

Mariner International Travel (UK) Limited

**Reports of the Directors and financial statements
for the year ended 30 September 2017**

Company number 01239190

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Mariner International Travel (UK) Limited
Reports of the Directors for the year ended 30 September 2017

The Directors present their Strategic and Directors' Reports on and the audited financial statements of Mariner International Travel (UK) Limited (the "Company") for the year ended 30 September 2017.

STRATEGIC REPORT

The Company's principal activity during the year continued to be that of a tour operator promoting and providing sailing holidays.

On 30 September 2016 the Company changed its name from Sunsail Limited to Mariner International Travel (UK) Limited and as from 1 October 2016 the Company is selling charter holidays under The Moorings brand in addition to the Sunsail brand.

On 15 June 2017, TUI AG, the former ultimate parent company, sold the Travelopia Group of companies, of which the Company is part of, to private equity firm KKR & Co L.P, which became the new ultimate controlling party.

Review of the business

To effectively measure the development, performance and position of the Company, the following Key Performance Indicators (KPIs) are of most relevance.

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Revenue	12,350	8,945
Profit/(loss) on ordinary activities	458	(5,638)
Net liabilities	(26,890)	(26,560)

The Company's profit on ordinary activities before taxation for the year ended 30 September 2017 was £16,000 (2016: loss of £6,405,000). No dividends were paid during the year (2016: £nil) and the Directors are unable to recommend the payment of a final dividend.

The Company's gross profit was £1,525,000 (2016: £1,679,000). The increase in revenue of £3,405,000 is due to a growth in Sunsail branded sales of 8% and £2,700,000 of sales under The Moorings brand.

Operating costs are affected by the legal provision of €9,000,000 for the closure of the Galini Club on which the Company were subject to a £576,000 exchange gain during the year (2016: £1,854,000 loss) and on which the Company accrues interest at the rate set by the lawyers in 2008 of 8.86% being £397,000 (2016: £641,000). The Company provided against no intercompany debts during the year (2016: £1,914,000). In 2017 and 2016 the foreign exchange loss/gain was classified as exceptional. On 24th July 2017 the legal claim was settled on behalf of Mariner International Travel (UK) Limited and consequently Mariner International Travel Limited entered into a €13,518,000 loan with Travelopia Holdings Limited.

	Year ended 30 September 2017	Year ended 30 September 2016
Operating profit/(loss)	458	(5,638)
Add/(deduct) foreign exchange loss/(gain) on Galini legal provision	(576)	1,854
Add exceptional items	-	1,914
Operating loss excluding exceptional items	(118)	(1,870)

STRATEGIC REPORT (continued)

Review of the business (continued)

On 6th September 2017, Hurricane Irma, the strongest hurricane to ever hit the North Atlantic with wind speeds of 185mph, made landfall over the British Virgin Islands ('BVI') and St Martin. Our base in Tortola in the BVI comprises of a mixed fleet of over 350 vessels and property (consisting of hotel accommodation, restaurants, shops, water sport facilities and boat repair services). The base reopened on 9th December 2017 with approximately 100 yachts available to charter. In FY17 30% of our customers chose these destinations as their holiday location.

Funding, liquidity and going concern

The Company has net current liabilities of £28,251,000 (2016: £27,715,000) and net liabilities of £26,890,000 (2016: £26,560,000). Of which cash balances amounted to £8,835,000 (2016: £1,140,000) and intercompany payables to £38,274,000 (2016: £22,828,000)

The financial statements are prepared on the going concern basis as Tim Intermediateco Limited has agreed to provide financial support to the Company in order that it can continue to trade and meet its liabilities as they fall due.

The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing these financial statements. Details of post balance sheet events are included in Note 21 of these financial statements.

