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TIM Intermediateco Limited

Reports of the Directors and the financial statements  
for the period from incorporation on 7 February 2017 to 30 September 2017

Company Number 10604770

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The Directors present their Strategic and Directors' Reports on the consolidated financial statements of TIM Intermediateco Limited for the 7 month and 22 day period from incorporation on 7 February 2017 to the period end on 30 September 2017. TIM Intermediateco Limited (the 'Company') is the parent company of the Travelopia group of companies (the 'Group').

## **STRATEGIC REPORT**

### **Principal activity**

The Group's principal activity during the period was that of a tour operator and experiential holiday provider, owning over fifty specialist travel brands across the world. The Company's principal activity is to act as a holding company.

### **Acquisition in the period**

On 15 June 2017, the Company's indirect subsidiaries, TIM Bidco 1 Limited, and TIM Bidco II Corp, acquired the entire share capital of Travelopia Holdings Limited and Travelopia USA Inc, (together "the Travelopia Group") respectively for a consideration of £179.8m. The results of the Travelopia Group and their subsidiary companies have been consolidated in the results of the Group from this date.

The Group is headquartered in the UK and is one of the world's leading specialist travel groups providing customers with unique travel experiences, (including adventure travel, private jet and polar expeditions, tailor-made luxury holidays, yacht and river boat charter holidays, educational and sporting based school trips, corporate hospitality and sporting event fan travel). The Group comprises of over 40 international travel businesses using 53 brands across seven divisions, set out as follows:

**Expeditions:** The Expeditions division provides a range of premium adventure holidays and expeditions worldwide, including to the Arctic and Antarctica (Quark Expeditions), around the world private jet expedition trips (TCS World Travel) and adventure holidays (Exodus Travels).

**Tailor-made:** The Tailor-made division focuses on the mid to upper tier holiday market, with holidays predominantly aimed at UK outbound travellers seeking flexible long and short haul holidays. The division also provides holidays to customers living in Ireland and some parts of Scandinavia. Key brands include Hayes & Jarvis, Sovereign and Citalia.

**Yachts:** The Yachts division is home to two of the world's largest Yacht charter companies with a fleet of over 900 yachts, consisting of sailing catamarans, monohull yachts and powered catamarans. The division offers a range of sailing holiday experiences under The Moorings and Sunsail brands to predominantly North American and European source markets with customers going to the Mediterranean and Caribbean, principally to the British Virgin Islands. The division also sells the multiple award winning sail and powered Leopard Catamarans, designed by South African yacht builder, Robertson and Caine, with worldwide sales and dealers in over twenty five locations.

**Le Boat:** The Le Boat division is the market leader of inland waterway boating holidays on European canals and rivers, targeting couples, families and adult groups. The division is home to approximately 800 boats that operate across eight countries, including our newest base and the first one outside Europe, on the Rideau Canal in Ontario, Canada, which opens to customers in Spring 2018, operating under the brand of Le Boat.

**US Tour Ops:** The US Tour Operators division provides affordable group and self-guided travel to Alaska, Hawaii and Europe with particular focus on catering to the US market by two brands, Your Man Tours and Europe Express.

**Education:** The Education division operates across the UK and North America providing a range of educational, expedition and leisure tours as well as residential trips to educational providers such as schools, colleges and universities. Destinations include Normandy in France, Washington DC and Walt Disney World in Florida. The schools expedition brand (World Challenge) also operates in Australia, New Zealand, South Africa and the Middle East, as well as the UK and North America.

**Events:** The Events division sells tours for both amateur clubs, teams and supporters to key sporting events around the world to sports clubs, individuals and agents for onward sale, as well as hospitality packages to Wimbledon and other UK events. Annual, biennial and quadrennial events include the Ashes, the Lions Tour and the Rugby World Cup, which can lead to natural fluctuations in performance over time depending on event timing. Whilst largely based in UK, the Group provides a service offering in Australia and New Zealand with brands such as Fanatics, Australian Sports Tours and Williment.

## STRATEGIC REPORT (continued)

### Review of the business

The Company was incorporated on 7 February 2017. Neither the Company nor the Group traded prior to the acquisition of the Travelopia Group on 15 June 2017. The consolidated income statement in this report represents the performance of the Group from the acquisition of the Travelopia Group on 15 June 2017 to the financial period end on 30 September 2017, a three and a half month period. The statutory results are therefore not representative of the Group's full year performance as if the Group had been acquired on 1 October 2016. The commentary below reflects the Group's performance for both the financial period as well as that of the actual and budgeted full year performance from 1 October 2016 to 30 September 2017, (based on the results included in the Group's management accounts), in order to provide a more meaningful analysis of the Group's performance.

The Group's profit before tax for the financial period ended 30 September 2017 was £11.2m. This profit includes the write off of negative goodwill of £13.1m, the Group's acquisition costs for the Travelopia Group of £20.8m, amortisation of business combination intangibles of £8.1m and separately disclosed items of £8.4m. Details of the negative goodwill arising on the acquisition of the Travelopia Group are provided in Note 29. Adjusted EBITDA for the financial period, for which a definition is provided in Note 5 of these financial statements, was £46.2m. The Directors consider Adjusted EBITDA to be a better reflection of the performance of the tour operating businesses as this term relates to the underlying profitability, but acknowledge that for these Group financial statements, this is unrepresentative of the full year's performance due to the seasonality of the Travelopia Group's profitability coinciding with the timing of its acquisition and the short period of these Group financial statements.

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

		*Actual Full year ended 30 September 2017	Actual Financial period 15 June - 30 September 2017
Number of Passengers	Number	818,335	***276,200
Revenue	£m	1,125.9	409.5
Gross margin percentage	%	24.5	25.7
Adjusted EBITDA	£m	49.7	46.2
Profit/(loss) before tax	£m	**(17.5)	11.2
Cash	£m	288.1	288.1
Client deposits	£m	251.9	251.9
Net assets	£m	245.3	245.3
Average number of employees	Number	3,643	3,710

\*Actual results for the full year are unaudited except those related to actual balances for cash, client deposits and net assets at 30 September 2017

\*\* The actual result for the full year includes the effect of the acquisition, including acquisition costs, the amortisation of business combination intangibles, the write back of negative goodwill on acquisition and pre-acquisition costs relating to the set up of the Travelopia Group.

\*\*\* Estimated due to the part month period in June 2017.

A review of the business by division for the full year and specified period ended 30 September 2017 is as follows:

	*Revenue	*Adjusted EBITDA	Revenue	Adjusted EBITDA
	Full year	Full year	Financial period	Financial period
Division	Actual	Actual	Actual	Actual
	£m	£m	£m	£m
Expeditions	298.0	17.8	99.1	9.2
US Tour Operators	96.2	3.2	45.6	5.6
Education	161.1	6.7	34.0	(0.7)
Events	63.3	1.8	28.0	1.4
Tailormade	273.4	7.6	106.3	10.0
Le Boat	38.5	11.5	26.8	15.7
Yachts	190.2	11.2	69.7	5.9
Group/consolidation	-	(9.7)	-	(0.9)
	1,120.7	50.1	409.5	46.2

\*Actual results for the full year ended 30 September 2017 are unaudited.

## STRATEGIC REPORT (continued)

The Group largely traded to budget for the full year to 30 September 2017, achieving a full year Adjusted EBITDA of £50.1m on revenues of £1,120.7m (both figures unaudited).

Expeditions generally performed well overall before the impact of foreign currency exchange rates. With much of this division being based in the US, the exchange rates helped increase revenues for those US companies but also caused weaker margins in our UK businesses, which saw its cost base increase following the devaluation of sterling after the UK's EU Membership referendum ("Brexit") vote, particularly at Exodus Travels and Trek America. The Expeditions performance was also helped by improved occupancy levels at Quark Expeditions and TCS World Travel.

US Tour Operators also performed to budget with pre-acquisition losses being more than offset by post acquisition profits (as can be seen by comparing the full year actual Adjusted EBITDA result of £3.2m to the Financial period actual Adjusted EBITDA result of £5.6m).

The Education division performed well over the full year with strong trading at Brightspark Toronto and Montreal and efficient management of costs in World Challenge. However, the post acquisition financial period is largely represented by the Summer school holiday period, when this division sees a lower level of trade and hence losses arise in this part of the year, with a £0.7m loss arising in the financial period.

The Events division performed well in the year and generated a positive Adjusted EBITDA for the first time in several years due to strong performance at Events International combined with a substantial reduction in central costs. Full year revenues were also boosted from the effect of converting revenues from the US businesses into sterling.

The Tailormade division underperformed against budget, mostly driven by Thomson's (rebranded as TUI subsequent to the year end) introduction of scheduled and charter long haul holidays in the UK, which reduced volumes of long haul holidays sold by Hayes & Jarvis through Thomson's retail stores. The devaluation of sterling also caused the cost base to increase and the products to be less competitively priced against competitors with flight and accommodation commitments and thus earlier foreign exchange hedging.

Le Boat performed in line with budget, helped by the favourable exchange rates on conversion to sterling from its central European source markets, the results from the new Horizon boats and tight cost control. Le Boat's profits arise primarily in the European Summer months with losses arising in the rest of the year.

Even considering the impact of Hurricane Irma, the Yachts division had an excellent year with strong charter trading, good cost control and a record year for the Leopard boat sales. However, on 6 September 2017, Hurricane Irma, the strongest hurricane ever to 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). Our highest and immediate concern was for the safety and security for our 300 employees as well as customers on the island, both during and in the aftermath of the hurricane and we are happy to report that everyone safely made it through.

Our employees then commenced the long clean-up operation in challenging conditions and we thank them for all their efforts. Our thoughts continue to be with everyone affected and the operational teams, who did an outstanding job in re-opening the base on 9 December 2017 with approximately 100 yachts available to charter and welcoming back our customers.

In mitigating against the impact of the hurricane, the Group has appropriate insurance, albeit this cannot prevent losses being incurred even when fully insured, due to insurance deductibles. The yacht base and the yachts (whether owned or leased) are insured with some recoveries for repairs on yachts being received prior to the year end. The Group also has business interruption insurance which is expected to be received in the year ending 30 September 2018.

Both yacht bases have suffered damage whilst the damage to the yacht fleet ranged from damaged but repairable to total write off. The trading loss for the period after Irma, up until 30 September 2017 was £0.5m. Losses principally in respect of the insurance deductibles relating to the loss of leased yachts have been included in Separately Disclosed Items of £2.7m. Twenty four owned yachts, totalling £3.8m and previously recognised within both inventory and property, plant and equipment, have been written off as at 30 September 2017 together with the insurance recoverable being recognised. The majority of the BVI's fleet of yachts are leased from third parties such that neither the loss, nor the related insurance receivable is recognised in the consolidated income statement, other than the insurance deductible costs for leased yachts.

## STRATEGIC REPORT (continued)

Globally the Group has more than 3,700 employees working from 107 different locations (including offices and operational bases (e.g. marine bases, hotels & activity centres)).

The Group ended the financial period with £288.1m of cash in the balance sheet, £53.3m of which is restricted, much of which reflects the £251.9m of client deposits held at the financial period end. As part of the acquisition, the Group obtained a £100m bank loan with a term of seven years, which was fully utilised for the purpose of acquiring the Travelopia Group. As part of these banking facilities, the Group also has a £75m revolving credit facility that it is able to draw down for the purposes of investing into the Group's future growth plan. This facility remains undrawn at the financial period end.

The Group uses available cash to fund its expeditions and holidays, with prepayments for such services amounting to £75.5m at the year end. Trade and other receivables amounted to £30.7m as at 30 September 2017 for which the risk of irrecoverability is considered low as all balances from individual customers are required to be fully paid ahead of departure date.

The Group's intangible assets (comprising brands, customer relationships, order book and beneficial contracts) arising on acquisition have been valued, recognised at the acquisition date and amortised thereafter. These intangibles amounted to £88.3m at 30 September 2017. Property, plant and equipment of £190.3m primarily consists of the Group's marine vessels and owned hotels and bases. Both the Yachts and Le Boat divisions have a fleet of over 900 yachts and 800 boats respectively, split between owned and leased.

No dividends were paid during the financial period and the Directors do not recommend the payment of a final dividend.

### Post balance sheet events and future developments

Since being disposed of by TUI AG to KKR & Co, LP, the Directors are anticipating significant growth over the forthcoming three year budgeting cycle. With a growing market trend towards more experiential holidays, the Travelopia Group is well placed to take advantage of this and will do so through increased IT investment, global expansion and through product and distribution enhancements, in addition to internally improving operational efficiency. While the whole portfolio is expected to grow, it is the Expeditions, Tailormade, Yachts and Le Boat divisions that are expected to deliver the material growth: Expeditions through product and global expansion; Tailormade through brand and product positioning and IT investment; Yachts through recovery from Hurricane Irma and continued fleet investment; and Le Boat through continued international expansion and investment in its fleet. With this context, the Directors look forward to this forthcoming period of growth with optimism.

Details of post balance sheet events are included in Note 36 of these financial statements.

