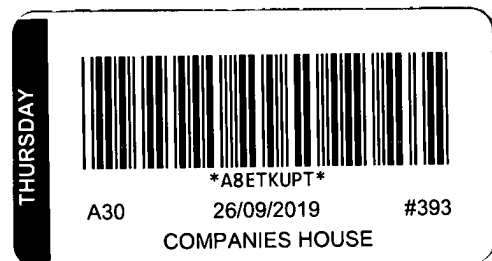


Company registration number: 03190720

Audley Travel Group Limited

Annual report and financial statements

for the year ended 31 December 2018



Audley Travel Group Limited
Annual report and financial statements for the year ended 31 December 2018

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Audley Travel Group Limited

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

Officers and professional advisers

Directors

M Hanson
N Longman
R Prosser
N Steinmeyer

Secretary

E Ward

Registered office

New Mill
New Mill Lane
Witney
Oxfordshire
OX29 9SX

Independent auditors

PricewaterhouseCoopers LLP
3 Forbury Place
23 Forbury Road
Reading
Berkshire
RG1 3JH

Audley Travel Group Limited

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

Strategic report

The directors present their strategic report on the company for the year ended 31 December 2018.

Principal activities

The principal activity of the company continued to be that of a tailor-made tour operator.

Review and results for the year

2018 reflected another successful year of growth as the company continued to deliver excellent service to clients. Audley Travel Group Limited ('Audley Travel') has continued to invest in its people and product, working with suppliers to maintain the provision of inspiring travel experiences. The company's continued focus on client service, allied to strong commercial awareness, has allowed it to see sales and profitability increase as it continues to grow.

The profit for the financial year was £28.1m (2017 restated: £16.2m). Adjusted earnings, before financing, taxation, depreciation, amortisation costs and operating exceptional items (adjusted EBITDA) was a profit of £33.6m (2017 restated: £26.4m), which the directors consider to be a strong result. In November 2018, the company was able to pay a dividend of £25m to fund a payment of interest on shareholder loan notes.

The 2017 restatement is as a result of the adoption of new accounting standards, as explained in note 28, and due to a prior period restatement, explained in note 26, which only affects the current ratio.

The company continues to carefully monitor liquidity and the availability of financing and cash resources, closing 2018 with £57.4m of cash post dividend (2017: £57.2m). Throughout 2018, cash resources continued to exceed Civil Aviation Authority (CAA) requirements for Audley Travel Group Limited.

Financial performance

The key performance indicators are as follows:

	2018	Restated 2017
Revenue from contracts with customers	£216.4m	£192.1m
Gross profit margin	23.2%	22.9%
Adjusted EBITDA (note 6)	£33.6m	£26.4m
Current ratio (<i>current assets / current liabilities</i>)	1.48	1.48

Principal risks and uncertainties

Market risk

The company is reliant on the desire of the UK population to take long-haul tailor-made holidays. This market is growing, and further growth can be achieved by increasing the breadth of travel choices we offer, as well as taking market share from competitors. The directors continue to monitor cost and quality levels to ensure an acceptable return is achieved and that the future performance of the business is sustainable.

The company continues to provide a high-quality service and is continually reviewing the range of destinations it offers in order to ensure that the company continues to meet changing market demands. The company is continuously assessing the impact of Brexit as well as the risk of a general economic slowdown in its source markets and has plans in place to mitigate these.

Audley Travel Group Limited

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

Strategic report (continued)

Principal risks and uncertainties (continued)

The company's activities expose it to a variety of financial risks: financial risk, liquidity risk, foreign exchange risk and credit risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Financial risk

The company's principal financial instruments are forward foreign exchange contracts, trade payables and trade receivables. The main purpose of these financial instruments is to maintain funds for the company's operations.

Exposure to price risk is limited by the financial instruments used by the company. The company's approach to managing other risks applicable to the financial instruments is shown below.

Liquidity risk

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of current accounts, deposit accounts and money market facilities.

Foreign exchange risk

The company has exposure to currency movements due to timing of payments to suppliers in foreign currencies. The Boketto Holdco group (of which this company is a part) uses foreign currency forwards to hedge its exposure to foreign currency risk. Under the group's policy the critical terms of the forwards must align with the hedged items.

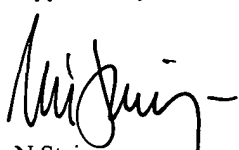
Following the group's review of its hedging policy in 2017, the group adopted hedge accounting as at 1 January 2018 to more accurately represent the Group's foreign exchange exposure in the financial statements.

Credit risk

The company's principal financial assets are cash and trade receivables.

The company does not have significant credit risk. All amounts due from customers must be settled prior to departure, minimising exposure to credit risk and all cash is held by banks with high credit ratings assigned by international credit rating agencies.

Approved by the board of directors and signed on behalf of the board on 27 March 2019



N Steinmeyer
Director

Audley Travel Group Limited

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

Directors' report

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

Going concern

Taking into account the trading of the group, the directors have a reasonable expectation that the company (and group) has adequate resources to continue in existence for the foreseeable future, being at least twelve months from the date the financial statements are signed. Therefore, they have adopted the going concern basis in preparing these financial statements. In concluding on going concern the directors have taken account of the following points.