Principal risks and uncertainties

Set against the evolving macroeconomic environment, the principal risks and uncertainties are:

Operational risks

- **Health and Safety.** Ensuring the health and safety of customers is of paramount importance. There is a risk of accidents occurring causing injury or death to customers or employees whilst on one of our holidays, which the Group strives to mitigate. Incidents could potentially result in reputational damage to either the Group and / or one of the Brands, and also have financial consequences. Insurance policies are in place in the event that incidents occur. The Group is committed to ensuring the health and safety of all its customers and anyone engaged with its business activities and to providing a safe and suitable environment for all customers. In recognition of the importance to the Group, the Board of Directors and associated Risk Management Committee ensure all key priorities are regularly considered and reviewed, with minimum standards put in place across the Group. The Group's central Health and Safety team report directly to the Group's Chief Executive Officer, ensuring that health & safety is given adequate profile throughout the organisation and instilled within the company's culture.
- **Brexit.** The UK's EU Membership referendum decision to leave the EU has increased uncertainty, particularly to foreign exchange rates and the short to medium term outlook for the UK economy. There is a risk that this uncertainty could reduce demand for overseas holidays in the Group's UK source market and adversely impact on the financial performance of the Group.
- **Destination disruption risk.** Providers of holiday and travel services are exposed to the inherent risk of domestic and international incidents affecting operations at those destinations. This includes natural catastrophes such as Hurricane Irma, which impacted the Group significantly in the financial period. The eye of the storm passed directly over our yacht bases in the British Virgin Islands and St Martin destroying much in its path. Destination disruption can also include outbreak of disease, war, political instability and terrorism. These events can cause significant operational disruption and costs to our business. No catastrophe like these can be actively prevented, but the financial risk of the Group is mitigated via insurance of assets and some operational losses, together with having many geographically diverse destinations (such as yacht bases) so as to limit the exposure to any single destination. We follow the UK Government's Foreign Office advice in our source markets with regards to non-essential travel to minimise the exposure of our customers.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

- **Consumer preferences and desires.** The tourism industry is fast-paced and competitive with the emergence of new market participants operating new business models, combined with consumer tastes and preferences evolving all the time. Consumer tastes and preferences have evolved in recent years as well, with more consumers booking their holidays online and via mobiles and tablets, and booking closer to the time of travel. There is the risk that if we do not respond adequately to such business model disruption, or if our products and services fail to meet changing customer demands and preferences, that our turnover, market share and profitability will suffer as a result.
- **Business improvement opportunities.** The Company is heavily reliant on legacy systems, processes and structures which, in some cases, are outdated, complex and inefficient. If we do not address the systems' inefficiencies we may incur higher costs due to inefficiencies and impact our ability to optimise business performance and provide a value added service to our consumers.
- **Seasonal cash flow.** Tourism is an inherently seasonal business with a large proportion of profits earned in the European summer months.
- **IT development and strategy.** Our focus is on enhancing customer experience by providing engaging, intuitive, seamless and continuous customer service through delivery of leading digital solutions, core platform capabilities, underlying technical infrastructure and IT services required to support the Group's overall strategy for driving profitable top-line growth. There is a risk that we fail to keep up with or outpace the market and evolving consumer preferences, we do not concentrate our activities on the correct areas for overall business success, do not ensure continuity of service for critical IT systems and/or do not execute our strategy and developments in line with expectations, our customer numbers, revenue and profitability will ultimately be impacted.
- **Legal & regulatory compliance.** The Company is exposed to a range of legal, tax and other regulatory laws, which must be complied with. Failure to comply results in fines or sanctions from regulatory bodies. For example the Company sells holidays under licenses granted by regulatory bodies in the relevant source markets, such as the Civil Aviation Authority. The licenses require us to comply with legal travel regulations, including for the ATOL licence, the requirement to hold a minimum amount of cash compared to client deposits throughout the year. Failure to do so could result in the removal of the licence. We have a Group Legal Compliance team who monitor compliance with laws and regulations and provide expert advice to business on specific areas.
- **Talent management.** The Company's success depends on its ability to retain key management and it relies on having good relations with its colleagues. If we are unable to attract and retain talent, build future leadership capability and maintain the commitment and trust of our employees, we risk not maximising our operating results and financial performance.
- **Cyber security.** Our responsibility is to protect the confidentiality, integrity and availability of the data we have and the services we provide to our customers, our employees, our suppliers and service delivery teams. There is a risk that our IT systems become exposed and susceptible to cyber-attacks and hacks. If we do not ensure we have the appropriate level of security controls in place across the Group, we could see a significant level of damage to our IT systems, including the ability to sell or provide holidays and maintain customer's data protection, causing significant reputational damage and adverse financial implications. We continuously review, test and monitor to identify potential threats as and when they arise.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