### Going concern

At 30 September 2017, the Group had net assets of £245.3m. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above.

The Group's forecast and projections, taking into account reasonably possible changes in trading performance, show that the Group is expected to operate within the level of its current bank facilities. The Group forecasts to meet all banking and regulatory covenants for the foreseeable future. Other than interest, no element of the bank loan is due for repayment in this period and the £75m committed revolving credit facility remains undrawn at the financial period end.

The Directors therefore have a reasonable expectation that the Group 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 Group financial statements.

## STRATEGIC REPORT (continued)

### Principal risks and uncertainties

The principal risks and uncertainties that are common to the Group and the Company are:

#### Operational risks

- **Health and Safety.** Ensuring the health and safety of customers is of paramount importance. There is the 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 of 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.
- **Market risk.** The Group relies heavily on the desire of its UK and US customer base to take experiential and tailor-made holidays. Spending on travel and tourism is discretionary and, more often than not, price sensitive, with the economic outlook in the UK remaining uncertain as a result of ongoing Brexit negotiations. Changes in macroeconomic conditions can affect spending power of consumers leading to margin erosion as well as leading to exchange rate fluctuations. Terrorism can also effect demand on source markets. 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. More consumers are booking their holidays online 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 revenues and profitability will suffer as a result. We continue to develop unique and exclusive holidays to match the needs of our customers. The Directors continue to monitor these performance indicators to ensure an acceptable return is achieved and that the future performance of the business continues to show growth.
- **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.** Providers of holiday and experiential trips 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 outbreaks of disease, war, political instability and terrorism. These events can cause significant operational disruption and costs to our business. No catastrophe like this can be actively prevented, but the financial risk on 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.
- **Legal and regulatory compliance.** The Company operates across a range of economies and jurisdictions, which exposes us 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 Group sells holidays under licences granted by regulatory bodies in the relevant source markets, such as the Civil Aviation Authority in the UK. The licences 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 businesses on specific areas.

**STRATEGIC REPORT (continued)**

- **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.
- **Technology risk.** Online reservation systems, websites and platforms form a significant part of the Group's ability to build, develop and sell its products. Many of our businesses will be upgrading or overhauling existing technologies and investing into new technologies to enhance the Group's products and services. Failure to successfully implement new IT systems will significantly impact our competitiveness, quality of customer experience and operational efficiency. This would be detrimental to the Group's profitability, in terms of lost bookings, significant cash outflows and asset impairments.

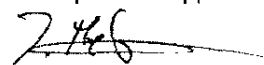
**Financial instrument risks**

- **Foreign currency exchange risk.** The Group operates internationally and is exposed to foreign currency exchange risk on transactions denominated in a currency other than UK Sterling as well as the translation of the Group's consolidated balance sheet and income statement of foreign operations into UK Sterling. The two main currencies that the Group is exposed to are the Euro and US Dollars. The recent fall in Sterling compared to these two currencies has caused our UK companies selling to those destinations to see an increase in their underlying cost base. The Group's businesses enter into derivative financial instruments to forward purchase their foreign currency requirements to mitigate the risk of foreign currency losses. Conversely, the Group's exposure to the US market saw the results of those US-based businesses translating to higher revenues and profitability in the Group's consolidated income statement. The Group is also exposed to some foreign currency risk arising from internal borrowings in currencies that are not in the functional currency of that company.
- **Liquidity and cashflow risk.** 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.
- **Credit risk.** The Group has significant cash and cash equivalent balances at all times throughout the year and the majority of this is held with three global banking groups. Credit risk in this respect refers to the risk that one of these banking groups were to default on its contractual obligations resulting in financial loss to the Group. The Group therefore uses highly reputable and financially strong banking groups with which to deposit its material cash balances. The Group also sells its holidays both directly to the end customers and indirectly via agents. Credit risk is considered to be limited as many of our branded holidays are tailor-made or differentiated, there is no concentration of business on key agents across the Group and our end customers are required to pay in full ahead of departure.
- **Interest rate risk.** The Group is exposed to interest rate risk on the interest bearing bank loan and on cash and cash equivalents. The interest rate for the bank loan is periodically re-set to ensure it remains at market levels. At the same time, the low interest rate environment across the world means that the Group's cash and cash equivalents earn almost no return. An increase in market rates would therefore reduce the Group's profitability. The Group has partially mitigated this interest rate risk by taking out an interest rate swap for a part of the Group's external bank loan.

Further information on foreign currency risk, credit risk, interest rate, liquidity and cash flow risks are provided in Note 27 of the financial statements.

**Approval**

This report was approved and signed on behalf of the Board on 19 February 2018.



J Metzner  
Director

Company Number: 10604770

## **DIRECTORS' REPORT**

### **Company Incorporation**

TIM Intermediateco Limited was incorporated on 7 February 2017.

### **Directors**

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

E Pillot	(appointed on incorporation on 7 February 2017)
J Metzner	(appointed on incorporation on 7 February 2017)

### **Independent auditors**

BDO LLP was appointed as auditor on 13 July 2017. Pursuant to Section 487 of the Companies Act 2006, BDO LLP will be deemed to be re-appointed and therefore continue in office.

### **Directors' insurance**

Throughout the financial period until the date of approval of these financial statements the ultimate parent company, KKR & Co L.P., 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.

Certain UK Companies included within these Group financial statements have been provided exemption from requiring an audit under Section 479(A) of the Companies Act 2006. Further details of the subsidiaries taking this exemption are provided in Note 35 of these financial statements.

### **Business review**

A fair review of the business, including an analysis of the performance and financial position of the Group, together with a description of the principal risks and uncertainties, details of key performance indicators, funding and liquidity, the going concern basis, future developments and post balance sheet events are included within the Strategic Report.

### **Dividends**

No dividends were declared or paid during the financial period.

### **Political donations**

During the financial period, the Group and Company made no significant political donations.

### **Employees**

The Group aims to keep employees aware of all material factors affecting them as employees and the performance of the Group and their respective business. It encourages good communication through regular meetings between management and staff enabling senior managers to consult and ascertain views on all appropriate matters. This is supplemented by regular briefing meetings, email bulletins and divisional internal websites. A free confidential whistle-blowing hotline is also provided for employees. Employees are encouraged to participate in the performance of the Group by way of bonus schemes.

As a result of the acquisition of the Travelopia Group, the Group employs around 3,700 employees. Training and career development programmes are provided. It is our policy to achieve and maintain a high standard of health and safety at work and to ensure everyone, regardless of race, religion or sex and including disabled people where reasonable and practicable is treated in the same way with regards to employment, training, career development and promotion. Applications for the employment of disabled people are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. Every effort is made with the rehabilitation of anyone who becomes disabled during their employment.



**DIRECTORS' REPORT (continued)**

**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 period. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) for qualifying entities that otherwise apply IFRS.

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 Group and Company and of the profit or loss of the Group and Company for that financial period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs including FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Approval**

This report was approved and signed on behalf of the Board on 19 February 2018.



**J Metzner**  
**Director**

Company Number 10604770

### **Opinion**

We have audited the financial statements of TIM Intermediateco Limited ("the Parent Company") and its subsidiaries ("the Group") for the period ended 30 September 2017 which comprise the consolidated income statement, consolidated statement of total comprehensive income, consolidated and company balance sheet, consolidated and company statement of changes in equity, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements 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 Group's and of the Parent Company's affairs as at 30 September 2017 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 Group and the Parent 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 Group or the Parent 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 (the Strategic Report and the Directors' Report), other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in 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 period 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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

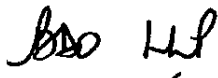
In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent 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  
Date: 20 February 2018

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

**TIM Intermediateco Limited**

**Consolidated income statement for the period ended 30 September 2017**

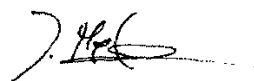
	Note	Period ended 30 September 2017 £m
<b>Revenue</b>	9	409.5
<b>Cost of sales</b>		(304.1)
<b>Gross profit</b>		105.4
Distribution costs		(34.6)
Administrative expenses		(68.1)
Other income – negative goodwill on acquisition of the Travelopia Group	29	13.1
<b>Operating profit</b>		15.8
<i>Analysed as:</i>		
<b>Adjusted EBITDA</b>		46.2
Depreciation and amortisation on non-acquisition related assets		(6.2)
Separately disclosed items	11	(8.4)
Acquisition related items	12	(15.8)
<b>Operating profit</b>		15.8
Financial expenses	13	(4.6)
<b>Profit before tax</b>		11.2
Taxation charge	15	(4.5)
<b>Profit for the year attributable to equity holders of the parent</b>		6.7

	Period ended 30 September 2017 £m
Profit for the financial period	6.7
Other comprehensive income	
Items that may be subsequently reclassified to profit and loss:	
Foreign exchange translation	(1.4)
Other comprehensive income for the financial period, net of tax	5.3
Total comprehensive profit for the financial period attributable to equity holders of the parent	5.3

**TIM Intermediateco Limited**  
**Consolidated balance sheet at 30 September 2017**

		30 September 2017 £m
	Note	
<b>Non-current assets</b>		
Intangible assets	16	114.0
Property, plant and equipment	17	190.3
Trade and other receivables	20	0.6
Derivative financial instruments	27	0.1
Deferred tax assets	18	17.9
		<b>322.9</b>
<b>Current assets</b>		
Inventories	19	19.4
Trade and other receivables	20	105.7
Income tax recoverable		9.8
Derivative financial instruments	27	2.4
Assets classified as held for sale	21	0.2
Cash and cash equivalents	22	288.1
		<b>425.6</b>
<b>Total assets</b>		<b>748.5</b>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	23	(2.7)
Derivative financial instruments	27	(3.5)
Trade and other payables	24	(356.4)
Provisions for liabilities	25	(1.7)
Income tax payable		(16.1)
		<b>(380.4)</b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	23	(102.2)
Trade and other payables	24	(2.5)
Provisions for liabilities	25	(1.7)
Deferred tax liabilities	18	(16.4)
		<b>(122.8)</b>
<b>Total liabilities</b>		<b>(503.2)</b>
<b>Net assets</b>		<b>245.3</b>
<b>Equity</b>		
Called up share capital	26	240.0
Retained earnings		5.3
<b>Total equity attributable to equity holders of the parent</b>		<b>245.3</b>

The notes on pages 16 to 55 form part of the Group financial statements. The Group financial statements on pages 11 to 55 were approved and authorised for issue by the Board of Directors on 19 February 2018 and signed on its behalf by:

  
**J Metzner**  
**Director**

Company Number: 10604770

	Called up share capital £m	Retained earnings £m	Total equity £m
At incorporation on 7 February 2017	-	-	-
Profit for the financial period	-	6.7	6.7
Other comprehensive income for the financial period	-	(1.4)	(1.4)
Total comprehensive income for the financial period	-	5.3	5.3
<b>Transactions with owners</b>			
Share capital issued	240.0	-	240.0
<b>At 30 September 2017</b>	<b>240.0</b>	<b>5.3</b>	<b>245.3</b>

**TIM Intermediateco Limited**

**Consolidated statement of cash flows for the financial period ended 30 September 2017**

		Period ended 30 September 2017 £m
	Note	
<b>Profit for the financial period</b>		<b>6.7</b>
<b>Adjusted for:</b>		
Depreciation and amortisation	16,17	14.3
Impairment of intangible assets	16	0.2
Write back of negative goodwill	29	(13.1)
Loss on disposal of property, plant and equipment and intangible assets	14	0.9
Gain on foreign exchange translation	14	(0.4)
Net financial expenses	13	4.6
Taxation	15	4.5
<b>Operating cash flow before changes in working capital and provisions</b>		<b>17.7</b>
Decrease in inventories		19.9
Decrease in trade and other receivables		43.0
Decrease in trade and other payables		(84.8)
Decrease in provisions		(12.2)
<b>Net cash flows used in operations</b>		<b>(16.4)</b>
Interest paid		(1.4)
Income taxes received		0.3
<b>Net cash flows used in operating activities</b>		<b>(17.5)</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment		4.4
Cash inflows arising from the acquisition of subsidiaries, net of cash acquired	29	191.3
Cash outflows used in the acquisition of property, plant and equipment	17	(12.2)
Cash outflows used in the acquisition of intangible assets		(2.4)
<b>Net cash flows generated from investing activities</b>		<b>181.1</b>
<b>Financing activities</b>		
Proceeds from new loans		172.4
Loan issue costs		(3.4)
Repayment of borrowings	30	(281.4)
Issue of share capital	26	240.0
<b>Net cash flows generated from financing activities</b>		<b>127.6</b>
<b>Net increase in cash and cash equivalents</b>		<b>291.2</b>
Effect of foreign exchange on cash held		(3.1)
Cash and cash equivalents at incorporation		-
<b>Cash and cash equivalents at end of the year</b>	22	<b>288.1</b>

Details of restrictions on cash and cash equivalents are provided in Note 22. Movements in liabilities arising from financing activities are presented in Note 30.