The parent company continues to use external debt financing as part of a balanced capital structure. The payments of capital and interest on external senior debt facilities by the parent companies are funded by intercompany loans from the company.

Monthly cash flow forecasts have been prepared for the business to the end of 2020. These cash flows assume that the profitability of the company grows in accordance with the detailed business plan which has been approved by the board of directors. Management prepare cash flow forecasts that assume that all liabilities of the business are met in accordance with contractual terms.

Future developments

The strategy of the company remains focussed on organic growth. The company continues to expand, and this expansion is supported by new product offerings for UK customers. Additional space has been taken in the London office and investment continues in the back-office platform to support the expansion. The directors believe that due to the company's unique and varied product, the profile of the customer base and the enhanced operational capability, the outlook remains positive.

Branches outside the UK

The company does not have any branches outside the UK as defined in section 1046(3) of the Companies Act 2006.

Dividends

The results for the year are shown in the statement of comprehensive income on page 9. A dividend of £25.0m was paid during the year (2017: nil). The directors do not recommend the payment of a final dividend (2017: £nil).

Directors

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

M Hanson
N Longman (appointed 27 September 2018)
R Prosser
N Steinmeyer

I Simkins resigned as a director of the company on 18 December 2018.

Directors' indemnities

The company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Research and development

Given the nature of the business as a tour operator the company does not engage in significant research and development activities. The company does however invest in developing bespoke systems that support the business' key operations. All such expenditure has been capitalised.

Audley Travel Group Limited

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

Directors' report (continued)

Political and charitable contributions

The company made charitable donations amounting to £48k to various international registered charities during the year (2017: £54k). The group made no political donations nor incurred any political expenditure during the year (2017: £nil).

Disabled employees

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

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal company meetings and the company newsletter. Employee representatives are informed and engaged regularly on a wide range of matters affecting their current and future interest.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are discussed in the strategic report on page 2.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

Audley Travel Group Limited

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

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

Directors' confirmations

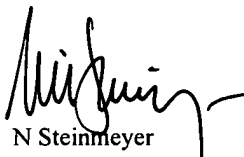
In the case of each director in office at the date the Directors' Report is approved:

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

Matters covered in the strategic report

Disclosure of the company's business review and financial risk management are provided in the strategic report.

Approved by the board of directors and signed on behalf of the board.



N Steinmeyer
Director

27 March 2019

Independent auditors' report to the members of Audley Travel Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Audley Travel Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Audley Travel Group Limited

Strategic Report and Directors' report

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 year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5-6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Charlotte Anderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
27 March 2019

Audley Travel Group Limited

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

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £'000	Restated 2017 £'000
Revenue	4	216,449	192,051
Cost of sales		(166,202)	(148,156)
Gross profit		50,247	43,895
Administrative expenses		(24,820)	(21,007)
Other operating income	5	3,925	-
Operating profit	5	29,352	22,888
Finance income	8	3,097	2,108
Finance expenses	9	(701)	(7,126)
Net finance income / (expenses)		2,396	(5,018)
Profit before taxation		31,748	17,870
Taxation	10	(3,644)	(1,691)
Profit for the financial year		28,104	16,179
Other comprehensive income			
Gains on cash flow hedges	22	2,014	-
Taxation on hedging gains in OCI	22	(342)	-
Other comprehensive income for the year, net of taxation		1,672	-
Total comprehensive income for the year		29,776	16,179

All results are derived from continuing operations.

The total comprehensive income for the year is all attributable to the owners of the parent company.

See note 28 for details of restatements as a result of changes in accounting policies.

The notes on pages 13 to 33 form an integral part of these financial statements.

Audley Travel Group Limited

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

Statement of financial position

as at 31 December 2018

	Note	2018 £'000	Restated 2017 £'000
Non-current assets			
Intangible assets	11	4,165	3,625
Property, plant and equipment	12	4,702	5,156
Investments	13	1	1
Deferred tax assets	20	-	228
Restricted cash	15	10,000	10,000
		18,868	19,010
Current assets			
Trade and other receivables	14	87,291	74,000
Derivative financial assets	16	1,992	857
Cash and cash equivalents	15	47,355	47,162
		136,638	122,019
Total assets		155,506	141,029

Audley Travel Group Limited

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

Statement of financial position as at 31 December 2018 (continued)

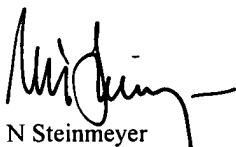
	Note	2018 £'000	Restated 2017 £'000
Current liabilities			
Trade and other payables	17	(7,900)	(10,800)
Contract liabilities	18	(81,991)	(68,381)
Derivative financial liabilities	16	(234)	(1,294)
Current tax	17	(1,161)	(745)
Deferred tax liabilities	20	(88)	-
Borrowings	19	(988)	(954)
		<u>(92,362)</u>	<u>(82,174)</u>
Non-current liabilities			
Contract liabilities	18	(1,379)	(1,304)
Borrowings	19	(2,012)	(2,727)
		<u>(3,391)</u>	<u>(4,031)</u>
Total liabilities		<u>(95,753)</u>	<u>(86,205)</u>
Net assets		<u>59,753</u>	<u>54,824</u>
Equity			
Share capital and share premium	21	166	166
Capital contribution reserve	22	1,300	1,300
Other reserves	22	1,672	-
Retained earnings	22	56,615	53,358
Total equity		<u>59,753</u>	<u>54,824</u>

See note 28 for details of restatements as a result of changes in accounting policies and note 26 for details of the prior year restatement.