- **Sustainable development.** Our focus is to reduce the environmental impact of our holidays, creating positive change for people and communities. There is a risk that we are not successful in driving forecast environmental improvements across our operations, that our suppliers do not uphold our sustainability standards and we fail to influence destinations to manage tourism more sustainably. If we do not maximise our positive impact on destinations and minimise the negative impact on the environment to the extent that our stakeholders expect, this could result in a decline in stakeholder confidence, reputational damage, sustained long term damage to the Company's current and future destinations, reduction in demand for our products and services and loss of competitive advantage.

Financial instrument risks

- **Liquidity and cashflow.** To maintain funding for operations, in addition to the capital provided from the immediate parent company to acquire the Travelopia Group, the Group is dependent upon access to funding in the form of a seven year term interest-bearing bank loan with a principal amount of £100m, a revolving credit facility of £75m and cash reserves, the latter of which, in accordance with the licence granted to us by the Civil Aviation Authority, must be maintained above certain levels relative to customer deposits throughout the year.

On behalf of the Board



S B M Cross
Director

Company Number 01239190

Dated 27-MAR-2018

DIRECTORS' REPORT

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

P V Y Cochran
S B M Cross
C F Brown
M R Prior
J Northey

Directors' insurance

Throughout the financial year until 15 June 2017, TUI AG maintained Directors' and Officers' Liability insurance policies on behalf of the Directors of the Company. From 15 June 2017 until the date of approval of these financial statements the ultimate parent company, Travelopia Holdings Limited maintained Directors' and Officers' Liability insurance policies on behalf of the Directors of the Company. These policies meet the Companies Act 2006 definition of a qualifying third party indemnity provision.

Statement as to disclosure of information to auditors

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Business review

A fair review of the business, including an analysis of the performance and financial position of the Company, together with details of key performance indicators, dividends, future developments, funding and liquidity and post balance sheet events are included within the Strategic Report.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Reports of the Directors and 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 FRS 101.

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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.

DIRECTORS' REPORT (continued)

Statement of Directors' responsibilities (continued)

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.

On behalf of the Board



S B M Cross
Director

Company number 01239190

Dated 27-MAR-18

Opinion

We have audited the financial statements of Mariner International Travel (UK) Limited ("the Company") for the year ended 30 September 2017 which comprise the Statement of total comprehensive income, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (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 30 September 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the 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.

Other information

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

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

We have nothing to report in this regard.

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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 and Director's 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 statement of Directors' responsibilities, 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.

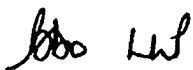
Auditor's responsibilities for the audit of the financial statements

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.

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 at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



John Everingham (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
29 March 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Mariner International Travel (UK) Limited
Statement of total comprehensive income for the year ended 30 September 2017

		Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
	Note		
Revenue		12,350	8,945
Cost of sales		<u>(10,825)</u>	<u>(7,266)</u>
Gross profit		1,525	1,679
Distribution costs		(1,936)	(1,879)
Administrative expenses/(credit)		<u>869</u>	<u>(5,438)</u>
Profit/(loss) on ordinary activities before interest and taxation		458	(5,638)
Finance income	7	1	4
Finance expense	8	<u>(443)</u>	<u>(771)</u>
Profit/(loss) on ordinary activities before taxation	9	16	(6,405)
Tax (expense)/credit	11	<u>(346)</u>	<u>1,190</u>
Loss for the financial year attributable to owners of the parent		(330)	(5,215)
Total comprehensive loss for the year attributable to owners of the parent		<u>(330)</u>	<u>(5,215)</u>