### **1. General information**

TIM Intermediateco Limited (the 'Company') is a private limited company incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office is 11th Floor, 200 Aldersgate Street, London, UK, EC1A 4HD. The Company was incorporated as a limited company on 7 February 2017. On 15 June 2017, a wholly owned indirect subsidiary of the Company acquired the entire share capital of the then parent companies of the Travelopia Group, namely Travelopia Holdings Limited and Travelopia USA, Inc.

The Group financial statements consolidates those of the Company and its subsidiaries (together referred to as 'the Group'), including those acquired in the financial period and are from the date of incorporation until the financial period end on 30 September 2017.

Certain UK Companies included within these Group financial statements have been provided exemption from requiring an audit under Section 479(A) of the Companies Act 2006. Further details of the subsidiaries taking this exemption are provided in Note 35.

The principal activity of the Group during the financial period was that of a tour operator and experiential holiday provider, comprising over fifty branded specialist travel companies across the world.

### **2. Statement of compliance**

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and the IFRS International Financial Reporting Interpretations Committee's ('IFRIC') interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements were authorised for issue on 19 February 2018.

### **3. Basis of preparation**

The Group financial statements are prepared on the historical cost basis unless otherwise stated. Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell. The Group financial statements are presented in the Group's presentational currency of Sterling, which is also the Company's presentational currency rounded to the nearest one hundred thousand pounds unless otherwise stated. Each entity in the Group determines its own functional currency and items included in the Group financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates.

### **4. Going concern**

The Group financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future. The Group's forecast and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the its current banking facilities. The Group forecasts to meet all banking covenant requirements for at least the next 12 months from the date of signing these financial statements.

### **5. Underlying measures of profits and losses**

#### **Adjusted EBITDA**

The Board believes that EBITDA before separately disclosed items ("Adjusted EBITDA") provides additional and meaningful guidance in addition to statutory measures to help understand the Group's underlying performance during the financial period. The term underlying is not defined under IFRS. It is a measure that is used by management to internally assess the underlying performance of the Group's business and is not intended to be a substitute measure for adopted IFRS measures.

Adjusted EBITDA is defined as profit before tax from continuing operations stated before financial expenses, depreciation and amortisation (including amortisation of business combination intangibles), acquisition related items, and separately disclosed items.

It should be noted that the definition of Adjusted EBITDA used in these Group financial statements are those used by the Group and may not be comparable with the term 'underlying' or 'EBITDA' as defined by other companies within both the same sector, or elsewhere.

**Separately disclosed items**

Separately disclosed items are those significant items which in management's judgement are highlighted by virtue of their size or incidence to enable a full understanding of the Group's underlying financial performance. Such items are included within the income statement caption to which they relate.

**Acquisition related items**

Acquisition related items comprises the write off of negative goodwill arising on the acquisition of the Travelopia Group, amortisation of business combination intangibles and acquisition transaction costs. Directly attributable acquisition costs are expensed in the consolidated income statement as incurred.

**6. Accounting policies**

The principal accounting policies applied in the preparation of these Group financial statements are set out below.

**Basis of consolidation**

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as 'the Group'). Accounting policies of subsidiaries are amended where necessary to be consistent with those adopted by the Group. The parent Company financial statements present information about the Company as a separate entity and not about the Group.

**(i) Subsidiaries**

Where the Company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including: the size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights; substantive potential voting rights held by the company and by other parties; other contractual arrangements; and historic patterns in voting attendance.

The consolidated financial statements present the results of the Group as if it formed a single entity.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

**(ii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised gains or income and expenses arising from intra-group transactions are eliminated in preparing the Group's consolidated financial statements.

**Revenue**

Revenue represents the aggregate amount earned from inclusive holidays, tours, trips, marine charters and expeditions and other services (collectively "holidays") supplied to customers in the ordinary course of business. Revenue excludes intra-group transactions and is stated after the deduction of trade discounts and sales taxes. Revenue is reported gross of fixed charges which are a liability of the tour operator. These include Air Passenger Duty and other per passenger charges and levies, including the ATOL Protection Contribution in the UK.

**(i) Revenue recognition**

Revenue is recognised in the consolidated income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue in respect of holidays and related services is recognised on the date of departure. Revenue from the sale of marine boat and yacht sales are recognised when title contractually passes to the customer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs. Revenue is stated at the contractual value of services provided.

**(ii) Client monies received in advance**

Client monies received at the balance sheet date relating to holidays departing after the year end are deferred and included within trade and other payables.

**Expenses**

**(i) Operating lease payments**

Leases where the lessor retains substantially all of the benefits and risks of ownership of the asset are classified as operating leases. Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense over the term of the lease.

**(ii) Marketing and other direct sales costs**

Marketing, advertising and other promotional costs, including those related to the production of brochures, are expensed when the benefit of the goods or services is made available to the Group. In particular, merchandise provided free to customers, brochure and advertising costs are expensed to the consolidated income statement when the Group's suppliers have delivered the relevant material.

**iii) Cost of sales**

Costs of sales include costs in relation to the provision of holidays supplied to customers including such items as airfares, accommodation and transfer costs, direct employee costs and depreciation charges on marine vessels.

**Employee benefits**

**(i) Defined contribution plans**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement as incurred.

**(ii) Defined benefit plans**

The Group's net obligation in respect of a defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value and the fair value of any plan assets is deducted in calculating the overall net liability. The liability discount rate is the yield at the balance sheet date on AA credit-rated bonds denominated in the currency of, and having the same maturity dates approximating to, the terms of the plan's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net pension liability, including actuarial gains and losses, are recognised immediately in other comprehensive income. Contributions are made to fund the plan by the sponsoring company. The current service cost is included in the consolidated income statement as a personnel expense.

The interest charge on the net pension liability is calculated by applying the applicable discount rate to the net pension liability at the beginning of the financial year, taking account of any changes in the net pension liability during the year as a result of contributions and benefit payments.

**(iii) Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if there is a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**iv) Employment termination benefits**

Employment termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. The costs are recognised within the same category of expenditure as the underlying employment costs. These costs may also be presented as separately disclosed items where appropriate.

**Financial expenses**

Financial expenses comprise interest expense on borrowings and any net losses on derivative financial instruments. All borrowing costs are recognised in profit or loss using the effective interest method. Foreign currency gains and losses and unrealised gains and losses on derivative financial instruments are reported separately on a net basis.

## **Taxation**

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in other comprehensive income, in which case the related tax is also recognised in other comprehensive income.

### **(i) Current tax**

Current tax is the expected tax payable on the taxable income for the financial period, using average tax rates applicable for the financial period.

The Group operates in many tax regimes and is subject to the tax implications of operating in different tax environments. *Actual tax assets and liabilities for the current financial period are measured at the expected amounts payable, or in the case of taxable losses, recoverable from tax authorities. Judgement can sometimes be required to determine the current and deferred tax assets and liabilities, such as the recoverability of such assets. Various internal and external factors may have favourable or unfavourable effects on income tax assets and liabilities. These factors include, but are not limited to, changes in tax laws and regulations or their interpretation and changes in tax rates. Furthermore, in order to determine whether tax losses may be carried as assets, it is first necessary to assess the probability of future taxable profits against which to offset them. Such profits depend upon a variety of internal and external factors, including expected development and the three year plan for that business.*

### **(ii) Deferred tax**

Deferred tax is provided or recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill not deductible for tax purposes; differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future; and differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss in the consolidated income statement. *The amount of deferred tax asset recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rate at which the asset or liability is expected to reverse in future periods, based on tax laws enacted or substantively enacted at the balance sheet date.*

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 taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. 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 utilised. Deferred tax assets are reduced in the financial period in which it is no longer probable that the related tax benefit will be realised.

## **Foreign currency**

### **(i) Foreign currency transactions**

Transactions in foreign currencies are initially recorded at the rate approximating to the foreign exchange rates ruling at the dates of the transaction for each entity. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the functional currency spot rate ruling at the reporting date and recognised in the consolidated income statement. *Foreign exchange gains and losses resulting from the settlement of such transactions are also recognised in the consolidated income statement.*

### **(ii) Foreign operations**

The assets and liabilities of foreign operations, including fair value adjustments arising on consolidation, are translated from functional currency to Sterling at the foreign exchange rates ruling at the balance sheet date.

The revenues and expenses of overseas operations are translated from functional currency at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on the translation of foreign operations are recognised in other comprehensive income.

Foreign exchange gains and losses arising from monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation and are recognised directly in equity in retained earnings.

### **Business combinations**

Business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and represents the difference between the fair value of consideration paid and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Identifiable intangibles, such as brands, customer relationships, beneficial contracts and the order book are those which can be sold separately (or which arise from contractual or legal rights regardless of whether those rights are separable) and the fair value can be reliably measured.

Negative goodwill arises where the fair value of the net assets acquired in a business combination is greater than the purchase consideration payable. When negative goodwill arises, the fair value of assets and liabilities are re-assessed and remaining negative goodwill is recognised immediately in the consolidated income statement, and presented as other income.

Fair value adjustments are made in respect of business combinations. If, at the balance sheet date, the amounts of fair values of the acquiree's identifiable assets and liabilities can only be established provisionally, then these values are used. Any adjustments to these values are taken as adjustments to negative goodwill and are recorded within 12 months of the acquisition date.

### **(i) Computer software, software in development and other intangible assets**

Computer software consists of all software that is not an integral part of the related computer hardware and is stated at cost less accumulated amortisation and impairment losses other than those acquired in a business combination, which is initially recognised at fair value.

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 products controlled by the Group 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 are available to complete the development and to use or sell the software product; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the business' and the software developer's employee costs. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent financial period.

### **(ii) Brands, customer relationships and order book**

Brands, contractual customer relationships, beneficial contracts and the order book acquired in a business combination are recognised at fair value at the acquisition date. These intangibles have a finite useful life and are subsequently carried at cost less accumulated amortisation.

### **(iv) Amortisation**

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful economic life of each type of intangible asset as follows:

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Computer software	3 - 10 years
Brands	10 - 25 years
Order book	Over the period when travel occurs, expected to be within two years
Customer relationships	Over the period during which value will be obtained by the Group (from 2 to 13 years)
Beneficial contracts	13 - 20 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. Licences in respect of bar licences in France (known as "fonds du commerce") are not amortised (on the basis that the licence has an indefinite life) unless there is objective evidence to suggest the market value has fallen below cost.

#### **Property, plant and equipment**

##### **(i) Owned assets**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Fair value adjustments are made in respect of property, plant and equipment acquired as part of a business combination, but are not subsequently remeasured to fair value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Where significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

##### **(ii) Depreciation**

Except as noted below, depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful economic lives of each item of property, plant and equipment. The useful economic lives are as follows:

Freehold properties	Up to 50 years
Short leasehold improvements	Lease period or useful economic life if shorter
Yachts	5 - 15 years
Motor boats	15 - 24 years to 50% value
Computer equipment	3 - 10 years
Other assets	Up to 10 years

Freehold land and assets under construction are not depreciated. The depreciation methods, useful economic lives and residual values are reassessed annually. Revisions to useful economic lives and residual values are accounted for prospectively from the date of change.

##### **(iii) Sale and leaseback transactions**

If the leaseback is classified as an operating lease, any gain is recognised immediately if the sale and leaseback terms are demonstrably at fair value.

##### **iv) Disposal**

An item of property, plant and equipment is derecognised upon disposal, with any gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the item) included in the consolidated income statement in the financial period of disposal.

#### **Impairments**

##### **(i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and its recoverable amount. The recoverable amount of the Group's receivables which are carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

## **(ii) Non-financial assets**

The carrying amount of the Group's non-financial assets, other than inventory and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset or its cash generating unit ('CGU') exceeds its recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

## **Inventories**

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price less the estimated costs incurred until the sale and the estimated variable costs required to sell. All inventories are written down individually where the net realisable value of inventories is lower than their carrying amounts. Spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment, which includes the expectation that they will be used for more than one financial period.

## **Financial instruments**

### **(i) Financial assets**

Financial assets are either classified as loans and receivables or financial assets at fair value through profit or loss. Financial assets include cash and cash equivalents, trade receivables and derivative financial instruments but exclude taxes and financial deposits outside the Group's control such as prepayment of services. The Group determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of financial assets depends on their classification, as follows:

#### ***Loans and receivables***

This category of financial assets includes trade receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss comprise derivative financial instruments and are measured at fair value on initial recognition and subsequent measurement. The realised and unrealised gain or loss on derivatives is included in the consolidated income statement in the financial period in which the gain or loss arises.

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of less than three months. Where cash and cash equivalent balances are not available for use by the Group, for example to meet regulatory requirements, the amount is included in cash and cash equivalents and separately disclosed.

#### ***Derecognition***

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

### **(ii) Financial liabilities**

Financial liabilities are either classified as financial liabilities measured at amortised cost or at fair value through profit and loss. Financial liabilities measured at amortised cost include trade and other payables (excluding tax and social security and deferred income), accruals and finance debt (such as external bank and other loans). Financial liabilities at fair value through profit and loss comprise derivative financial liabilities. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, normally being the transaction price plus, in the case of financial liabilities measured at amortised cost, directly attributable transaction costs.