The notes on pages 13 to 33 form an integral part of these financial statements.

The financial statements of Audley Travel Group Limited (registered number 03190720) on pages 9 to 33 were approved by the board of directors and authorised for issue on 27 March 2019.

Signed on behalf of the board of directors.



N Steinmeyer
Director

Audley Travel Group Limited

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

Statement of changes in equity for the year ended 31 December 2018

	Share capital & share premium £'000	Capital contribution reserve £'000	Other reserves £'000	Restated retained earnings £'000	Total £'000
Balance at 1 January 2017 as originally presented	166	1,300	-	38,448	39,914
Change in accounting policies	-	-	-	(1,459)	(1,459)
Restated total equity at the beginning of the year	166	1,300	-	36,989	38,455
Profit for the year	-	-	-	16,179	16,179
Total comprehensive income for the year	-	-	-	16,179	16,179
Share-based payments	-	-	-	190	190
Total transactions with owners	-	-	-	190	190
Balance at 31 December 2017	166	1,300	-	53,358	54,824
Balance at 31 December 2017 as originally presented	166	1,300	-	55,093	56,559
Change in accounting policies	-	-	-	(1,735)	(1,735)
Restated total equity as at 31 December 2017	166	1,300	-	53,358	54,824
Restated total equity at 1 January 2018	166	1,300	-	53,358	54,824
Profit for the year	-	-	-	28,104	28,104
Other comprehensive income	-	-	1,672	-	1,672
Total comprehensive income for the year	-	-	1,672	28,104	29,776
Dividend paid	-	-	-	(25,000)	(25,000)
Share-based payments	-	-	-	153	153
Total transactions with owners	-	-	-	(24,847)	(24,847)
Balance at 31 December 2018	166	1,300	1,672	56,615	59,753

See note 28 for details of restatements as a result of changes in accounting policies.

The notes on pages 13 to 33 form an integral part of these financial statements.

Audley Travel Group Limited

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

Notes to the financial statements for the year ended 31 December 2018

1. General information

Audley Travel Group Limited ('the company') is a private company limited by shares and incorporated and domiciled in the United Kingdom. The registered address of the company is New Mill, New Mill Lane, Witney, Oxfordshire, OX29 9SX. The nature of the company's operations and its principal activity are set out in the strategic report on page 2.

2. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently to all years presented in these financial statements.

2.1 Basis of preparation of financial statements

The financial statements of Audley Travel Group Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and with the Companies Act 2006 applicable to companies reporting under FRS 101. The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2.2 Qualifying entity disclosure exemptions

The company's parent undertaking, Boketto Holdco Limited, includes the company in its consolidated financial statements. The consolidated financial statements of Boketto Holdco Limited are prepared in accordance with IFRS and are available to the public from the address in note 27. In preparing these financial statements, the company has taken advantage of the disclosure exemptions for qualifying entities and has applied the exemptions available under FRS 101 in respect of the following disclosures:

- (a) the requirements of IFRS 7, 'Financial Instruments: Disclosures';
- (b) paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- (c) paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;
- (d) the following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures);
- (e) IAS 7, 'Statement of cash flows';
- (f) paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- (g) paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- (h) the requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- (i) A statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement (IAS 1.10(f), 38A-38D, 40A-40D).

Audley Travel Group Limited

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

Notes to the financial statements (continued) for the year ended 31 December 2018

2. Accounting policies (continued)

2.3 *New and amended standards adopted by the company*

The company has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The company also elected to adopt the following amendments early:

- IFRS 16 Leases

The company had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9, IFRS 15 and IFRS 16. This is disclosed in note 28. The other amendments listed above did not have any significant impact on the amounts recognised in the current or prior year and are not expected to significantly affect future years.

2.4 *Consolidation*

The company is a wholly owned subsidiary of Boketto Bidco Limited and of its ultimate parent Boketto Holdco Limited. It is included in the consolidated financial statements of Boketto Holdco Limited which are publicly available. Therefore, the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office is included in note 27.

2.5 *Going concern*

Taking into account the trading of the group, the directors have a reasonable expectation that the company (and group) has adequate resources to continue in existence for the foreseeable future, being at least twelve months from the date the financial statements are signed. Therefore, they have adopted the going concern basis in preparing these financial statements. In concluding on going concern the directors have taken account of the following points.

The parent company continues to use external debt financing as part of a balanced capital structure. The payments of capital and interest on external senior debt facilities by the parent companies are funded by intercompany loans from the company.

Monthly cash flow forecasts have been prepared for the business to the end of 2020. These cash flows assume that the profitability of the company grows in accordance with the detailed business plan which has been approved by the board of directors. Management prepare cash flow forecasts that assume that all liabilities of the business are met in accordance with contractual terms.

2.6 *Revenue from contracts with customers*

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the sale of tailor-made holiday packages and other services supplied to customers in the ordinary course of business.

