

Section 172 - Directors' statement of compliance with duty to promote the success of the Group for the year ended 30th September 2020

The directors believe they have acted at all times to promote the success of the Group for the benefit of its members as a whole. In doing so, the Board has considered the interest of a range of stakeholders impacted by the Group, as well as having regard for the matters set out in section 172(1) of the UK Companies Act 2006, namely:

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

Board and decision-making process

The Group operates under five fundamental principles, that are considered in all decision-making processes at Board, strategic and operational levels

- We achieve together
- We communicate honestly
- We drive innovation and change
- We earn trust
- We grow and learn

Board meetings are held every month (excluding August and December) and the monthly reports include:

- Summary of key initiatives and their progress
- Merger & Acquisitions (M&A) update
- Operations update
- IT update, including operational and strategic objectives
- Monthly Financials including budgets/forecasts

Executive Board members meet on weekly basis, alongside key senior management to provide day to day oversight on strategic and operational objectives, with significant changes and decisions referred to the formal Board of Directors.

Key Stakeholders

Directors utilise a full range of communication channels to engage with stakeholders; these include face to face meetings, events, reports and other written materials, as well as through public relations activity, targeted digital content and social media.

The directors have identified the following as key stakeholders of the Group, as they are either directly affected or benefit from the success of the Group.

- **Guests** – the Group provides a diverse range of quality holiday properties to over 1 million guests each year in the United Kingdom, Ireland and New Zealand. Guests are engaged initially through targeted marketing initiatives and via contact to our UK and New Zealand based call centres. During and post travel, customers have access to our customer services support online and via telephone and feedback is gathered through satisfaction surveys.
- **Property Owners** – The Group provides property management, marketing and booking services to approximately 18,000 owners who have c.20,000 holiday properties. A dedicated Owners team with the assistance of a nationwide network of Property Consultants service the needs of property Owners.

- **Workforce** – the Group employs approximately 866 people across the UK and New Zealand. The Group places considerable value on the involvement of its employees, therefore it ensures information on matters of concern is provided and where appropriate the employees are consulted so their views are taken into account when making decisions. This is achieved through monthly floor briefings, intranet and e mails to employees' work addresses. Employee involvement in the Group is encouraged through regular employee surveys.
- **Suppliers** – The Group engages with key suppliers and settles invoices in a timely manner and within the agreed credit terms.
- **Community and Environment** – The Group participates in several community-based initiatives through fund raising events and commitment of resources. The Group selects a key Charity to work with each year and for FY20 the charity was the Teenage Cancer Trust. Given the pandemic during FY20 reducing the ability to fund raise the Group have decided to continue supporting this charity for another year. The Group looks to minimise its carbon footprint where possible, reducing the use of paper through technical developments and maximising recycling of paper/plastics/metals via numerous in office recycling collection points.
- **Shareholders and lenders** – the ultimate controlling party of Priestholm TopCo Ltd and the Sykes Group is Vitruvian Partners LLP, which is a private equity investment company. The Group has also entered into a Loan Facility and Revolving Credit Facility with external lenders. Both Vitruvian Partners LLP and lenders receive monthly financial updates as standard, with ad hoc initiatives and key developments reported as required.

Key decisions

The directors have identified the below as the key decisions made in the year. Key decisions have been determined as anything with strategic importance to the Group or that have taken a significant amount of management and Board time.

Decision 1

Acquisition of the Sykes Cottages Group by Priestholm BidCo Limited

On 28th October 2019, Sykes Cottages Holdings Limited (Sykes Cottages Group) was acquired by Priestholm BidCo Limited registered in the United Kingdom whose Ultimate Parent Company is Priestholm TopCo Limited registered in Jersey and the Ultimate Controlling Party is Vitruvian Partners LLP.

As part of the acquisition, Sykes Cottages Group undertook a refinancing, which has provided the group with additional long-term funding to facilitate growth through both acquisition and organic means.

Outcomes and impact on key stakeholders (where applicable):

- Workforce - Communication of the changes and how the new investment will impact the future of the business and support the Group's long-term strategy.
- Shareholders & Lenders - New Investors and Capital Structure in place.