***Financial liabilities measured at amortised cost***

This category of financial liabilities includes trade and other payables and loans and borrowings and are presented within both current and non-current liabilities in the balance sheet, according to the period in which they are expected to be settled. All financial liabilities are initially recognised at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing. After initial recognition, financial liabilities other than those at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

***Derecognition***

The Group derecognises a financial liability when the contractual obligations to pay the contractual cash flows on the financial liability are discharged, cancelled or expire.

***(iii) Derivative financial instruments***

The Group uses derivative financial instruments to hedge its exposure to foreign exchange, fuel price and interest rate risks arising from operational and financing activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value through profit or loss. The fair value of foreign currency, interest rate swap and fuel forward contracts is their forward market price at the balance sheet date, based on external valuations or internal valuations using market data. Derivatives are presented as assets when their fair value is positive and liabilities when the fair value is negative, split between current and non-current depending upon the expiry date of the derivative financial instrument.

***(iv) Share capital***

Ordinary shares are classified as equity.

***Insurance proceeds***

Insurance proceeds are recognised as cash if received in the financial period or as a receivable, together with the related income within the consolidated income statement if objective evidence exists to demonstrate that recovery is considered virtually certain by the balance sheet date.

***Provisions***

A provision is recognised in the consolidated balance sheet when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and the outflow of economic benefits can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

***Restructuring provision***

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

***Related parties***

For the purpose of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or significant influence. Related parties may be individuals or entities.

**7. New Standards and interpretations not yet adopted**

The following new and amended standards and interpretations that have been endorsed by the EU (unless otherwise stated) are as follows:

***IFRS 9 'Financial Instruments'***

The new standard replaces the current IAS 39 guidance on classification and measurement of financial assets and introduces new rules for hedge accounting. The existing impairment rules are being superseded by a new model based on expected credit losses. The introduction of this new IFRS is not expected to have a significant impact on the Group in view of the fact that the Group does not apply hedge accounting through reserves and the relatively low level of credit risk across the businesses.



#### **IFRS 15 'Revenue from contracts with customers'**

IFRS 15 combines and supersedes the guidance on revenue recognition comprised in various standards and interpretations so far. It establishes a single, comprehensive framework for revenue recognition, to be applied across industries and for all categories of revenue transactions specifying which amount of revenue and at which point in time or over which time period revenue is to be recognised. The effective date for this IFRS is for annual periods beginning on or after 1 January 2018, so the first set of Group financial statements that would use the new accounting policy is the financial year end 30 September 2019. Application of this new IFRS can either be by way of full retrospective application, in which each prior reporting period is presented in accordance with IFRS 8 Accounting policies, Change in Accounting Estimates and Errors, or retrospectively with the cumulative effect of initially applying the new Standard at the initial application date, which would be 1 October 2018.

Management is currently assessing the effects of IFRS 15. The area likely to be affected is the point in time at which revenues are recognised. Currently, revenue is recognised at the point of departure. It is expected that this will need to change to be over the period of the holiday. Where the holiday sold falls within a discrete financial year, there should be no difference between the current accounting policy and IFRS 15 accounting policy. However, where a holiday spans across the Group's financial year end of 30 September, it is expected that the revenues and related costs will need to be recognised over the period of the holiday and hence, across two financial periods. The size of the financial impact of this is difficult to assess at this stage since it will depend upon the number, price and length of all trips spanning across each year end of 30 September 2018 and 2019.

#### **IFRS 16 'Leases'**

IFRS 16 replaces the current IAS 17 (including IFRS 4 and related IFRICs) on lease accounting. For lessees, there is no longer the requirement to classify leases into operating or finance leases. Instead, all leases are accounted for according to the so-called 'Right of Use' approach. In the Group balance sheet, a lessee will recognise an asset for the right to use the leased item and a liability for the future lease payments. There is an optional exemption for short-term leases that are less than twelve months in their term and for leases with a value of less than \$5,000.

The effective date for this IFRS is for annual periods beginning on or after 1 January 2019, so the first set of Group financial statements that would use the new accounting policy is the financial year ending 30 September 2020. Application of this new IFRS can also be by way of either full retrospective application or with an initial cumulative change in the year of change, similar to IFRS 15.

Management is currently assessing the effects of IFRS 16 but consider that this will have a significant impact on the Group's reported results and balance sheet once adopted. In view of the existing obligations from operating leases shown in Note 31 of these financial statements, there will be a material increase in lease liabilities and in items of property, plant and equipment when it adopts the new standard.

On adoption of the new standard, as a lessee, the Group will recognise depreciation and interest expenses instead of lease rental expenses. This change will result in an improvement in the key financial measure of Adjusted EBITDA (as defined in Note 5). However, it is not yet possible to determine the impact that this will have on the Group's net debt/Adjusted EBITDA covenant on the external secured bank loan.

The change in presentation of lease expenses will also result in an improvement of cash flows from operating activities and a decrease of cash flows from financing activities.

**Amendment to IFRS 15 'Revenue from contracts with customers'**. The amendment comprises clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment. Additional practical expedients relating to transition to the new standard have also been included. This amendment has not yet been endorsed by the European Union. This amendment will be considered as part of management's assessment of the impact of applying IFRS 15.

**IFRIC 22 'Foreign currency transactions and advance consideration'.** The IFRIC clarifies the date of the transaction for the purpose of determining the exchange rate to use when recognising revenue in the circumstances in which an entity has received advance consideration in a foreign currency. The IFRIC is effective for accounting periods commencing on or after 1 January 2018 but has not yet been endorsed by the European Union. This IFRIC is not expected to have a material impact on the Group as the Group does not receive material amounts of advance consideration in foreign currency.

**IFRIC 23 'Uncertainty over income tax treatments'.** The IFRIC clarifies the recognition and measurement of IAS 12 'Income taxes' when there is uncertainty over the tax treatment until such time that the relevant tax authority or court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment may affect a company's accounting for a current or deferred tax asset or liability. The IFRIC is effective for accounting periods commencing on or after 1 January 2019 but has not yet been endorsed by the European Union. This IFRIC may have an impact on the accounting for uncertain tax treatments at the date of adoption if such items exist at that point in time.

#### **Other new standards**

IFRS 17 'Insurance contracts' is not considered relevant to the Group.

### **8. Critical accounting estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported and future amounts of assets, liabilities, income and expenses. Actual results may differ from those reported as a result of applying different judgements, estimates and assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial period in which the estimates are revised and in any future periods affected.

The Board has reviewed management's selection, development and disclosure of the Group's critical accounting policies, judgements and estimates and their application. Key estimates and judgements have been made in respect of the following areas:

#### **Business combination**

As part of accounting for the acquisition of the Travelopia Group, management is required to estimate the fair value of assets and liabilities acquired, including any separately identifiable intangible assets. Judgement is required to consider which separately identifiable intangible assets can be recognised and then estimates of these assets and liabilities are required to determine the fair value. These estimates also require inputs and assumptions including future earnings, customer attrition rates and discount rates. The Group has engaged external experts to support the valuation process where appropriate.

The fair value of intangible assets recognised as a result of a business combination, including brands, customer relationships, beneficial contracts and the customer order book, is valued by reference to income-based methods. For all intangible assets, current use is determined to be the highest and best use of that asset. Income-based methods estimate the future economic benefits to be derived from ownership of the asset by identifying, quantifying and separating cash flows attributable to the asset and capitalising their present value.

Brands are calculated by reference to the royalty rate that could be supported by the individual business unit profit margin, weighted for the strength of the brand acquired. Appropriate tax and discount rates are also applied to the valuation. Customer relationships are valued using the excess earnings methodology, which calculates the present value of the earnings the asset generates, net of a reasonable return on other assets also contributing to that stream of earnings. Inputs to the excess earnings methodology include applicable forecast sales to which the customer relationships contribute, the deduction of returns on all other assets and appropriate discount and tax rates.

#### **Impact of Hurricane Irma**

On 6 September 2017, Hurricane Irma, the strongest hurricane ever to hit the North Atlantic with winds of 185mph made direct landfall over the British Virgin Islands ('BVI') and St Martin, where two of our yacht bases are located. Our base in Tortola in the BVI comprised of property (consisting of hotel accommodation, restaurants, shop, water sport facilities and boat repair services) and a mixed fleet of over 350 vessels in the marina (consisting of sailing catamarans, monohull yachts and powered catamarans).

Both yacht bases have suffered damage whilst the damage to the marine fleet ranges from damaged but repairable to total loss.

A number of judgements and estimates have been made in respect of the valuation of assets at both acquisition date (being 15 June 2017) and at 30 September 2017.

Twenty four owned yachts held within inventory and property, plant and equipment that were destroyed by the hurricane have been written off, whilst the related insurance recovery has been recognised as it is considered to be virtually certain. (Insurance proceeds are only recognised in a financial period when they are considered to be meet the virtually certain threshold). Judgement is required to determine whether it is virtually certain the proceeds will be recovered, which depends on the contract with the insurance company and/or the status of the claim at the year end. Where the Group expects to receive proceeds from the insurance claim, any related insurance deductibles have been provided for where appropriate, irrespective of whether the receivable is considered to be virtually certain by the year end.

Whilst the Group is insured for business interruption for the loss of trade at these two bases, no amounts have been recognised in the consolidated income statement for the financial period ended 30 September 2017 since the status of the claim was not considered to be virtually certain by 30 September 2017. It is expected the insurance proceeds for business interruption will be recognised in the consolidated income statement for the year ending 30 September 2018.

An impairment test has also been performed on the carrying value of the yacht base and other assets related to the BVI to determine whether any impairment had arisen as a result of Hurricane Irma as at 30 September 2017. The impairment test has been performed on a 'value in use' basis, which requires estimation of future net operating cash flows, the time period over which they will occur and appropriate discount and growth rates. Significant judgement is required to determine the time taken for the base to get back to similar operational status and towards the levels of profitability previously achieved. The impairment test uses the Board's latest expectation of this date for the level of profitability, which is 2020. Details of this test, together with further details of judgements and estimates included in the impairment test is disclosed within Note 17 of these financial statements.

An estimate has also been made by the Directors of the fair value of the BVI yacht base at the acquisition date as required in accordance with IFRS 3. A full market valuation had commenced during the financial period, but has not been completed at the date of signing these financial statements due to the hurricane. As such, the accounting for the business combination is provisional in this respect. Should the full market valuation (once received) be higher than that currently recognised, negative goodwill written off in the consolidated income statement will increase by the same amount. Depending upon the full market valuation, it is also possible that an impairment may be required to the value of base, should the full market valuation (as adjusted by subsequent depreciation) exceed the recoverable value as at 30 September 2017. This impairment would be recognised in the consolidated financial statements for the year ending 30 September 2018, but within the results for the financial period to 30 September 2017, which would be restated in this respect.

#### **Useful economic lives and residual values of marine vessels**

The annual depreciation charge for property, plant and equipment is driven by, and sensitive to, both changes in the useful economic lives and residual values of marine vessels (i.e. boats and yachts). Judgement is required to determine the most appropriate useful economic lives of each type of vessel and estimates are required for determining residual values. Both the useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, economic utilisation, physical condition of the assets and profits/losses experienced over time arising on their disposal.

#### **Separately disclosed items**

Separately disclosed items are those significant items which in management's judgement are highlighted by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Such items are included within the income statement caption to which they relate. The acquisition of the Travelopia Group has led to significant restructuring of certain operating businesses and the creation of a new Group head office function to support those businesses and which has continued into the current financial year. Judgement is required to determine which costs are of an underlying nature as part of running a tour operator and which are not, with those that are not being presented within this cost category.

## 9. Revenue

Revenues for the financial period are analysed by source and destination as follows:

	Source £m	Destination £m
<b>Period ended 30 September 2017</b>		
<b>By Geography</b>		
United Kingdom	177.5	27.6
Europe (excluding the UK)	71.1	149.6
North America (including Canada)	113.1	45.8
Central and South America	11.4	24.1
Caribbean	6.3	34.6
Africa	3.7	28.7
Asia	7.3	57.3
Middle East	3.5	6.2
Australia, New Zealand and Oceania	15.6	18.3
Arctic and Antarctic	-	17.3
<b>Total</b>	<b>409.5</b>	<b>409.5</b>

## 10. Employees

### Average number of employees

The average monthly number of employees in the Group during the financial period by division was as follows:

	Full time Number	Part time Number	Temps & Seasonal Number	Total Number
<b>Period ended 30 September 2017</b>				
<b>By Sector</b>				
Expeditions, Education and Events	1,125	115	328	1,568
Tailormade and Marine	1,660	143	303	2,106
Group	35	1	-	36
<b>Total</b>	<b>2,820</b>	<b>259</b>	<b>631</b>	<b>3,710</b>

### Employee costs

	Period ended 30 September 2017 £m
Wages and salaries	43.8
Social security costs	3.3
Pension costs: Defined contribution pension scheme cost	0.8
	<b>47.9</b>

In addition to the above, £2.3m of wages and salaries have been incurred in relation to redundancy costs and included within separately disclosed items.