A booking to deliver a tailor-made holiday package will constitute a single performance obligation which is satisfied over the duration of the holiday as the customer simultaneously receives and consumes the benefits of the company's performance.

Revenue is recognised over the duration of the holiday (taken as the time elapsed from departure to return), in line with the satisfaction of the performance obligation.

The company does not have any obligations for returns, refunds or warranties.

Audley Travel Group Limited

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

Notes to the financial statements (continued) for the year ended 31 December 2018

2. Accounting policies (continued)

2.7 Contract liabilities and related expenditure

Payments received from customers are recognised as a contract liability. Amounts due from customers, in line with cancellation terms, are included in contract liabilities at the point they are recognized in trade receivables.

Costs in respect of those services are recognised in line with revenue and included within trade payables. Costs paid prior to customer departure are recognised as a prepayment within trade and other receivables.

2.8 Finance income and costs

Interest income and interest expense is recognised using the effective interest rate method.

2.9 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, where it is recognised in other comprehensive income or equity respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates (and laws) enacted or substantially enacted at the balance sheet date and any adjustments to tax payable in respect of previous years.

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 (and laws) enacted or substantially 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. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are only offset when there is a legally enforceable right to offset the current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.10 Property, plant & equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Right-of-use assets arising from lease agreements are recognised at the date at which the leased asset is available for use by the group. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leased assets, the shorter lease term as follows:

Buildings	5 years or the end of the end of the lease
Fixtures and fittings	3 years
Office equipment	3 - 5 years

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate, at the end of each reporting year. The company assesses at each reporting date whether tangible fixed assets are impaired, and an asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Audley Travel Group Limited
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Notes to the financial statements (continued)
for the year ended 31 December 2018

2. Accounting policies (continued)

2.11 Intangible assets

Internally developed intangible assets

Expenditure on internally developed intangible assets is capitalised if:

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

Capitalised development expenditure is stated at cost less accumulated amortisation. Other development expenditure is recognised in the statement of comprehensive income as an expense as incurred.

Other intangible assets

Other intangible assets, such as software licences, that are acquired by the company are stated at cost less accumulated amortisation.

Amortisation

Amortisation is charged to administrative expenses in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Internally developed intangibles	Straight-line	3 - 7 years
Software and software licences	Straight-line	3 - 5 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets with finite lives are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable in accordance with IAS 36 *Impairment of assets*.

2.12 Trade receivables

Trade receivables are amounts due from customers in respect of holidays sold and other services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Amounts due from customers in respect of holidays sold are recognised in line with cancellation terms.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, cash in transit, and bank overdrafts. In the statement of financial position, overdrafts are shown within borrowings in current liabilities.

Audley Travel Group Limited
Annual report and financial statements for the year ended 31 December 2018

Notes to the financial statements (continued)
for the year ended 31 December 2018

2. Accounting policies (continued)

2.14 Financial instruments

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

Classification

A financial instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

- It is held for trading; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If an instrument does not meet these conditions, it is measured at FVTPL.

The company applies the IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Subsequent measurement

Financial instruments at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Derecognition

The company derecognises a financial instrument when the contractual rights or obligations to the cash flows expire, or it transfers its right or obligation to the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial instrument are transferred.

Derivative financial instruments and hedge accounting

The company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

At inception of designated hedging relationships, the company documents the risk management objective and strategy for undertaking the hedge. The company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Audley Travel Group Limited

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

Notes to the financial statements (continued) for the year ended 31 December 2018

2. Accounting policies (continued)

2.15 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost, with any transaction costs amortised to the statement of comprehensive income over the period of the borrowings using the effective interest method. Any related interest accruals are included within borrowings.

2.17 Employee benefits

The company operates a defined contribution pension scheme. A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income and retained earnings in the periods during which services are rendered by employees. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

2.18 Share-based payments

Share-based payment arrangements in which the company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the vesting period.

2.19 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

2.20 Leases

The company leases properties and office equipment. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments less any lease incentives. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the company incremental borrowing rate.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability and any initial direct costs.

Extension and termination options are included in a number of the property leases. These terms are used to maximise operational flexibility. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Audley Travel Group Limited

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Notes to the financial statements (continued) for the year ended 31 December 2018

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Critical accounting estimates and assumptions

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Share-based payments

The charge reported in respect of share-based payments has been prepared by the directors in conjunction with external valuation experts using the Monte Carlo model. The underlying assumptions are set out in note 23.

Intangible assets

After the initial capitalisation the directors, at least annually, undertake an assessment of the carrying value of the group's intangible assets to determine whether there is any indication that those assets have suffered an impairment loss (note 11).

Critical judgements in applying the company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Revenue is recognised over the duration of the holiday (taken as the time elapsed from departure to return), in line with the satisfaction of the performance obligation.

Intangible assets

The directors use their judgement in applying the criteria set out in IAS 38 *Intangible Assets* to determine the extent to which intangible assets have a value that will benefit the performance of the group over future years. Where it is demonstrable that an asset is expected to confer benefits in future years, the asset is capitalised.

4. Revenue

The total revenue of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom and Ireland. In relation to the timing of revenue recognition, for the current and prior years, all revenue is recognised over the duration of the holiday in line with the satisfaction of the performance obligations.