Marliner International Travel (UK) Limited
Balance sheet as at 30 September 2017

		30 September 2017 £'000	30 September 2016 £'000
	Note		
Non-current assets			
Intangible assets	12	808	652
Property, plant and equipment	13	1	2
Deferred tax assets	15	592	514
		<u>1,401</u>	<u>1,168</u>
Current assets			
Trade and other receivables	16	4,689	9,283
Cash and cash equivalents		8,385	1,140
		<u>13,074</u>	<u>10,423</u>
Total assets		<u>14,475</u>	<u>11,591</u>
Current liabilities			
Trade and other payables	17	(41,325)	(25,768)
Provisions for liabilities	18	-	(12,370)
		<u>(41,325)</u>	<u>(38,138)</u>
Non-current liabilities			
Trade and other payables	17	(40)	(13)
		<u>(40)</u>	<u>(13)</u>
Total liabilities		<u>(41,365)</u>	<u>(38,151)</u>
Net liabilities		<u>(26,890)</u>	<u>(26,560)</u>
Equity			
Called up share capital	20	18,166	18,166
Profit and loss account		(45,056)	(44,726)
Total equity attributable to owners of the parent		<u>(26,890)</u>	<u>(26,560)</u>

The notes on pages 11 to 23 form part of these financial statements.

The financial statements on pages 8 to 23 were approved and authorised for issue by the Board of Directors on 27th March 2018 and signed on its behalf by:



S B M Cross
Director

Company number 01239190

Mariner International Travel (UK) Limited
Statement of changes in equity for the year ended 30 September 2017

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 October 2015	18,166	(39,511)	(21,345)
Total comprehensive loss for the year	-	(5,215)	(5,215)
At 30 September 2016	18,166	(44,726)	(26,560)
Total comprehensive loss for the year	-	(330)	(330)
At 30 September 2017	18,166	(45,056)	(26,890)

1. General information

The Company is a private limited company incorporated and domiciled in England, UK. The address of its registered office is Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD. The Company's registered number is 1239190.

The principal activity of the Company continues to be that of a tour operator selling holiday-related services to customers in the UK and the Netherlands. On 15 June 2017, TUI AG, the former ultimate parent company, sold the Travelopia Group of companies, of which the Company is part of, to private equity firm KKR & Co L.P, which became the new ultimate controlling party.

2. Basis of preparation

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and liabilities measured at fair value through the statement of total comprehensive income, on a going concern basis and in accordance with the Companies Act 2006 and Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

Going concern

At 30 September 2017, the Company had net current liabilities and net liabilities. The financial statements are prepared on the going concern basis as Tim Intermediateco Limited has agreed to provide financial support to the Company in order that it can continue to trade and meet its liabilities as they fall due.

FRS 101

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined by Financial Reporting Standard 100 'Application of financial reporting requirements' ("FRS 100") which addresses the financial requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRS").

The Company elected to adopt FRS 101 for the year ended 30 September 2016 and continues to use this basis of accounting. The Company also elected to adopt both the provisions of Statutory Instrument 2015 No.980 'The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015' ("SI 980") which permits the use of the formats prescribed in International Accounting Standard 1 'Presentation of financial statements' ("IAS 1") for the primary statements, as opposed to using the formats prescribed by Companies Act 2006.

Functional and presentational currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("functional currency"). The financial statements are presented in the Company's functional currency of Sterling, rounded to the nearest thousand pounds, unless otherwise stated.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the financial years presented.

New and amended standards adopted by the Company

The following narrow scope amendment to existing standards has been endorsed by the EU and is effective in the current year:

- Annual improvements project 2012, covering IFRS 2 'Share based payments', IFRS 3 'Business combinations', IFRS 8 'Operating segments', IFRS 13 'Fair value measurement', IAS 16 'Property, plant and equipment', IAS 24 'Related party disclosures' and IAS 38 'Intangible assets'.

3. Summary of significant accounting policies (continued)

This amendment is not considered material to the Company and hence there has been no impact on these financial statements as a result of adopting the amended standards.