### Key management compensation

The Company has no employees or employee related costs and the Directors of the Company received no emoluments from the Group during the financial period. The following key management figures comprise the remuneration of the Travelopia Board members. The Group considers the Travelopia Board members to be those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group.

	Period ended 30 September 2017 £m
Aggregate emoluments	0.9
Pensions benefits	0.1
	<b>1.0</b>

## 11. Separately disclosed items

	Period ended 30 September 2017 £m
Restructuring	5.5
Impairment of intangible assets	0.2
Insurance deductible on leased yacht write offs and additional costs caused by Hurricane Irma	2.7
	<b>8.4</b>

Restructuring costs were incurred in relation to redundancy and overhead costs as part of a reorganisation of several of the Group's businesses, together with the creation of a new central Group function.

The insurance deductible and additional costs arising from Hurricane Irma include the total contractually obligated insurance deductible to be payable for approximately 300 damaged or destroyed leased yachts as at 30 September 2017, where recovery is by way of insurance proceeds. Separately disclosed items also exclude acquisition related items which are disclosed in Note 12 below. The Group has also recognised losses on the disposal of owned yachts destroyed by the hurricane of £3.8m together with an insurance recovery of the same amount.

Separately disclosed items within operating profit are included within the consolidated income statement as follows:

	Period ended 30 September 2017 £m
Cost of sales	3.8
Administrative expenses	4.6
	<b>8.4</b>

## 12. Acquisition related items

Acquisition related items comprise the following income and expenses. The expenses are included within administrative expenses whilst the negative goodwill has been disclosed separately as other income within the consolidated income statement.

	Period ended 30 September 2017 £m
<b>Acquisition related items in operating profit</b>	
Negative goodwill arising on the acquisition of the Travelopia Group (Note 29)	13.1
Amortisation of business combination intangibles (Note 16)	(8.1)
Acquisition transaction fees	(20.8)
	<b>(15.8)</b>

Acquisition transaction fees for professional fees relating to banking, legal, accounting and tax advisory fees totalling £20.8m were paid in relation to the acquisition of the Travelopia Group of companies on 15 June 2017, further details of which are provided in Note 29.

### 13. Financial expenses

	Period ended 30 September 2017 £m
<b>Financial expenses</b>	
Bank and other interest payable on loans	1.4
Facility fees and accretion of loan issue costs	0.4
Foreign exchange losses on financial items	2.1
Losses on derivative financial instruments	0.7
<b>Net financial expenses</b>	<b>4.6</b>

### 14. Income, expenses and auditors' remuneration

	Period ended 30 September 2017 £m
<b>Included within operating profit in the consolidated income statement for the financial period are the following charges/(credits):</b>	
Operating lease rentals: aircraft, cruise ships, yachts and boats, land and buildings and other equipment	20.5
Depreciation of property, plant and equipment	4.4
Amortisation of intangible assets: business combination intangibles	8.1
Amortisation of intangible assets: other intangibles	1.8
Loss on disposal of property, plant and equipment and intangibles	0.9
Gain on foreign currency translation	(0.4)
Impairment of trade receivables	0.2
Recognition of negative goodwill arising on the acquisition of the Travelopia Group	(13.1)
Impairment of intangible assets	0.2
Insurance deductible on loss of leased yachts and additional costs in respect of Hurricane Irma	2.7
Loss on disposal of yachts in respect of Hurricane Irma covered by insurance	3.8
Insurance received in respect of Hurricane Irma for assets written off	(3.8)

#### Services provided by the Company's auditors and its associates

During the financial period the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	Period ended 30 September 2017 £m
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	0.1
Fees payable to the Company's auditors and its associates for other services:	
Audit of the Company's subsidiaries pursuant to legislation	0.5
Auditors' remuneration for audit services	0.6
Other services provided to comply with legislation <sup>1</sup>	0.1
Audit and audit related services	0.7

<sup>1</sup> Relates principally to regulatory returns

## 15. Taxation

The tax charge can be summarised as follows:

### (i) Analysis of charge in the financial period

	Period ended 30 September 2017 £m
<b>Current tax charge</b>	
UK corporation tax on profit for the financial period	-
Non-UK tax on profit for the financial period	3.3
	<b>3.3</b>
<b>Deferred tax charge</b>	
Origination and reversal of temporary differences	1.2
	<b>1.2</b>
<b>Total income tax charge in consolidated income statement</b>	<b>4.5</b>

### (ii) Reconciliation of effective tax rate

The total tax charge for the financial period is higher than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	Period ended 30 September 2017 £m
<b>Profit before tax</b>	<b>11.2</b>
Profit multiplied by the UK standard rate of tax of 19%	2.1
Effects of:	
Expenses not deductible for tax purposes	6.6
Income not taxable	(4.1)
Tax losses not recognised as deferred tax asset	0.9
Different tax rates on overseas earnings	0.2
Effect of changes in tax rates	(0.6)
Overseas taxes	0.2
Adjustment for acquired subsidiaries for prior years	(0.8)
<b>Total income tax charge in consolidated income statement</b>	<b>4.5</b>

### (iii) Factors affecting the future tax charge

#### UK Corporation tax

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2016. This includes a reduction to the main rate of UK Corporation tax to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using this rate where the reversal is expected to occur after 1 April 2020. This reduction may also reduce the Company's future current tax charge for its UK companies accordingly.

#### US Corporation tax

On December 2017, President Trump signed into US law extensive changes to the US tax system. These changes are known as the Tax Cuts and Jobs Act ("the 2017 Act"). The 2017 Act has, amongst other things, reduced tax rates, substantially changed the international tax rules and made significant changes to the way in which tax losses are carried forward and recovered. The main changes impacting upon the Group are expected to be:

- A reduction in the US corporate tax rate from the existing rate of 35% to the new rate of 21% with effect from 1 January 2018. The rate of tax for US companies used in the current financial period is 39%, this being a combination of federal and state tax rates. For the year ending 30 September 2018, the Group's US companies are expected to be taxed at a combined tax rate of 26%.
- A reduction in the carrying values of US net deferred tax assets as a result of the reduction in the tax rate. At the balance sheet date, the Group has US net deferred tax assets totalling £18.0m. The lower corporate tax rate will see a reduction in the carrying amount to £13.3m (assuming no change in foreign exchange rates) with this difference of £4.7m being recognised as a non-cash charge in the consolidated income statement in the financial year ended 30 September 2018.

# 16. Intangible assets

	Brands £m	Customer relationships £m	Order book £m	Contracts £m	Computer software £m	Software in development £m	Licences £m	Total £m
<b>Cost</b>								
At incorporation	-	-	-	-	-	-	-	-
Acquisition	67.3	13.3	12.7	4.3	16.7	7.7	2.0	124.0
Additions	-	-	-	-	1.4	1.9	-	3.3
Transfers	-	-	-	-	1.0	(1.0)	-	-
Asset reclassification	-	-	-	-	1.4	(1.9)	-	(0.5)
Disposals	-	-	-	-	(1.2)	-	-	(1.2)
Foreign exchange	(0.8)	(0.1)	(0.2)	(0.1)	(0.4)	(0.1)	-	(1.7)
<b>At 30 September 2017</b>	<b>66.5</b>	<b>13.2</b>	<b>12.5</b>	<b>4.2</b>	<b>18.9</b>	<b>6.6</b>	<b>2.0</b>	<b>123.9</b>
<b>Accumulated amortisation</b>								
At incorporation	-	-	-	-	-	-	-	-
Provided in the financial period	(0.8)	(0.8)	(6.4)	(0.1)	(1.8)	-	-	(9.9)
Impairment loss	-	-	-	-	(0.2)	-	-	(0.2)
Foreign exchange	-	-	-	-	0.2	-	-	0.2
<b>At 30 September 2017</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(6.4)</b>	<b>(0.1)</b>	<b>(1.8)</b>	<b>-</b>	<b>-</b>	<b>(9.9)</b>
<b>Net book value</b>								
<b>At 30 September 2017</b>	<b>65.7</b>	<b>12.4</b>	<b>6.1</b>	<b>4.1</b>	<b>17.1</b>	<b>6.6</b>	<b>2.0</b>	<b>114.0</b>

Brands, customer relationships, order book and beneficial contracts arose on the acquisition of the Travelopia Group, further details for which are provided in Note 29. Amortisation of intangible assets of £9.9m is recognised in the consolidated income statement within administrative expenses. Individual intangible assets within the above categories include the following material values of brands:

	Brands £m	Remaining amortisation period Years
Quark	7.0	25
TCS World Travel	8.1	25
Exodus	7.8	25
Hayes & Jarvis	10.2	25
Sovereign	4.8	25
Citalia	3.1	25
The Moorings	4.0	20
Sunsail	2.5	20

The Group comprises the world's largest collection of specialist travel companies with a total of 53 brands. The seven divisions contain various entities that employ different brands which are used to go to market. In most cases the brands are the same as, or similar to, the trading names of the entities within the specific division and the entities are reliant on their own brand names for their marketing efforts.



## 17. Property, plant and equipment

	Land and buildings £m	Yachts and motor boats £m	Aircraft equipment £m	Computer equipment £m	Other equipment £m	Total £m
<b>Cost</b>						
At incorporation	-	-	-	-	-	-
Acquisitions	41.6	130.7	5.0	2.7	7.3	187.3
Additions	0.2	8.3	0.6	0.7	2.4	12.2
Transfers	-	1.4	-	0.1	(1.5)	-
Asset reclassifications	-	0.2	-	(0.1)	0.5	0.6
Disposals	(0.1)	(3.6)	-	-	(0.4)	(4.1)
Foreign exchange	(0.7)	(0.3)	(0.2)	(0.2)	-	(1.4)
<b>At 30 September 2017</b>	<b>41.0</b>	<b>136.7</b>	<b>5.4</b>	<b>3.2</b>	<b>8.3</b>	<b>194.6</b>
<b>Accumulated depreciation</b>						
At incorporation	-	-	-	-	-	-
Provided in the financial period	(0.4)	(3.2)	(0.1)	(0.3)	(0.4)	(4.4)
Foreign exchange	-	0.1	-	-	-	0.1
<b>At 30 September 2017</b>	<b>(0.4)</b>	<b>(3.1)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(4.3)</b>
<b>Net book value</b>						
<b>At 30 September 2017</b>	<b>40.6</b>	<b>133.6</b>	<b>5.3</b>	<b>2.9</b>	<b>7.9</b>	<b>190.3</b>

### Other disclosures

Other equipment includes assets under construction with both a cost and net book value of £3.1m as at 30 September 2017. During the financial period, additions to assets under construction totalled £2.2m, of which £1.5m has been brought into use and transferred into yachts and motor boats and computer equipment. Yacht disposals includes nine yachts with a value of £1.7m that have been written off as a result of Hurricane Irma, for which insurance proceeds for the same amount (less the deductible) have been recognised in the consolidated income statement within the financial period.

### Impairment test

IAS 36 requires that an impairment test is carried out on assets or CGUs in the event of either a change in the economic environment or a loss in the financial period which indicates a risk of impairment. The Directors have therefore undertaken an impairment test on the land and buildings (yacht base) in the BVI as a result of Hurricane Irma. The yacht base comprises a hotel complex and a home for approximately 350 vessels in Tortola. The recoverable value of the yacht base has been tested as a CGU and determined by way of value in use, using past profitability levels of the yacht base and the expected time taken (and extent) to return to previous profitability levels to estimate future cash flows. No positive goodwill arose in the acquisition of the Travelopia Group and therefore no goodwill is included in the impairment test.

The calculation of recoverable value for the yacht base includes the following assumptions:

- Cash flow projections based on the Group's latest Board approved three year business plan;
- A return to near previous profitability levels by 2020, which is based on the fact that the base re-opened on 9 December 2017 with limited capacity;
- Expected rebuild costs included in the cash flows being incurred during 2018 whilst insurance proceeds are not included in the cash flows since they were not virtually certain at the balance sheet date;
- Cash flows beyond the plan period being extrapolated using a growth rate of 2.2%;
- Cash flows have been discounted using the CGU's pre-tax WACC of 13.3%, including an appropriate risk premium to reflect the challenges ahead for this yacht base. The WACC is based on a capital asset pricing model calculation using a mixture of in-house data and externally available information, with input from external advisers; and
- Central Group overheads being allocated to the CGU based on the Adjusted EBITDA of the yacht base relative to the Adjusted EBITDA of the entire Yachts division.

**TIM Intermediateco Limited**  
**Notes to the consolidated financial statements**

The recoverable value of the yacht base, based on value in use, has been estimated to be £29.0m compared to the CGU's carrying value of £27.3m. Based on this value, no impairment has arisen in the financial period, although the Directors note there is little headroom in the calculation. The calculation is particularly sensitive to the pre-tax WACC and a reduction of the Adjusted EBITDA / an increase in the allocation of central overheads to the calculation in 2020. Were the pre-tax WACC to increase to 15%, an impairment of £5.1m would occur. The pre-tax WACC would need to be increased to 13.7% for the recoverable value to equal the carrying value. Were Adjusted EBITDA to decrease by £1m in 2020 or additional central costs of £1m were included in 2020, both of which are considered to be reasonably possible, an impairment of £5.9m would arise. If the Adjusted EBITDA decreased by £0.2m in 2020, or additional central costs of £0.2m were to be allocated to the yacht base in 2020, then the carrying value would equal recoverable value.