Decision 2

The acquisition of new businesses

On 4th October 2019 Sykes Cottages Limited acquired Coast and Country Holidays Limited, a holiday rental company located in Pembrokeshire, Wales.

On 28th November 2019 the Group acquired Printcater Limited (trading as Carbis Bay Holidays), a holiday cottage rental company located in Cornwall, UK.

On 18th December 2019 the Group acquired Potter TopCo Limited which owns the Pure Cottages Group, a holiday cottage rental group which is located in the Lake District, Cotswolds and Cornwall.

Outcomes and impact on key stakeholders (where applicable):

- **Guests** - Able to offer a wider variety of property options to the whole group through the nationwide marketing capacity of the group, over multiple websites and marketing channels.
- **Property owners** - Communication is made to new owners early, so they understand how they will be impacted. The dedicated Owners team clearly describe any changes and how this will affect the owner. They will also advise the owner of the benefits of being part of the Sykes Cottages Group.
- **Workforce** - Clear plans are put into place and communicated through updates and written notices, to the existing and new staff base. Expected synergies related to the acquisitions are highlighted alongside career opportunities that may result.
- **Community** - Press releases to promote awareness within the local communities.
- **Shareholders & Lenders** - Notification to both parties explaining the rationale for the acquisition and expected benefits, which is part of the formal board communication.

Decision 3***Covid-19 Operational response***

During FY20 the world was impacted by the global pandemic. The governments in the UK and New Zealand imposed various lockdown measures and restrictions affecting people's ability to travel around the United Kingdom, Ireland and New Zealand for holidays and work purposes.

Where travel was legally impossible due to the contract between the consumer and the property owner being frustrated, Sykes Cottages has chosen to support both customers and property owners by facilitating the refunds of the full amount paid by customers. This includes the income generated by trading entities in the Sykes Group. The contractual services provided to generate the income has been delivered, so the Sykes Group has accounted for the refunds as a goodwill gesture to both our owners and customers.

Sykes continues to market and take bookings where it is legally possible to do so, to minimise the profitability and liquidity impact of Covid-19, on our trading partners.

Outcomes and impact on key stakeholders (where applicable):

- **Guests** - The various Covid-19 restrictions have affected guests ability to travel and therefore for numerous guests, their holidays have been cancelled/curtailed, when the booking has become legally frustrated. For these guests, we have offered a full refund (which includes ex gratia goodwill refund for commission and booking fee and ancillary income the Group has previously earned) or the offer of a change the date of their holiday. When there have been restrictions on household mixing and the number of people who could meet, guests were contacted with the option to continue with their holiday within Government guidelines, or receive a full refund or change of dates.
- **Property owners** - The Sykes Group facilitated the refund of gross rentals on behalf of owners, where holiday contracts have been legally frustrated. Commissions earned by Sykes have been effectively refunded to property owners as a goodwill gesture from the group. This minimises the economic impact on the owners to the net rentals they would have earned, rather than the gross rental the consumer has paid.

- **Employees** - To ensure the health and safety of its employees the Group has closed all its offices during full lockdowns and has ensured the Group has the infrastructure to enable employees to work from home. During the various tiered systems, the offices have been reopened on a requirement basis as the Group is aware working from home may not suit all employees. The group is constantly monitoring employee health, safety, and wellbeing and to ensure it has sufficient measures in place, facilitated by regular reviews through video meeting platforms.
- **Suppliers** - Sykes has been working with key suppliers on an ongoing basis, such as insurance brokers and marketing partners, to ensure the respective businesses are aligned in providing refunds to customers where applicable. Sykes continues to pay all suppliers within agreed terms.
- **Shareholders & Lenders** - Given the uncertainty caused by the pandemic, liquidity and profitability were, and continue to be, under frequent review. This high level of rigour enables the business to have proactive responses to governmental guidance with various scenario plans and actions to preserve cash and profits having been agreed with the Board and Shareholders notified where appropriate. The Scenario planning and mitigating actions undertaken taken have ensured the Group is in the best position to continue its long-term strategy.