Computer software and software in development

Computer software consists of all software that is not an integral part of the related hardware and is stated at cost less accumulated amortisation and impairment losses.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software platforms controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria, together with costs associated with maintaining computer software programmes, are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation is charged to the statement of total comprehensive income on a straight-line basis over the estimated useful economic life as follows:

Computer software	4 years
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Software in development is not amortised. Upon completion of development and bringing the software into use, the costs are re-categorised into computer software and amortisation commences.

Property, plant, equipment and depreciation

Property, plant and equipment are stated at historical purchase cost, including any costs attributable to bringing an asset to its working condition for its intended use, less accumulated depreciation.

Depreciation is charged to the statement of total comprehensive income on a straight-line basis to the residual value over the estimated useful lives of tangible assets which are as follows:

Office furniture and equipment	4 to 10 years
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Useful lives are estimated taking into account the rate of technological change and intensity of use of the assets and are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Impairment of non-financial assets

Non-financial assets not subject to amortisation are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the statement of total comprehensive income whenever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows.

3. Summary of significant accounting policies (continued)

Investments in subsidiaries

Investments are recognised at cost less accumulated impairment losses.

Trade and other receivables

Trade and other receivables are amounts due from customers and other Group companies for services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets and if not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less impairment losses.

Impairment of financial assets

The Company's financial assets held at amortised cost are assessed at the end of each reporting period for impairment. Impairment losses are incurred only if there is objective evidence of the impairment as a result of one or more events after the initial recognition of the asset (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Cash and cash equivalents

Cash comprises cash at bank. The Company does not invest in deposits held on call with banks or other short-term highly liquid investments.

Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from third party suppliers or other Group companies. If the payment is due in one year or less they are classified as current liabilities and if not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

Payments received on account

Payments received on account at the balance sheet date, relating to holidays commencing and flights departing after the year end, are included within trade and other payables. If the date of departure is in one year or less they are classified as current liabilities and if not, they are presented as non-current liabilities.

Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability. The increase in the provision due to passage of time is recognised as a financial expense. Any provision relating to a commitment due after one year is classified as non-current liabilities. If provisions are to be used within one year or less they are classified as current liabilities and if not, they are presented as non-current liabilities.

Foreign currency translation

Foreign currency transactions are initially translated into the Company's functional currency using the actual rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing on the balance sheet date. Foreign exchange gains and losses resulting from translation to year-end rates are recognised in the statement of total comprehensive income.

Revenue

The Company has one class of business acting as a tour operator, promoting and providing sailing holidays for the UK and Netherlands markets. Revenue originates solely from the rendering of services and represents the aggregate amount of revenue receivable for services supplied in the ordinary course of business. Revenue is measured at the fair value of the consideration received or receivable and is stated net of discounts and value added tax. The Company recognises revenue on the date of departure of the holiday and the related costs of accommodation, transfers and flights are charged to the statement of total comprehensive income on the same basis.

All revenue originates within the UK and the Netherlands.

3. Summary of significant accounting policies (continued)

Marketing and other direct sales costs

Marketing, advertising and other promotional costs, including those related to the production of brochures, are expensed as expenditure is incurred.

Finance income and finance expense

Finance income recognised in the statement of total comprehensive income mainly comprises bank interest receivable and gains on derivative financial instruments. Finance expense recognised in the statement of total comprehensive income mainly comprises interest expense on loans due to Group undertakings and interest expense on legal provisions.

Current and deferred tax

The tax expense for the year comprises current and deferred tax and is recognised in the statement of total comprehensive income. Current tax is the expected tax payable (or recoverable) for the current financial year using the average tax rate for the year. To the extent available the amount is first recovered from, or surrendered to, other Group companies as group relief.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority.

Called up share capital

Ordinary shares are classified as equity.