**18. Deferred tax assets and liabilities**

	30 September 2017		
	Assets	Liabilities	Net
	£m	£m	£m
Acquisition related intangible assets	13.9	(22.8)	(8.9)
Other intangible assets and property, plant and equipment	2.2	(10.5)	(8.3)
Financial instruments	0.7	-	0.7
Other short-term temporary differences	13.6	-	13.6
Tax value of losses carried forward	4.4	-	4.4
<b>Total</b>	<b>34.8</b>	<b>(33.3)</b>	<b>1.5</b>
Set off of deferred tax within the same jurisdiction	(16.9)	16.9	-
<b>Net deferred tax liabilities</b>	<b>17.9</b>	<b>(16.4)</b>	<b>1.5</b>

The Group has recognised deferred tax assets relating to tax losses in individual tax jurisdictions based on forecast future taxable profits.

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

	Balance at incorporation	Arising on acquisition	Credited/ (charged) to the consolidated income statement	Foreign exchange	Balance at 30 September 2017
	£m	£m	£m	£m	£m
Acquisition related intangible assets	-	(10.3)	1.4	-	(8.9)
Other intangible assets and property, plant and equipment	-	(7.6)	(0.6)	(0.1)	(8.3)
Financial instruments	-	-	0.7	-	0.7
Other short term temporary differences	-	19.8	(5.8)	(0.4)	13.6
Tax value of losses carried forward	-	1.4	3.1	(0.1)	4.4
<b>Total</b>	<b>-</b>	<b>3.3</b>	<b>(1.2)</b>	<b>(0.6)</b>	<b>1.5</b>

Acquisition related intangible assets relate to temporary differences in respect of assets and liabilities recognised on acquisition of each respective acquisition. Property, plant and equipment temporary differences principally relate to tax depreciation being different to accounting depreciation in the UK and the US. Financial instruments arise in respect of financial instruments accounted for under IAS 39 and principally reflect the fair value at 30 September 2017 of derivatives that will be settled against future transactions. Other short-term temporary differences principally relate to operating expenses and related accruals and provisions for which a tax deduction has yet to be recognised.

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items (reported at the applicable tax rate):

	30 September 2017 £m
Trading losses	4.5
Non-trading losses	0.3
<b>Total losses</b>	<b>4.8</b>

These assets have not been recognised principally because the Directors are not certain of the timing of any benefits that might arise in the future.

**19. Inventories**

	30 September 2017 £m
Marine inventories	17.7
Other operating inventories	1.7
<b>Total</b>	<b>19.4</b>

During the financial period, fifteen yachts that were included in inventories with a value of £2.1m have been written off as a result of Hurricane Irma, for which insurance proceeds for the same amount (less the deductible) have been recognised in the consolidated income statement within the financial period.

**20. Trade and other receivables**

	30 September 2017		
	Current assets £m	Non-current assets £m	Total assets £m
Trade receivables, gross	19.4	-	19.4
Less: provision for impairment	(0.6)	-	(0.6)
	18.8	-	18.8
Other receivables	11.4	0.6	12.0
	30.2	0.6	30.8
Prepayments	75.5	-	75.5
<b>Total</b>	<b>105.7</b>	<b>0.6</b>	<b>106.3</b>

The maximum exposure to credit risk for financial assets is analysed by geographic region as follows:

	30 September 2017 £m
United Kingdom	12.9
United States of America	2.8
Europe excluding United Kingdom	2.6
Rest of the World	1.1
<b>Total</b>	<b>19.4</b>

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Trade receivables are disclosed net of provisions for bad and doubtful debts, an analysis of which is shown below:

	30 September 2017 £m
Balance at acquisition	0.4
Charged to the consolidated income statement	0.2
<b>Total</b>	<b>0.6</b>

The ageing of the financial assets included within trade and other receivables at the balance sheet date was:

	30 September 2017		
	Gross £m	Provision £m	Net £m
Not overdue	17.5	(0.6)	16.9
Overdue 1-30 days	0.8	-	0.8
Overdue 31-90 days	0.6	-	0.6
Overdue 91-180 days	0.5	-	0.5
<b>Total</b>	<b>19.4</b>	<b>(0.6)</b>	<b>18.8</b>

Credit exposure to individual customers booking expeditions, tours and holidays directly is limited as full payment is required before the issue of tickets and departure. In the case of travel services sold by third party agents, the credit risk depends on the creditworthiness of those third parties, but this risk is also limited because of the relatively short period of credit and the large number of travel agencies used across the Group. The Directors do not consider there to be a significant concentration of credit risk relating to trade and other receivables.

No individually material bad debt provision movement or charges has been recorded in the financial period. Based on past experience and the post balance sheet period to the date of approval of these consolidated financial statements, the Group considers that the provision allowance recorded is adequate. Within the provision there are no individually material amounts held. Provisions for doubtful debts in respect of trade receivable balances are managed by each underlying business unit where the debts arise and are based on local management experience. Factors considered include the age of the receivable, previous experience with the counterparty and the economic environment in which the counterparty is located.

Prepayments include amounts paid in advance to suppliers of accommodation and other services in order to guarantee the provision of those supplies. There is a credit risk in respect of the continued operation of those suppliers during the period over which the supplies are made.

**21. Assets classified as held for sale**

	30 September 2017 £m
Boats	0.2
<b>Assets classified as held for sale</b>	<b>0.2</b>

Assets held for sale are expected to be sold within 12 months.

**22. Cash and cash equivalents**

	30 September 2017 £m
Cash at bank - unrestricted	232.5
Cash at bank - deposits with maturity within three months	2.0
Cash at bank - other restricted	53.3
Cash in hand	0.3
<b>Cash and cash equivalents</b>	<b>288.1</b>

Cash at bank of £53.3m is restricted due to travel regulatory requirements, including £51.4m of which is restricted due to US travel regulations for flights, whereby customer deposits are held in a separate escrow account, which can only be used within certain periods prior to departure date for the purposes of paying direct costs of the trip and then returned to the company after the trip's return date.

### 23. Interest-bearing loans and borrowings

	30 September 2017		
	Current	Non-current	Total
	liabilities	liabilities	
	£m	£m	£m
Secured bank loan	0.2	96.8	97.0
Other financial liabilities	2.5	5.4	7.9
<b>Total</b>	<b>2.7</b>	<b>102.2</b>	<b>104.9</b>

#### *Secured bank loan*

On 19 May 2017, the Group entered into a Senior Facilities Agreement with a syndicate of banks for a term loan facility of £100.0m with a maturity date of 15 June 2024 and a revolving credit facility of £75.0m with a maturity date of 15 June 2023.

The loan is secured by a fixed and floating charge over certain assets of the Group as explained below and bears interest at LIBOR plus a margin between 3.75% and 4.5%, which is dependent upon a margin ratchet based on the ratio of total net debt of the Group to the Group's consolidated earnings before interest, tax, depreciation and amortisation. The applicable margin for the current financial period was 4.5%. The £100.0m loan was fully drawn down on 15 June 2017, raising £96.6m net of expenses, which are being accreted to the income statement over the loan's term.

The lenders under our senior facilities have the benefit of certain fixed and floating security agreements granted by certain members of the Group over certain assets of the Group (but, for the avoidance of doubt, no security has been granted in favour of these lenders by, or over the shares in or assets of, any member of the Group that is within the "ring fence" arrangement with the UK Civil Aviation Authority).

The £75.0m revolving credit facility has remained undrawn throughout the financial period and represents the total undrawn committed facilities of the Group at 30 September 2017. When drawn, the interest rate applicable for the revolving credit facility will be LIBOR plus a margin between 3.25% and 4.0%, which is dependent upon a margin ratchet based on the ratio of total net debt of the Group to the Group's consolidated earnings before interest, tax, depreciation and amortisation. The applicable margin for the current financial period was 4.0%. A commitment fee of 35% of the applicable margin is payable on the undrawn portion of the revolving credit facility and is disclosed as a facility fee within financial expenses and recognised in the consolidated income statement in the financial period in which it is incurred.

### 24. Trade and other payables

	30 September 2017		
	Current	Non-current	Total
	liabilities	liabilities	
	£m	£m	£m
Trade payables	21.4	-	21.4
Other payables	12.7	-	12.7
Other taxes and social security costs	6.8	-	6.8
Accruals and deferred income	63.7	2.4	66.1
Client money received in advance	251.8	0.1	251.9
<b>Total</b>	<b>356.4</b>	<b>2.5</b>	<b>358.9</b>

## 25. Provisions for liabilities

	Dilapidations £m	Other £m	Total £m
At incorporation	-	-	-
Acquisition through business combination	1.8	14.4	16.2
Provided in the financial period	-	0.1	0.1
Reclassification	-	(0.5)	(0.5)
Released unused in the financial period	-	(0.1)	(0.1)
Cash paid	-	(12.2)	(12.2)
Foreign exchange	-	(0.1)	(0.1)
<b>At 30 September 2017</b>	<b>1.8</b>	<b>1.6</b>	<b>3.4</b>
<i>Analysed as:</i>			
Non-current	1.4	0.3	1.7
Current	0.4	1.3	1.7
	<b>1.8</b>	<b>1.6</b>	<b>3.4</b>

### Dilapidation provisions

Dilapidation provisions represents the cost of restoring operating leased properties back to their original or required condition at the end of the lease term. The classification between non-current and current reflects the contracted lease termination date.

### Other

Other provisions relate to outstanding claims, litigation and restructuring provisions together with onerous lease contracts that have been entered into in the ordinary course of business, the amount or timing of which is uncertain. During the financial period, the Group settled one litigation claim with an external hotel supplier that existed at the acquisition date for a payment of £12.1m. The Group has a policy to mitigate the financial risk of claims, litigation and disaster through insurance with third party providers.

## 26. Called up share capital

	30 September 2017 £m
<b>Fully paid and issued</b>	
239,990,000 ordinary shares of £1 each	240.0
<b>Total</b>	
239,990,000 ordinary shares of £1 each	240.0

On incorporation on 7 February 2017, 1 ordinary share was issued but remained unpaid until it was paid up on 15 June 2017, when 239,989,999 ordinary shares were also issued to the Company's immediate parent company, TIM Topco Limited and for which a total of £239,990,000 was received in cash.

## 27. Financial instruments

### Treasury risk overview

The Group is exposed to a variety of financial risks:

- Market risk (in respect of foreign currency exchange risk, fuel price risk and interest rate risk);
- Liquidity risk (in respect of the Group's ability to meet its liabilities);
- Credit risk (in respect of recovery of amounts owing to the Group); and
- Capital risk (in respect of its capital structure and cost of capital).

The Group's key financial market risks are in relation to foreign currency rates, oil fuel prices and interest rate risk. Currency risk results from the substantial cross-border element of the Group's trading and arises on sales, purchases and borrowings that are denominated in a currency other than the functional currency of individual Group businesses. The risk is managed by the use of foreign exchange forward contracts. The Group's exposure to oil fuel prices results from cruising operations and US road trips and is managed using forward commodity contracts. The Group is exposed to interest rate risk that arises principally from the Group's floating rate bank loan.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and for ensuring that the Group has adequate policies, procedures and controls to successfully manage the financial risks that it faces. Transactions are only undertaken to hedge underlying exposures. Financial instruments are not traded, nor are speculative positions taken.

#### **Currency risk management**

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of individual Group businesses (which are principally Sterling, US Dollar and the Euro).

Each individual Group business hedges its foreign currency exposures, based upon each business's specific forecasts. At any point in time, the Group businesses will have hedged substantially all of its foreign currency exposure (forecast sales and purchases and related assets and liabilities) for the coming months of trading, predominantly using forward exchange contracts, most of which have a maturity of less than one year from the reporting date.

The Group presents its consolidated financial statements in Sterling and, as a result, is also subject to foreign currency exchange translation risk in respect of the translation of the results and underlying net assets of its foreign operations into Sterling. The Group does not hedge against this risk.

The following significant exchange rates were used to translate to presentation currency (excluding the impact of hedged transactions) and are illustrative of the rates applied during the current financial period:

<b>£1 GBP equivalent</b>	<b>Period ended 30 September 2017</b>	
	<b>Average rate</b>	<b>Closing spot rate</b>
US Dollar	<b>1.3089</b>	<b>1.3397</b>
Euro	<b>1.1143</b>	<b>1.1340</b>

As at 30 September 2017, the Group has hedging instruments in place with a notional amount of US\$27.5m and €33.9m.

#### **Commodity risk**

Fuel commodity risk arises from the Group's operation of polar and warm water cruise ships and US road trips. As at 30 September 2017, the Group has hedged transactions for fuel of 14,000 metric tonnes for the period up until October 2018.

#### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash balances (including cash and cash equivalents) and derivative financial instruments, as well as credit exposures to customers, including outstanding receivables, financial guarantees and committed transactions. Credit risk is managed separately for treasury and operating related credit exposures. There is no material concentration of credit risk with respect to trade and other receivables as the Group has a large number of internationally dispersed customers. Credit risk in respect of cash and cash equivalents is managed by only having material cash balances with highly reputable global banks.

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The maximum credit exposure to the carrying amount of financial assets at the balance sheet date is shown in the table below.

	Carrying value 30 September 2017 £m
Trade receivables (Note 20)	18.8
Other receivables	0.6
Cash and cash equivalents (Note 22)	288.1
Derivatives - contracts used for hedging	2.5
<b>Total</b>	<b>310.0</b>

The maximum exposure to credit risk for total trade receivables at the balance sheet date and by geographic region as well as their ageing is disclosed in Note 20. Trade and other receivables are shown net of provision for bad and doubtful debts of £0.6m.

A further analysis of cash balances is provided in Note 22.

Trade and other receivables exclude prepaid accommodation, other prepayments and sales taxes which do not meet the definition of a financial instrument. Prepayments for both flights and hotel accommodation, whilst not meeting the definition of a financial asset under IAS 39, give rise to a risk similar to credit risk due to the inherent risk of the Group not recovering the prepayment through full delivery of the related goods and services. From time to time, the Group's prepayments may concentrate towards specific counterparties or geographical locations. The carrying amount of prepayments (which are presented within current assets) forms their maximum credit exposure.

**Interest rate risk**

Details of the Group's financial liabilities are disclosed in Note 23. The Group manages its principal interest rate risk on its £100.0m external bank loan by taking out an interest rate swap for £50.0m such that the Group receives the variable interest on this notional balance and pays a fixed rate on this of 0.5635% (in addition to the applicable margin). The interest rate swap expires on 15 June 2019.

Other financial liabilities represents amounts received from individuals as part of an option to purchase yachts scheme that are repayable in the event that those individuals choose not to exercise an option to purchase a yacht in the future. No interest is payable on these amounts.

The Group's interest and non-interest bearing loans and other financial liabilities, other than trade and other payables, are measured at amortised cost and are analysed as follows:

				Carrying amount 30 September 2017 £m
Financial instrument	Currency	Nominal interest rate	Maturity	
Secured bank loans	Sterling	LIBOR +4.5%	2024	97.0
Other financial liabilities	EUR, GBP and USD	0%	2017 – 2022	7.9
<b>Total interest-bearing liabilities</b>				<b>104.9</b>
<i>Analysed between:</i>				
Zero rate liabilities				7.9
Variable rate liabilities				97.0
				<b>104.9</b>

The secured bank loan has been categorised as a variable rate liability, notwithstanding the fact that a separate interest rate swap has been taken out for £50.0m to fix the interest rate for this element of the loan.



### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances.

The Group's liquidity peaks in September and has a forecasted liquidity low point in February and March. In addition to the fully drawn £100.0m external bank loan, if required, the Group would be able to draw cash advances under its revolving credit facilities up to an aggregate amount of the facility of £75.0m. The external bank revolving credit facility can and will be used to manage the seasonality of the Group's working capital requirements and provide additional funding for future capital expenditure and acquisitions. Cash positions, liquidity and available facility headroom are monitored on a monthly basis by Group management and the Board of Directors. In addition, the Group has bonding facilities of £41.1m and utilised letters of credit of £1.5m in place at 30 September 2017.

At 30 September 2017, the Group had available undrawn committed borrowing facilities of £75.0m comprising the revolving credit facility set out above. These facilities expire in more than five years at the balance sheet date.

The Group has three liquidity covenants, two with the Civil Aviation Authority ('CAA') and one on the secured bank loan.

### CAA covenants

At each month end, the Group is required to have a minimum of 70% of cash compared to customer deposits. For this test, cash and customer deposit balances include only those within an internally ring-fenced group. Subject to certain permitted payments, cash within the internally ring-fenced group cannot be passed to parent companies without prior agreement of the CAA. The second covenant with the CAA is for the Group to ensure that it meets a quarterly gross debt to EBITDA covenant, where gross debt is no greater than three times the EBITDA of the last twelve months. Both of these tests were met at 30 September 2017.

### Bank covenant

With effect from March 2018, the Group is also required to meet a quarterly net debt to Adjusted EBITDA covenant, whereby net debt is no greater than 3.75 times annual EBITDA. For this test, the relevant EBITDA is defined within the senior facilities agreement. At 30 September 2017, with cash at a high point, the Group had significant headroom on this test. Any non-compliance with the bank covenant underlying the Group's financing arrangements could, if not waived, constitute an event of default.

The Board has reviewed the Group's budgets and forecasts for the foreseeable future and remains satisfied with the Group's funding and liquidity position and compliance with the above external covenants.

The following are the undiscounted contractual cash flows of financial liabilities, including interest payments calculated using interest rates in force at each balance sheet date:

	Contractual cash flows analysed as payable:					
	Carrying amount	Total contractual cash flows	No later than 1 year	Later than 1 year and no later than 2 years	Later than 2 years and no later than 5 years	Later than 5 years
30 September 2017	£m	£m	£m	£m	£m	£m
Secured bank loans	97.0	132.5	4.8	4.8	14.4	108.5
Other financial liabilities	7.9	7.9	2.5	1.5	2.2	1.7
Trade and other payables	95.3	95.3	95.3	-	-	-
Derivative financial liabilities	3.5	3.3	3.3	-	-	-
<b>Total</b>	<b>203.7</b>	<b>239.0</b>	<b>105.9</b>	<b>6.3</b>	<b>16.6</b>	<b>110.2</b>

The timing reflected in the tables above is based on the first date that the Group can be contractually required to settle each liability. Details in respect of the Group's £75.0m revolving credit facility has been excluded from this analysis since this facility remains undrawn at 30 September 2017. Trade and other payables include only those payables that classify as financial liabilities.

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Debts falling due for repayment after five years with an aggregate value at 30 September 2017 of £110.2m comprise secured bank loans with a principal amount of £100.0m and interest payable of £8.5m together with other financial liabilities with a principal amount of £1.7m. All principal amounts are payable as bullet payments at maturity.

**Analysis of total financial assets and financial liabilities**

The tables below set out the Group's IAS 39 classification for each of its financial assets and liabilities:

At 30 September 2017	Financial assets / (liabilities) at fair value through profit and loss £m	Loans and receivables at amortised cost £m	Financial liabilities at amortised cost £m	Total carrying value £m
<b>Assets</b>				
<i>Non-current:</i>				
Derivative assets	0.1	-	-	0.1
Other receivables	-	0.6	-	0.6
<i>Current:</i>				
Trade receivables	-	18.8	-	18.8
Derivative assets	2.4	-	-	2.4
Cash and cash equivalents	-	288.1	-	288.1
	2.5	307.5	-	310.0
<b>Liabilities</b>				
<i>Current:</i>				
Borrowings due within one year	-	-	(0.2)	(0.2)
Derivative liabilities	(3.5)	-	-	(3.5)
Trade and other payables	-	-	(95.3)	(95.3)
Other financial liabilities	-	-	(2.5)	(2.5)
<i>Non-current:</i>				
Borrowings due after more than one year	-	-	(96.8)	(96.8)
Other financial liabilities	-	-	(5.4)	(5.4)
	(3.5)	-	(200.2)	(203.7)

**Fair values of financial assets and financial liabilities**

The fair values of financial assets and liabilities, together with carrying amounts shown in the consolidated balance sheet at 30 September 2017 are as follows:

	30 September 2017	
	Carrying amount £m	Fair value £m
<b>Financial assets other than derivatives:</b>		
Cash and cash equivalents	288.1	288.1
Non-current other receivables	0.6	0.6
Current trade receivables	18.8	18.8
<b>Financial liabilities other than derivatives:</b>		
Secured bank loan	(97.0)	(100.0)
Other financial liabilities	(7.9)	(6.5)
Current trade and other payables	(95.3)	(95.3)

The fair value of borrowings has been calculated by discounting the expected future cash flows at the appropriate interest rate at the balance sheet date for each class of financial asset and liability. The carrying value of the bank loan is stated net of the debt issuance costs whilst the fair value is calculated using market interest rates.

### Fair value measurements

IFRS 7 requires enhanced disclosures about fair value measurements of financial instruments through the use of a three level fair value hierarchy that prioritises the valuation techniques used in fair value calculations.

The levels can be broadly described as follows:

- Level 1 – use of unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – use of observable inputs other than quoted prices included within level 1, such as quoted prices for similar assets or liabilities in active markets.
- Level 3 – use of inputs not based on observable market data but reflecting management's own assumptions about pricing the asset or liability.

The Group's financial assets and liabilities measured at fair value at 30 September 2017 consist of derivative financial instruments. Derivatives are valued in the market using discounted cash flow techniques. These techniques incorporate inputs at level 2, such as interest rates and foreign currency exchange rates. These market inputs are used in the discounted cash flow calculation incorporating the instrument's term, notional amount, volatility, discount rate and taking credit risk into account. As significant inputs to the valuation are observable in external markets, these instruments are categorised as level 2 in the hierarchy. There have been no transfers between any levels in the financial period.

### Derivative instruments

At the balance sheet date the fair value of the Group's derivative financial assets and liabilities was as follows:

	30 September 2017		
	Assets	Liabilities	Total
	fair value £m	fair value £m	fair value £m
Foreign exchange forwards	2.0	(3.4)	(1.4)
Commodity forwards	0.4	(0.1)	0.3
Interest rate swap	0.1	-	0.1
<b>Total</b>	<b>2.5</b>	<b>(3.5)</b>	<b>(1.0)</b>
<i>Analysed as:</i>			
Current	2.4	(3.5)	(1.1)
Non-current	0.1	-	0.1
<b>Total</b>	<b>2.5</b>	<b>(3.5)</b>	<b>(1.0)</b>

A loss in the value of derivatives of £0.7m has been recognised in financial expenses within the consolidated income statement in the financial period. The Group has taken out an interest rate swap to partially mitigate the interest rate risk on the £100.0m bank loan, details of which are disclosed above.

The following table indicates the periods in which the cash flows associated with derivatives are expected to occur. Future cash flows have been estimated based on spot rates and prices at 30 September 2017 and have been shown net for each instrument.

	No later than 1 year £m	Later than 1 year and no later than 2 years £m
<b>30 September 2017</b>		
<b>Derivative financial assets</b>		
Interest rate swap	-	0.1
Foreign exchange forwards	1.9	-
Commodity forwards	0.4	-
	<b>2.3</b>	<b>0.1</b>
<b>Derivative financial liabilities</b>		
Foreign exchange forwards	(3.2)	-
Commodity forwards	(0.1)	-
	<b>(3.3)</b>	<b>-</b>
<b>Total</b>	<b>(1.0)</b>	<b>0.1</b>

#### Sensitivity analysis

This sensitivity analysis is for illustrative purposes only and should not be considered a projection of likely future events and gains or losses. This sensitivity analysis includes the following assumptions:

- changes in market interest rates only affect interest income or expense of variable financial instruments; and
- changes in the fair value of derivative financial instruments (estimated by discounting the future cash flows to net present values) use appropriate market rates prevailing at the year end.

The Group has used a sensitivity analysis technique that measures the estimated change to the consolidated income statement and equity of a 1% (100 basis points) difference in market interest rates or a 10% strengthening or weakening in Sterling against other currencies, from the rates applicable at the balance sheet date, with all other variables remaining constant, these being considered to be reasonably possible changes to interest rates and Sterling rates.

#### (i) Interest rate risk

Under the above assumptions, a 100 basis points increase in interest rates would result in a £0.5m increase in interest expense (and hence reduction in profit before tax) in the consolidated income statement and equity. A 100 basis points reduction in interest rates is not considered reasonably possible in view of the current economic environment within the UK.

#### (ii) Currency risk

The Group's subsidiaries hedge some of their foreign currency exposures not denominated in their respective functional currency to mitigate the impact of fluctuations in underlying exchange rates. The Group has elected not to use hedge accounting through reserves such that the fair value movements are recognised in the consolidated income statement.

The two currencies that are considered to have a significant impact on the profitability of the Group are the US Dollar and the Euro. The table below demonstrates the sensitivity to a reasonably possible change of 10% in these two exchange rate rates on the carrying value of financial assets and liabilities.

	30 September 2017	
	Increase / (reduction) in profit before tax £m	Increase / (reduction) in equity £m
<b>Impact of a 10% change</b>		
Strengthening of the US Dollar	7.7	5.5
Weakening of the US Dollar	(6.7)	(4.8)
Strengthening of the Euro	3.7	2.9
Weakening of the Euro	(2.9)	(2.3)

**(iii) Fuel price risk**

The sensitivity analysis is based on a 10% increase or decrease in fuel prices and the sensitivity will differ correspondingly if the fuel markets are more or less volatile. Under these assumptions, with a 10% increase or decrease in the unit price of fuel, profit before tax would neither increase nor decrease materially, because of the very low level of forward commodity contracts in place as at 30 September 2017.

**Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide for long term capital growth for shareholders. The Group's policy is to maintain a strong capital base that ensures financial stability and provides a solid foundation for ongoing development and growth of business operations and maintain investor, regulatory, lender and supplier confidence.

The Group defines capital as equity (Note 26), cash and cash equivalents (Note 22) and interest-bearing loans and borrowings, including the undrawn revolving credit facility (Note 23). The Directors consider that the Group has sufficient capital for its needs.

The Group has externally imposed requirements for managing capital under both the terms of its loan facility and its ATOL licence, issued by the Civil Aviation Authority. Details of these requirements are set out in the liquidity risk section above.

**28. Retirement obligation liabilities**

**Pension schemes**

The Group operates pension schemes for employees eligible and wishing to participate in the schemes. These comprise both defined contribution and a defined benefit scheme. Pension obligations vary reflecting the different legal and market conditions in each country of operation. Defined contribution schemes are funded by the payment of contributions to private and state-run organisations, whilst the defined benefit scheme comprises of one funded scheme. Current contributions to the defined contribution schemes are recognised as an expense in the year and, once paid, the Group has no further liability.

**Defined benefit pension scheme – Emerald Star**

One Group company, Emerald Star Limited ("Emerald Star"), provides pensions for certain of that Company's permanent current and former employees which are funded through a final salary defined benefit pension scheme (the "Scheme"). The Scheme's assets are held separately from the assets of Emerald Star in separate trustee administered funds. The Scheme was closed to new entrants from 19 August 2002 and its participants are not required to make contributions to the Scheme. Annual contributions are being made by the Company.

Certain disclosures have been omitted on the grounds that the Scheme is not material to the Group's results, asset and liabilities.

**Role of the Trustees**

The Trustees comprise representatives appointed by Emerald Star. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible in particular for the asset investment policy plus the day-to-day administration of the benefits. They are also responsible for jointly agreeing with the employer the level of contributions.

### **Funding requirements**

The Trustee undertakes actuarial valuations of the Scheme at least every three years. These are conducted by qualified, independent actuaries. The latest actuarial valuation that was fully concluded at the balance sheet date was undertaken as at 1 July 2014. Valuations of the Scheme's assets are made using market-based valuations and the defined benefit obligation is calculated using the Projected Unit Credit Method.

Triennial actuarial valuations are carried out to determine the Company contribution rate required to support and maintain the Scheme in order to adequately fund the Scheme's deficit and provide benefits under the Scheme. The solvency of the Scheme, as determined by the Funding Standard (the statutory minimum funding requirement) is reviewed annually.

### **Assumptions**

Assumptions under IAS 19 (revised) are set using the best estimate with reference to market conditions at the valuation date. The assets of each Scheme have been taken at market value whilst liabilities have been calculated using the following principal financial and demographic assumptions:

	<b>30 September 2017</b>
<i>Financial assumptions</i>	<b>%</b>
Discount rate	<b>2.05</b>
Pensionable salary increases	<b>2.00</b>
Pension increases	<b>0.00</b>

### *Demographic assumptions*

The mortality assumptions explicitly allow for improvements in life expectancy over time, so that life expectancy at retirement will depend on the year in which a member attains retirement age (age 65). The table below shows the life expectancy for members attaining age 65 in 2017 and 2037.

	<b>30 September 2017</b>
<i>Life expectancy</i>	<b>Years</b>
<b>Males</b>	
Life expectancy in years for a pensioner retiring aged 65, on the balance sheet date	<b>21.2</b>
Life expectancy in years for a pensioner retiring aged 65, 20 years after the balance sheet date	<b>23.7</b>
<b>Females</b>	
Life expectancy in years for a pensioner retiring aged 65, on the balance sheet date	<b>23.7</b>
Life expectancy in years for a pensioner retiring aged 65, 20 years after the balance sheet date	<b>25.8</b>

### **Sensitivity analysis**

The sensitivity of the Scheme's liabilities to the above key financial and demographic assumptions is illustrated below:

	<b>30 September 2017</b>
	<b>£m</b>
<b>Discount rate</b>	
Increase in obligation due to decreasing discount rate by 0.5%	<b>0.3</b>
Decrease in obligation due to increasing discount rate by 0.5%	<b>(0.3)</b>
<b>Pensionable salary inflation</b>	
Increase in obligation due to increasing pensionable salary inflation by 0.5%	<b>0.1</b>
Decrease in obligation due to decreasing pensionable salary inflation by 0.5%	<b>(0.1)</b>
<b>Demographic assumptions</b>	
<b>Mortality rate</b>	
Increase in obligation due to increasing life expectancy by 1 year	<b>0.1</b>

The sensitivity analysis above has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the financial period and may not be representative of the actual change. It is based on the key assumptions while holding all other assumptions constant.

### Composition of members

The valuations are based on participant data at each financial year end. The following table summarises the number of members in the Scheme:

	30 September 2017 (number)
Active members	7
Deferred members	13
Pensioners	30
<b>Total</b>	<b>50</b>

### Analysis of present value of defined benefit obligations

	30 September 2017 £m
Active members	1.0
Deferred members	1.0
Pensioners	0.7
<b>Total</b>	<b>2.7</b>

### Duration

The weighted average duration of the defined benefit obligation is 22 years.

### Maturity analysis of expected benefit payments

Expected benefit payments based on past and future service for current membership and falling due within the following timescales are as follows:

	30 September 2017 £m
Within one year	-
Within two to five years	0.2
After five years	4.0
<b>Total</b>	<b>4.2</b>

### Risks

The Scheme exposes Emerald Star to a number of financial risks (asset risk, interest rate risk and inflation risk) and demographic risk (mortality risk).

#### Asset risk

78% of the Scheme's assets are invested in equity and absolute return funds which are expected to outperform bonds in the long term, but are likely to increase the volatility of the balance sheet and risk of deficit in the short term. Investing in these asset classes also creates concentration and liquidity risk. Concentration risk is the risk that the performance of a single investment class might negatively impact on the Trustees' ability to meet their objectives. Liquidity risk is the risk of a shortfall in cash relative to the short-term liabilities.

#### Interest rate risk

The Scheme is subject to interest rate risk, where a decrease in corporate bond yields would increase the value placed on the defined benefit obligation for accounting purposes, resulting in an increased deficit. However, this is partially mitigated by investing 21% of the Scheme's assets in government bonds as at 30 September 2017.

#### Inflation rate risk

A significant proportion of the Scheme's defined benefit obligation is indexed in line with price inflation, specifically inflation in salaries and deferred pensions. This is a risk to the Scheme particularly in relation to the active and deferred category of membership (approx. 74% of the total liabilities). Inflation rate risk is partially mitigated by the investment of approximately 78% of the Scheme's assets in growth assets expected to grow in the long term such as equities.

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**Mortality risk**

The majority of the Schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liability, as shown in the sensitivity table above.

**Key accounting results**

Emerald Star's net defined benefit obligation is recognised in the balance sheet as follows:

	30 September 2017 £m
Present value of defined benefit obligations	(2.7)
Fair value of plan assets	2.7
<b>Net liability recognised in the balance sheet</b>	<b>-</b>

A reconciliation of the Company's net defined benefit liability, analysed between the defined benefit obligation and plan assets is as follows:

	Present value of defined benefit obligation £m	Fair value of plan assets £m	Net defined benefit liability £m
At incorporation	-	-	-
Acquisition of the Travelopia Group	2.7	(2.7)	-
Net finance expense	-	-	-
Charge to the income statement	-	-	-
<i>Remeasurement of the net defined benefit liability:</i>			
Actuarial gain from changes in assumptions	-	-	-
Charge to other comprehensive income	-	-	-
Employer contributions and benefits paid	-	-	-
<b>At 30 September 2017</b>	<b>2.7</b>	<b>(2.7)</b>	<b>-</b>

**Assets**

The fair value of the Scheme's assets at 30 September 2017 was as follows:

	30 September 2017 £m
Equities	1.2
Government bonds	0.5
Absolute return funds	1.0
<b>Total</b>	<b>2.7</b>

With the exception of cash, all of the Scheme's assets were valued using a quoted market price in an active market. The Scheme's assets *do not* include any ordinary shares issued by Emerald Star, nor any property occupied by, or other assets used by, that company or the Group.



## 29. Business combinations

On 15 June 2017, the Group acquired the Travelopia Group from its previous owner, TUI AG, through the acquisition of the entire share capital of Travelopia Holdings Limited and Travelopia USA Inc, which were the two former parent companies of the Travelopia Group. The Company is ultimately owned by KKR and Co. L.P., a leading global investment firm with a longstanding and successful record for corporate carve-outs, enabling them to offer the Travelopia Group full support behind its growth opportunities, whilst leveraging off its own technological expertise and global platform.

The Travelopia Group is one of the world's leading specialist travel groups providing customers with unique travel experiences, including adventure travel, private jet and polar expeditions, tailor-made luxury holidays, yacht and river boat charter holidays, educational and sporting based school trips, corporate hospitality and sporting event fan travel. The Group comprises of over 40 international travel businesses using 53 brands across seven divisions.

The total fair value of the consideration paid to acquire the share capital was £179.8m and which was paid in cash. This consideration excludes the repayment of the £209.0m of debt repaid to a subsidiary of TUI AG as part of leaving the TUI Group. No gain or loss is recognised on the settlement of this debt and the debt has been extinguished in full following its repayment. The acquisition has given rise to provisional negative goodwill of £13.1m.

The total provisional net assets acquired are set out below. International Financial Reporting Standards permit up to 12 months for provisional acquisition accounting to be finalised following the acquisition date, if any subsequent information provides better evidence of the item's fair value at the date of acquisition.

The acquisition accounting remains incomplete in two respects. Firstly, following the impact of Hurricane Irma on the BVI, the Directors have not yet been able to receive a full market valuation report from external advisers to ascertain the fair value of the BVI yacht base at the acquisition date. At the time the hurricane hit the islands, an external valuation was in progress. Since then, the islands remain in a state of recovery and re-build, such that it has not been possible to conclude the market valuation by the date of signing these financial statements. Instead, the Directors have formed their own assessment of the fair value of the land and buildings amounting to £24.0m, which has been included within property, plant and equipment in the acquisition table below.

The acquisition accounting also remains incomplete at the date of signing these financial statements due to the negative goodwill that has arisen on the acquisition, due to the purchase consideration being less than the net assets acquired. Whilst the Directors consider that a bargain purchase has arisen (as accounted for as negative goodwill), at the time of signing these financial statements, they continue to review and consider the valuation of certain assets, in particular the intangible assets recognised on acquisition (being brands, customer relationships, beneficial contracts and the order book). These acquired intangible assets have been valued by independent valuation experts, but will remain under review during the measurement period, which will end in June 2018.

	£m
Intangible assets	124.0
Property, plant and equipment	187.3
Deferred tax assets - net	3.3
Inventories	39.3
Trade and other receivables	149.9
Acquired cash	371.1
Customer deposits	(326.6)
Current trade and other payables	(119.7)
Corporation tax payable - net	(2.4)
Derivative financial instruments - net	(0.2)
Provisions	(16.2)
Debt assumed - loans to former Group entity	(209.0)
Other liabilities	(7.9)
<b>Net assets</b>	<b>192.9</b>
Total consideration	179.8
Less net assets acquired	(192.9)
<b>Negative goodwill</b>	<b>(13.1)</b>

The acquisition has been accounted for using the purchase method, as required by IFRS 3. Certain fair value adjustments have necessarily been prepared on a provisional basis due to the recent timing of the acquisition, relative to the financial period end date. Experience may result in revisions to fair values in the subsequent accounting period.

The negative goodwill is not taxable. The gross contractual amounts of trade receivables amounted to £150.3m.

Separately, transaction costs of £20.8m associated with the acquisition have been recognised as administrative expenses within the consolidated income statement in the financial period and separately disclosed (see Note 12).

**(i) Negative goodwill**

As stated above, the acquisition has given rise to provisional negative goodwill of £13.1m. In accordance with IFRS 3, this amount has been recognised within the consolidated income statement and disclosed within other income. The Directors believe that the transaction has resulted in a gain for two possible reasons: firstly, that the valuation of the Groups 53 brands and other acquisition related intangibles were not fully taken into account as part of agreeing the purchase consideration since TUI AG considered "that there was limited linkage to TUI Group's remaining business and thus very little potential for integration into the Group's strategy" (as disclosed in the TUI AG Group financial statements for the year ended 30 September 2017); and secondly, due to the fact that the settlement of £209.0m of debt which was owed to a subsidiary company of TUI AG is excluded from the Group's acquisition accounting, since this is accounted for as a settlement of a pre-existing relationship. The Directors note that TUI AG disclosed a loss on sale of the Group of €85.3m within their consolidated financial statements for the year ended 30 September 2017.

**(ii) