINAL COTTAGE COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

21. Creditors: Amounts falling due after more than one year

	2021	2020
	£000	£000
Bank loans	7,850	8,850
Net obligations under finance leases and hire purchase contracts	8	20
	<u>7,858</u>	<u>8,870</u>

22. Loans

Analysis of the maturity of loans is given below:

	2021	2020
	£000	£000
Amounts falling due within one year		
Bank loans	1,000	1,000
Amounts falling due 1-2 years		
Bank loans	1,000	1,000
Amounts falling due 2-5 years		
Bank loans	5,900	5,900
Amounts falling due after more than 5 years		
Bank loans	<u>950</u>	<u>1,950</u>

Bank loans are secured by fixed and floating charges over certain of the assets of the company and the group.

On 23 December 2021, the company extended its bank facility agreement with HSBC Bank plc. The facilities comprise a three year Revolving Credit Facility ('RCF') of £10.0m and a three year term loan bank facility of £6.2m. The term loan is repayable in quarterly instalments over a period of 6 years and bears interest at a rate of base rate plus 2.25%. Interest on the RCF is charged at base rate plus 2.25% on the drawn-down amount. A commitment fee of 0.90% is charged on the undrawn amount.

THE ORIGINAL COTTAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2021 £000	2020 £000
Within one year	13	23
Between 1-5 years	9	22
Less finance charges included above	(2)	(4)
	<u>20</u>	<u>41</u>

Obligations under finance leases and hire purchase contracts are secured on related assets.

24. Deferred taxation

	2021 £000	2020 £000
At beginning of year	1,794	1,875
Credited to profit or loss	237	(133)
Arising on business combinations	240	52
At end of year	<u>2,271</u>	<u>1,794</u>

The provision for deferred taxation is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	133	108
Arising on business combinations	2,138	1,686
	<u>2,271</u>	<u>1,794</u>

The amount of the net reversal of deferred tax expected to occur next year is £347,000 (31 December 2020: £28,000), relating to the reversal of existing timing differences on fixed assets.

THE ORIGINAL COTTAGE COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

25. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
Nil (2020 - 150,000) Redeemable preference shares of £1 each	-	150,000
43,901 (2020 - 43,901) Ordinary shares of £1 each	43,901	43,901
3,717 (2020 - 3,717) Ordinary A shares of £1 each	3,717	3,717
911 (2020 - 911) Ordinary B shares of £1 each	911	911
1,707 (2020 - 1,707) Ordinary C shares of £1 each	1,707	1,707
606 (2020 - 606) Ordinary D shares of £1 each	606	606
576 (2020 - 576) Ordinary E shares of £1 each	576	576
576 (2020 - 576) Ordinary F shares of £1 each	576	576
2,319 (2020 - 2,319) Ordinary G shares of £1 each	2,319	2,319
3,479 (2020 - 3,479) Ordinary H shares of £1 each	3,479	3,479
	<hr/> 57,792 <hr/>	<hr/> 207,792 <hr/>

The Ordinary A-H shares rank pari passu.

The redeemable preference shares of £1 each are redeemable at the option of the company or the holders and carry a right to a preference dividend of 1%. Due to the underlying substance of the redeemable preference shares they have been classified within equity.

During the year under review, the Company redeemed 150,000 (2020: nil) redeemable preference shares at par.

Subsequent to the year end, the Company entered into a share reorganisation where 824 Ordinary A shares, 910 Ordinary B shares, 1,129 Ordinary C shares, 605 Ordinary D shares, 576 Ordinary F shares and 4 Ordinary G shares were re-designated as Ordinary E shares. Following this re-designation, the Company carried out a sub-division of all of the shares from 57,792 shares (of various designations, with various class rights) with a nominal value of £1 each to 57,792,000 shares (of the same designations with the same class rights) with a nominal value of £0.001 each.

26. Reserves

Capital redemption reserve

Upon redemption of preference shares, a capital redemption reserve was created representing the nominal value of the shares cancelled. This is a non-distributable reserve.

EBT reserve

This balance reflects the value of the shares in the company held by the Employee Benefit Trust (see note 27 for further details).

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

THE ORIGINAL COTTAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

27. Employee benefit trust

In March 2021, the company established an Employee Benefit Trust (EBT). During the year under review, the EBT acquired 4,624 shares in the company from directors with a value of £4.68 million. During 2021, the company made a contribution to the EBT amounting to £1.22 million which the EBT used to part-settle the amounts owing in relation to the acquisition of the shares in the company. As at 31 December 2021, an amount of £3.46 million remains due in relation to the acquired shares. As at 31 December 2021, no payments had been made to any beneficiaries of the EBT, neither had any equity instruments been distributed to beneficiaries of the EBT. Subsequent to the year end, the EBT issued nil-cost share options to beneficiaries in relation to the shares in the company held by the EBT.

In accordance with FRS 102, the assets and liabilities of the EBT have been recognised on the company's balance sheet. The value of the shares acquired and held by the EBT have been shown as a deduction within total equity.

28. Business combinations

During the year ended 31 December 2021, the company acquired the trade and assets of holiday cottage agencies throughout the country. The intangible fixed assets purchased relating to customer relationships amounted to £497,000 including £124,000 of deferred tax liabilities. This was settled by £250,000 in cash in addition to contingent consideration amounting to £247,000.

Post balance sheet events

Since the year end there have been further businesses acquired for total consideration of £600,000.

29. Contingent liabilities

There is a multilateral guarantee in place between The Original Holding Company Limited and this company, over the bank borrowings. The total amount outstanding for the group at the year end amounted to £10,249,000 (2020: £11,719,000).

30. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £422,000 (2020: £398,000). Contributions totalling £nil (2020: £nil) were payable to the fund at the reporting date.

THE ORIGINAL COTTAGE COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

31. Commitments under operating leases

At 31 December 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £000	2020 £000
Not later than 1 year	761	665
Later than 1 year and not later than 5 years	2,140	1,881
Later than 5 years	1,007	1,268
	<u>3,908</u>	<u>3,814</u>

Operating lease commitments represent rentals payable by the company in respect of its office premises and motor vehicles.

32. Transactions with directors

During the year, dividends were paid to directors of the company, or their spouses (by way of a credit to their respective directors' loan accounts) totalling £177,000 (2020: £211,000).

At the year end, £140,000 (2020: £84,000) was due to directors by way of directors' loan accounts, which are interest free.

As outlined in note 27, there are amounts owing by the EBT to directors for the sale of their shares, amounting to £3.46 million.

33. Related party transactions

	2021 £000	2020 £000
Rent charged by parent company	80	76
Letting agency fees charged to parent company	(8)	(6)
Recharge of amounts paid by company on behalf of parent company	(852)	(1,200)
Dividends paid to parent company	600	3,000
Amounts owed (to) / by parent company	<u>(66)</u>	<u>(246)</u>

The company has taken advantage of the exemptions available in FRS 102 not to disclose transactions with wholly owned group companies.

34. Ultimate parent undertaking and controlling party

The company's immediate and ultimate parent company is The Original Holding Company Limited, a company registered in England. Copies of the group's financial statements may be obtained from Companies House.

The ultimate controlling party is Mr R M Ellis.