4. Reduced disclosures permitted by FRS 101

The Company meets the definition of a qualifying entity of Tim Intermediateco Limited, as defined by FRS 100, as the results of this Company are fully consolidated into the Group financial statements of Tim Intermediateco Limited. Details for obtaining the Group financial statements of Tim Intermediateco Limited can be found in Note 22. Where applicable and required by FRS 101, equivalent disclosures have been provided in the Group's consolidated financial statements in accordance with the Application Guidance to FRS 100. As such, the Company has taken advantage of the following disclosure exemptions as set out in paragraph 8 of FRS 101:

IFRS	Relevant paragraphs of IFRS	Disclosure exemptions taken
IFRS 2 'Share-based payment'	45(b) and 46 to 52	All disclosure requirements.
IFRS 7 'Financial instruments'	All paragraphs	All disclosure requirements.
IFRS 13 'Fair value measurement'	91 to 99	All disclosure requirements in respect of the valuation techniques and inputs used for the fair value measurement of assets and liabilities.
IAS 1 'Presentation of financial statements'	38	Paragraph 79(a)(iv) of IAS 1; and Paragraph 118(e) of IAS 38 'Intangible assets'.
	38 A to D	Certain additional comparative information.
	10(d) and 111	A statement of cash flows and related information.
	10(f) and 40 A to D	A balance sheet as at the beginning of the preceding financial period when an entity applies an accounting policy retrospectively or when it reclassifies items in its financial statements.
	16	A statement of compliance with all IFRS.
	134 to 136	Information on the Company's objectives, policies and processes for managing capital.
IAS 7 'Statement of cash flows'	All paragraphs	IAS 7 disclosures in full.
IAS 8 'Accounting policies, changes in accounting estimates and errors'	30 and 31	New standards and interpretations that have been issued but which are not yet effective.
IAS 24 'Related party transactions'	17 and the requirements to disclose transactions between two group subsidiaries.	Detailed related party transaction information including key management compensation and transactions with other wholly owned subsidiaries of the Group.

5. Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are material to the carrying value of assets, liabilities and total comprehensive income for the year are disclosed as follows:

a) Useful economic lives of computer software

The annual amortisation charge for computer software is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement and economic utilisation.

5. Critical accounting estimates and judgments (continued)

b) Provisions for liabilities

Provisions relating to legal proceedings require judgement to determine the likelihood of potential outcomes and their associated amounts.

6. Turnover

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
United Kingdom	12,259	8,945
Netherlands	91	-
	<u>12,350</u>	<u>8,945</u>

7. Finance income

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Bank interest income	<u>1</u>	<u>4</u>

8. Finance expense

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Interest expense accrued on legal provision	397	641
Interest expense on loans from Group undertakings	<u>46</u>	<u>130</u>
	<u>443</u>	<u>771</u>

9. Profit/(Loss) on ordinary activities before taxation

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Profit/(Loss) on ordinary activities before taxation is stated after charging/(crediting):		
Amortisation of intangible assets	111	88
Depreciation on property, plant and equipment	1	1
Foreign exchange gains	(688)	(90)
Administrative (credit)/expenses – exceptional	<u>(576)</u>	<u>3,768</u>

The exceptional credit in 2017 relates to foreign exchange gains on the Galini legal provision. This provision was utilised in the year following settlement of the legal claim.

The exceptional charge in 2016 relates to £1,854,000 loss on foreign exchange suffered on the Galini legal provision of €9,000,000 plus accrued interest and an exceptional provision against specific intercompany receivables totalling £1,914,000 as recoverability has been deemed unlikely.

Auditors' remuneration was as follows:

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Audit fees payable to the Company's auditors	92	37
Fees payable to the Company's auditors for other services	<u>4</u>	<u>5</u>
Total fees payable to the Company's auditors	<u>96</u>	<u>42</u>

10. Employees and Directors

Employee costs for the Company during the year were:

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Wages and salaries	1,186	1,220
Social security costs	42	112
Other pension costs	39	36
	<u>1,267</u>	<u>1,368</u>

The average monthly number of persons (including Directors) employed by the Company during the year was:

	Year ended 30 September 2017 Number	Year ended 30 September 2016 Number
Marketing and Distribution	<u>45</u>	<u>43</u>