Audley Travel Group Limited

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

Notes to the financial statements (continued) for the year ended 31 December 2018

5. Operating profit

Operating profit is stated after charging:

	Note	2018 £'000	Restated 2017 £'000
Amortisation of intangible assets	11	987	429
Depreciation of property, plant & equipment	12	1,740	1,761
Share-based payments	23	153	190
Fees payable to the company's auditors for the audit of the company's annual financial statements		65	58
		<u>3,925</u>	<u>-</u>
<i>and after crediting other income as follows:</i>			
Group services		<u>3,925</u>	<u>-</u>

See note 28 for details of restatements as a result of changes in accounting policies.

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

6. Adjusted EBITDA

	Note	2018 £'000	Restated 2017 £'000
Operating profit		29,352	22,888
Share-based payments	23	153	190
		<u>29,505</u>	<u>23,078</u>
Adjusted operating profit			
Amortisation of intangible assets	11	987	429
Depreciation of property, plant & equipment	12	1,740	1,761
Operating exceptional items		1,395	1,168
		<u>33,627</u>	<u>26,436</u>
Adjusted EBITDA		<u>33,627</u>	<u>26,436</u>

See note 28 for details of restatements as a result of changes in accounting policies.

Operating exceptional items are costs incurred by the company in relation to non-capital expenditure on one-time transformational projects, refinancing and restructuring.

Audley Travel Group Limited

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Notes to the financial statements (continued) for the year ended 31 December 2018

7. Directors and employees

The average number of persons (including executive directors) employed by the company during the year was:

	2018 Number	2017 Number
Administrative	289	151
Sales	285	312
	<u>574</u>	<u>463</u>

Employee benefit expense during the year (including directors' remuneration) was:

	2018 £'000	2017 £'000
Wages and salaries	19,616	17,440
Social security costs	2,027	1,694
Share-based payments	153	190
Other pension costs	582	352
	<u>22,378</u>	<u>19,676</u>

None of the directors received any remuneration from the company in respect of services for the company in 2018 (2017: nil). All directors' remuneration is borne by Boketto Bidco Limited. It is not possible to allocate the directors costs to individual group companies, so all remuneration is disclosed in the consolidated accounts of Boketto Holdco Limited.

Retirement benefits are accruing under money purchase pension schemes in respect of qualifying services for five directors (2017: five).

8. Finance income

	2018 £'000	2017 £'000
Bank interest receivable	339	121
Interest receivable on loans with other group undertakings	2,192	1,987
Net foreign exchange gain	566	-
	<u>3,097</u>	<u>2,108</u>

9. Finance expenses

	2018 £'000	Restated 2017 £'000
Lease interest payable	222	406
Interest payable on bonds and guarantees	478	463
Other interest payable	1	23
Net foreign exchange loss	-	6,234
	<u>701</u>	<u>7,126</u>

See note 28 for details of restatements as a result of changes in accounting policies.

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Notes to the financial statements (continued)
for the year ended 31 December 2018

10. Taxation

The tax charge comprises:

	2018	Restated
	£'000	2017
		£'000
Current tax		
UK Corporation tax	3,897	2,570
Adjustments in respect of prior periods	(226)	(142)
Total current tax	3,671	2,428
Deferred tax		
Origination and reversal of timing differences	(56)	(752)
Adjustments in respect of prior periods	(1)	6
Effect of changes in tax rates	30	9
Total deferred tax	(27)	(737)
Total tax charge for the year	3,644	1,691

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2018	Restated
	£'000	2017
		£'000
Profit before taxation	31,748	17,870
Tax on profit at standard UK corporation tax rate of 19% (2017: 19.25%)	6,032	3,440
Effects of:		
- Adjustments to in respect of prior periods	(226)	(137)
- Effect of changes in tax rates	30	9
- Expenses not deductible for tax purposes	220	86
- Group relief received	(2,213)	(1,760)
- Deferred tax asset not previously recognised	(13)	-
- Effects of changes in accounting policy	(186)	53
Total tax charge for the year	3,644	1,691

The Finance Act 2016, which provides for reductions in the main rate of corporation tax from 19% to 17% effective from 1 April 2020 was substantively enacted on 13 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

There is a recognised deferred tax liability of £88k included in current liabilities in the statement of financial position (2017: £228k non-current asset). There are no unrecognised deferred tax assets or liabilities in either the current or prior year.

See note 28 for details of restatements as a result of changes in accounting policies.

Audley Travel Group Limited

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

Notes to the financial statements (continued) for the year ended 31 December 2018

11. Intangible assets

	Assets under construction £'000	Software and licences £'000	Internally developed intangibles £'000	Total £'000
Cost				
At 1 January 2018	150	377	3,716	4,243
Additions	276	-	1,297	1,573
Transfers	-	(35)	-	(35)
At 31 December 2018	<u>426</u>	<u>342</u>	<u>5,013</u>	<u>5,781</u>
Accumulated amortisation				
At 1 January 2018	-	234	384	618
Amortisation charge	-	138	849	987
Transfers	-	(30)	41	11
At 31 December 2018	<u>-</u>	<u>342</u>	<u>1,274</u>	<u>1,616</u>
Net book value				
At 31 December 2018	<u>426</u>	<u>-</u>	<u>3,739</u>	<u>4,165</u>
At 31 December 2017	<u>150</u>	<u>143</u>	<u>3,332</u>	<u>3,625</u>

Details of the judgements made regarding intangible assets are disclosed in note 3.

Audley Travel Group Limited

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Notes to the financial statements (continued) for the year ended 31 December 2018

12. Property, plant and equipment

	Buildings £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2018 as previously reported	1,064	742	2,773	4,579
Adoption of IFRS 16	6,983	-	-	6,983
Restated at start of year	8,047	742	2,773	11,562
Additions	228	43	1,019	1,290
Disposals	-	-	(130)	(130)
At 31 December 2018	8,275	785	3,662	12,722
Accumulated depreciation				
At 1 January 2018 as previously reported	587	367	1,947	2,901
Adoption of IFRS 16	3,505	-	-	3,505
Restated at start of year	4,092	367	1,947	6,406
Charge for the year	1,041	137	562	1,740
Disposals	-	-	(126)	(126)
At 31 December 2018	5,133	504	2,383	8,020
Net book value				
At 31 December 2018	3,142	281	1,279	4,702
At 31 December 2017	3,955	375	826	5,156

The company leases property and office equipment. Rental contracts are typically made for fixed periods between 3 and 10 years. The lease agreements do not impose any covenants, but leased assets cannot be used as security on borrowings.

See note 28 for details of restatements as a result of changes in accounting policies.

The company has no amounts committed to capital expenditure at 31 December 2018 (2017: none).

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Notes to the financial statements (continued)
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12. Property, plant and equipment (continued)

Buildings and Office equipment include the following amounts where the company is a lessee:

	2018	Restated
	£'000	2017
		£'000
Cost		
Buildings	7,097	6,983
Office equipment	227	130
Total cost	7,324	7,113
Accumulated depreciation		
Buildings	4,340	3,505
Office equipment	7	83
Total accumulated depreciation	4,347	3,588
Net book value		
Buildings	2,757	3,478
Office equipment	220	47
Total net book value	2,977	3,525

See note 28 for details of restatements as a result of changes in accounting policies.

Previously costs in respect of building leases were included in administrative expenses, costs in respect of multi-media printer leases were capitalised and included in office equipment.

13. Investments

	2018	2017
	£'000	£'000
Cost and net book value		
At 1 January	1	1
At 31 December	1	1

Subsidiary undertakings

The following were directly held subsidiary undertakings of the company at 31 December 2018:

Company name	Country of incorporation	Principal activity	Class of share	Holding %
African Journeys Limited	United Kingdom	Dormant	Ordinary	100
Journeyfactory.com Limited	United Kingdom	Dormant	Ordinary	100
Antelope Software Limited	United Kingdom	Dormant	Ordinary	100

The registered address of all these companies is New Mill, New Mill Lane, Witney, Oxfordshire, OX29 9SX.

There are no indirectly held subsidiary undertakings. On 29 November 2018, the Board resolved to strike off Journey Factory.com Limited, African Journeys Limited and Antelope Software Limited. The process to strike off these companies completed on 26 March 2019.

Audley Travel Group Limited

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Notes to the financial statements (continued) for the year ended 31 December 2018

14. Trade and other receivables

	2018 £'000	Restated 2017 £'000
Trade receivables	455	293
Amounts owed by group undertakings	67,762	59,735
Other receivables	575	419
Prepayments	18,499	13,553
	<u>87,291</u>	<u>74,000</u>

See note 28 for details of restatements as a result of changes in accounting policies and note 26 for details of the prior year restatement.

Amounts owed by other group undertakings includes an unsecured loan and accumulated interest of £24,050k (2017: £21,858k) which carry interest at a fixed rate of 10% and is repayable on demand. The remaining balance owed by other group undertakings is interest free and repayable on demand.

15. Cash and cash equivalents

	2018 £'000	2017 £'000
Current		
Cash at bank and in hand	47,355	47,162
Non-current		
Restricted cash	10,000	10,000
	<u>57,355</u>	<u>57,162</u>

In March 2018, the Civil Aviation Authority ("CAA") granted the annual renewal of Audley Travel Group Limited's ATOL licence. As a condition of granting the licence, £10,000k was restricted from use until the next annual renewal in March 2019. As per note 24, management expect to renew the ATOL licence on substantially the same terms and conditions are currently agreed with the CAA, and therefore expect the restrictions on use to continue for the foreseeable future.

Audley Travel Group Limited

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Notes to the financial statements (continued) for the year ended 31 December 2018

16. Derivative financial instruments

The company's hedging reserves relate to the following derivative financial instruments:

	Foreign currency contracts £'000
Opening balance at 1 January 2017	3,159
On derivative financial instruments measured at fair value through the Income statement	(3,596)
Closing balance at 31 December 2017	(437)
Change in fair value of hedging instrument recognised in OCI	2,014
Change in fair value of hedging instrument recognised in the Income Statement	181
Closing balance at 31 December 2018	1,758

All derivative financial instruments held by the group are classified as Level 2 and are accounted for as cash flow hedges. Level 2 fair value measurements are derived from inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly.

The group enters into forward foreign currency contracts to limit their exposure to exchange rate fluctuations on supplier payments. All forward foreign currency contracts will be delivered in the next twelve months and are valued using quoted forward exchange rates at the end of the reporting year.

The following table details the forward foreign currency contracts outstanding as at the year end. All contracts are due within 12 months of the reporting date. The company engages a third party to value the derivatives and calculate the hedge effectiveness.

	2018 £'000	2017 £'000
Notional value	59,435	33,173
Net fair value	1,758	(437)

The group engages a third party to value the derivatives and calculate the hedge effectiveness.

Audley Travel Group Limited

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

Notes to the financial statements (continued) for the year ended 31 December 2018

17. Trade and other payables

	2018 £'000	Restated 2017 £'000
Trade payables	4,009	5,873
Amounts owed to group undertakings	-	325
Accruals	2,611	3,702
Social security and other taxation	640	747
Pension payable	110	69
Other payables	530	84
	7,900	10,800
Corporation tax payable	1,161	745
	9,061	11,545

See note 28 for details of restatements as a result of changes in accounting policies and note 26 for details of the prior year restatement.

Amounts owed to group undertakings are unsecured, interest free & repayable on demand.

Pensions

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 costs charge represents contributions payable by the company to the fund and amounted to £582k (2017: £378k). Contributions totalling £110k (2017: £69k) were payable to the fund at the balance sheet date and are included in trade and other payables.

18. Contract liabilities

Liabilities related to contracts with customers

The company has recognised the following liabilities related to contracts with customers:

	2018 £'000	Restated 2017 £'000
Current	81,991	68,381
Non-current	1,379	1,304
Total contract liabilities	83,370	69,685

£118,711k of revenue was recognised in 2018 relating to carried forward contract liabilities (2017 restated: £105,180k). No revenue was recognised in the year relating to performance obligations satisfied in a prior year (2017: nil).

Contract liabilities have continued to increase as the business continues to grow.

See note 28 for details of restatements as a result of changes in accounting policies.

Audley Travel Group Limited

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

Notes to the financial statements (continued) for the year ended 31 December 2018

19. Borrowings

Lease liabilities are payable as follows:

	2018 £'000	Restated 2017 £'000
Commitments in relation to leases are payable as follows:		
• Within one year	1,070	1,116
• Later than one year but not later than five years	2,098	2,866
Minimum lease payments	3,168	3,982
Future finance charges	(168)	(301)
Recognised as a liability:	3,000	3,681
The present value of lease liabilities is as follows:		
• Within one year	988	954
• Later than one year but not later than five years	2,012	2,727
Minimum lease payments	3,000	3,681

See note 28 for details of restatements as a result of changes in accounting policies.

The Company has an option to renew the agreement to lease one of the properties for an additional 10 years from the end of the current contractual term. There are no other renewal or purchase options (2017: nil), and no contingent rentals were paid during the year (2017: nil).

20. Deferred tax

Deferred tax is provided as follows:

	2018 £'000	2017 £'000
Accelerated capital allowances	(171)	(124)
Short term timing differences	259	(104)
Deferred tax liability/(asset)	88	(228)

Reconciliation of deferred tax movement:

	2018 £'000	2017 £'000
At 1 January	(228)	509
Prior year adjustment	1	-
Charged to OCI	342	-
Credited to Income Statement	(27)	(737)
At 31 December	88	(228)

Audley Travel Group Limited

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Notes to the financial statements (continued) for the year ended 31 December 2018

21. Share capital and share premium

	2018 number	2017 number
At 1 January		
Ordinary shares of £0.01 each	5,000,000	5,000,000
'E Group' ordinary shares of £0.10 each	713,875	713,875
At 31 December	5,713,875	5,713,875
	2018 £'000	2017 £'000
Authorised, allotted and fully paid		
5,000,000 (2017: 5,000,000) ordinary shares of £0.01 each	50	50
713,875 (2017: 713,875) 'E Group' ordinary shares of £0.10 each	71	71
	121	121
Share premium	45	45
	166	166

The ordinary and 'E Group' ordinary shares are separate classes of shares for the purpose of the declaration of dividends. The 'E Group' shares hold no voting rights. The ordinary and 'E Group' ordinary shares rank pari passu in all other respects.

22. Reserves

Share premium reserve includes payments made by shareholders for ordinary share capital in excess of the nominal value of the shares.

Retained earnings includes the cumulative results for the company to date.

Movement in other reserves in the year is as follows:

	Hedging reserve £'000	Total £'000
At 1 January 2018	-	-
Movement in cash flow hedges	2,014	2,014
Tax on movement in cash flow hedges	(342)	(342)
At 31 December 2018	1,672	1,672

Capital contribution reserve includes amounts extended to the company by its immediate parent which are not intended to be repaid.

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. The company defers the changes in the forward element of forward contracts in the costs of hedging reserve.

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Notes to the financial statements (continued) for the year ended 31 December 2018

23. Share-based payments

During prior periods, B shares in the ultimate parent company, Boketto Holdco Limited, were issued to employees of the company. The B shares represent 'sweet' equity and receive dividends in preference to other classes of ordinary shares and a return on capital in accordance with the waterfall mechanism in the schedule to the articles of association.

The estimated fair value of the B shares at issue was £10.56 per share, measured using the Monte Carlo pricing model and assuming no dividends are expected. Expected volatility is estimated by considering historic average market share price volatility in the travel industry at the grant date and adjusting for specific business conditions/ circumstances.

The total charge is being spread over five years from the grant date and the total charge in the period, included in operating profit, in relation to these awards was £153k (2017: £190k), all in relation to equity-settled awards.

24. External regulatory requirements & contingent liabilities

The Company currently holds an Air Travel Organisers' Licence ('ATOL') issued by the Civil Aviation Authority ("CAA") and is an accredited agent of the International Air Transport Association ('IATA').

In order to offer air inclusive package holidays, Audley Travel Group Limited requires the annual renewal by the CAA of its ATOL licence. The CAA awards this on the basis of meeting agreed financial criteria and renews this in March (effective 1 April) each year. Audley Travel Group Limited has complied with these requirements during the years presented in these financial statements, and subsequent to 31 December 2018 to the date of signing these financial statements. The directors see no reason why the ATOL licence will not be renewed in March 2019 on substantially the same terms and conditions as currently agreed with the CAA.

Audley Travel Group Limited also complies with the financial criteria requirements of IATA.

As at 31 December 2018, there were contingent liabilities in respect of counter indemnities and guarantees given by the company, in the normal course of business, to banks in respect of CAA bonds amounting to £nil.

There are no other material contingent liabilities.

25. Related party transactions

As a wholly owned subsidiary undertaking of Boketto Holdco Limited, the company has taken advantage of the exemption under FRS 101 from disclosing transactions with other members of the group.

26. Prior period adjustments

The financial statements presented for the year ended 31 December 2018 have been prepared with a correcting adjustment to the comparative figures for the prior period, in addition to the adjustments made due to changes in accounting policies (note 28).

The adjustment corrects an error in the prior period which understated prepayments and trade payables due to amounts being presented on a net basis. It has no impact on the Group's income statement or cash flows.

The impact of the restatement on the statement of financial position is shown in note 28.

27. Ultimate parent undertaking and controlling party

The company is a subsidiary undertaking of Boketto Bidco Limited, the immediate parent company. The ultimate controlling party is Boketto Holdco Limited, incorporated in England and Wales, which is the largest company in which the results of the company are consolidated. The smallest company in which the results of the company are consolidated is Boketto Newco Limited.

The consolidated financial statements of these companies are available to the public and may be obtained from New Mill, New Mill Lane, Witney, Oxfordshire, OX29 9SX.

Audley Travel Group Limited

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Notes to the financial statements (continued) for the year ended 31 December 2018

28. Changes in accounting policies

The tables below show the impact of adopting IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases with effect from 1 January 2018 on the company financial statements.

Statement of comprehensive income for the year ended 31 December 2017

	As originally presented £'000	IFRS 9 £'000	IFRS 15 £'000	IFRS 16 £'000	Restated £'000
Revenue	193,487	28	(1,464)	-	192,051
Cost of sales	(149,354)	-	1,198	-	(148,156)
Gross profit	44,133	28	(266)	-	43,895
Administrative expenses	(21,116)	-	-	109	(21,007)
Operating profit	23,017	28	(266)	109	22,888
Finance income	2,108	-	-	-	2,108
Finance costs	(6,979)	-	-	(147)	(7,126)
Net finance costs	(4,871)	-	-	(147)	(5,018)
Profit before taxation	18,146	28	(266)	(38)	17,870
Taxation	(1,691)	-	-	-	(1,691)
Profit for the year	16,455	28	(266)	(38)	16,179
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	16,455	28	(266)	(38)	16,179

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Notes to the financial statements (continued) for the year ended 31 December 2018

28. Changes in accounting policies (continued)

Statement of financial position as at 31 December 2017

	As originally presented £'000	IFRS 9 £'000	IFRS 15 £'000	IFRS 16 £'000	Prior period adjustment £'000	Restated £'000
Non-current assets						
Intangible assets	3,625	-	-	-	-	3,625
Property, plant and equipment	1,678	-	-	3,478	-	5,156
Investments	1	-	-	-	-	1
Deferred tax assets	228	-	-	-	-	228
Restricted cash	10,000	-	-	-	-	10,000
Current assets						
Trade and other receivables	133,441	(80)	(64,887)	114	5,412	74,000
Derivative financial assets	857	-	-	-	-	857
Cash and cash equivalents	47,162	-	-	-	-	47,162
Total assets	196,992	(80)	(64,887)	3,592	5,412	141,029
Non-current liabilities						
Contract liabilities	7,268	-	(5,964)	-	-	1,304
Borrowings	21	-	-	2,706	-	2,727
Current liabilities						
Trade and other payables	9,550	-	(4,162)	-	5,412	10,800
Contract liabilities	121,472	-	(53,091)	-	-	68,381
Derivative financial liabilities	1,294	-	-	-	-	1,294
Current tax	745	-	-	-	-	745
Borrowings	83	-	-	871	-	954
Total liabilities	140,433	-	(63,217)	3,577	5,412	86,205
Net assets	56,559	(80)	(1,670)	15	-	54,824
Share capital and share premium	166	-	-	-	-	166
Other reserves	1,300	-	-	-	-	1,300
Retained earnings	55,093	(80)	(1,670)	15	-	53,358
Total equity	56,559	(80)	(1,670)	15	-	54,824