Directors' remuneration

The Directors received no remuneration for their services as Directors of the Company (2016: £nil). The Company's Directors are directors of a number of fellow subsidiary companies and their remuneration was paid by another Group company, which makes no recharge to the Company (2016: £nil). It is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

11. Tax (credit)/expense

The tax (credit)/expense can be summarised as follows:

(i) Analysis of tax (credit)/expense in the year

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Current tax:		
Amounts receivable from fellow subsidiaries for group relief	-	(1,425)
Adjustment in respect of prior periods	424	-
Total current tax	<u>424</u>	<u>(1,425)</u>
Deferred tax:		
Origination and reversal of temporary differences:		
- current year	(16)	144
- adjustments in respect of prior periods	(64)	-
- effect of change in tax rate	2	91
Total deferred tax (Note 15)	<u>(78)</u>	<u>235</u>
Total tax (credit)/expense in the statement of total comprehensive income	<u>346</u>	<u>(1,190)</u>

11. Tax (credit)/expense (continued)

(ii) Factors affecting the tax (credit)/expense in the year

The tax charge (2016: credit) for the year ended 30 September 2017 is higher than (2016: lower than) the standard rate of corporation tax in the UK of 19.5% (2016: 20.0%). The differences are shown in the table below:

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Profit/(loss) on ordinary activities before taxation	16	(6,405)
Profit/(loss) on ordinary activities multiplied by the effective standard rate of UK corporation tax of 19.5% (2016: 20.0%)	3	(1,281)
Effects of:		
- Income not taxable	(19)	-
- Expenses not deductible for tax purposes	1	-
- Effect of reduction in UK corporation tax rate	2	91
- Adjustment to tax charge in respect of previous periods	359	-
Total tax (credit)/expense in the statement of total comprehensive income	346	(1,190)

(iii) Factors affecting the future tax charge

The rate of taxation is expected to follow the standard rate of UK corporate tax in future periods.

The main UK corporation tax rate will reduce to 17% from 1 April 2020. At 30 September 2017, deferred tax assets and liabilities have been calculated based on the current UK corporation tax rate of 19%, or 17% where the temporary difference is expected to reverse after 1 April 2020. This reduction is also expected to reduce the Company's future current tax accordingly.

12. Intangible assets

	Computer software £'000	Software in development £'000	Total £'000
Cost:			
At 1 October 2016	755	3	758
Additions	-	267	267
At 30 September 2017	755	270	1,025
Accumulated amortisation and impairment:			
At 1 October 2016	106	-	106
Amortisation charge for the year	111	-	111
At 30 September 2017	217	-	217
Net book value:			
At 30 September 2017	538	270	808
At 30 September 2016	649	3	652

13. Property, plant and equipment

	Office furniture and equipment £'000
Cost:	
At 1 October 2016 and 30 September 2017	<u>3</u>
Accumulated depreciation:	
At 1 October 2016	1
Charge for the year	<u>1</u>
At 30 September 2017	<u>2</u>
Net book value:	
At 30 September 2017	<u>1</u>
At 30 September 2016	<u><u>2</u></u>

14. Investments in subsidiaries

	Investments in subsidiary undertakings £'000
Cost:	
At 1 October 2016 and 30 September 2017	<u>12</u>
Impairment:	
At 1 October 2016 and 30 September 2017	<u>12</u>
Net book value:	
At 30 September 2016 and 30 September 2017	<u>-</u>

List of investments in subsidiaries at 30 September 2017:

Name of undertaking	Country of Incorporation	Registered address	Share class	% held directly by the Company	Total % held by Group companies
Sunsail Hellas Mepe (dormant)	Greece	Apollonos 12, P.Faliro 17561, Athens.	€30.00 Ordinary shares	100.00	100.00

15. Deferred tax assets

	30 September 2017 £'000	30 September 2016 £'000
Depreciation in excess of capital allowances	592	514

The deferred tax amount is due to reverse in more than 12 months from the date of the financial statements.

Movements in deferred taxation during the current year are analysed as follows:

Deferred tax assets	Depreciation in excess of capital allowances £'000
At 1 October 2015	749
Charged to the statement of total comprehensive income	(235)
At 30 September 2016	514
Charged to the statement of total comprehensive income	78
At 30 September 2017	592

Depreciation in excess of capital allowances principally relates to timing differences in respect of computer software and property, plant and equipment.

A deferred tax asset has not been recognised in respect of trading losses as there is insufficient evidence that the asset will be recovered. The amount of the deferred tax asset not recognised is £3,517,000 (2016: £3,517,000). The asset would be recovered if there were suitable taxable profits in the future against which to offset the losses.

There are no other unrecognised deferred tax assets nor un-provided deferred tax liabilities at either 30 September 2017 or 30 September 2016.

16. Trade and other receivables

	30 September 2017 £'000	30 September 2016 £'000
Amounts due from Group undertakings	2,476	6,332
Income tax – group relief receivable	2,007	2,431
Trade receivables	5	-
Other receivables	23	151
Prepayments and accrued income	178	369
	4,689	9,283

Amounts due from Group undertakings

Amounts due from Group undertakings are unsecured, bear no interest and are repayable upon demand.

17. Trade and other payables

	30 September 2017		30 September 2016	
	Non-current	Current	Non-current	Current
	£'000	£'000	£'000	£'000
Trade payables	-	488	-	25
Amounts due to Group undertakings	-	26,327	-	22,828
Amounts due to Parent company	-	11,947	-	-
Payments received on account	40	2,079	13	2,408
Accruals and deferred income	-	484	-	507
	<u>40</u>	<u>41,325</u>	<u>13</u>	<u>25,768</u>

Amounts due to Group and Parent undertakings

Amounts due to Group undertakings are unsecured and are repayable upon demand. In 2016 no amounts due to Group undertakings bore interest. Amounts due to Parent company are unsecured and repayable on 24 January 2018, accruing interest of 1.19% per annum. Following this date the loan was extended and interest rate increased to 4.5% per annum.

18. Provisions for liabilities

Analysis of the movements during the year:

	Legal	Restructuring	Total
	£'000	£'000	£'000
At 1 October 2016	12,367	3	12,370
Provided during the year	-	-	-
Utilised during the year	(12,367)	(3)	(12,370)
Foreign exchange	-	-	-
At 30 September 2017	<u>-</u>	<u>-</u>	<u>-</u>
<i>Analysed as:</i>			
30 September 2017			
- Non-current	-	-	-
- Current	-	-	-
30 September 2016			
- Non-current	-	-	-
- Current	<u>12,367</u>	<u>3</u>	<u>12,370</u>

Legal

The legal provision in FY16 related to the closure of the Galini Club, details of which can be found in the FY16 statutory accounts. During the year this was settled in full.

19. Operating lease commitments

The Company had no obligations under non-cancellable operating lease contracts at 30 September 2017 or at 30 September 2016.

20. Called up share capital

	30 September 2017 £'000	30 September 2016 £'000
Issued and fully paid		
363,327,956 (2016: 363,327,956) ordinary shares of £0.05 each	<u>18,166</u>	<u>18,166</u>

21. Post balance sheet events

In the opinion of the directors', there have been no post balance sheet events from 30 September 2017 up to the date of signing these financial statements.

22. Contingent liabilities

In September 2017, the Company entered into a cross guarantee between certain Group companies with Barclays Bank PLC in respect of the Group's overdraft facility for its UK Sterling denominated bank accounts. As at 30 September 2017, the total liability for which the Company is a cross guarantor amounted to £nil.

23. Ultimate parent company and controlling party

The ultimate controlling party of the Company is KKR & Co L.P on behalf of funds under its management. The immediate parent company is Mariner International (UK) Limited.

The smallest and largest group in which the results of the Company are consolidated is that headed by Tim Intermediateco Limited. Copies of the Tim Intermediateco Limited financial statements are available from the Company Secretary, Travelopia Holdings Limited, Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD. No other financial statements include the results of the Company.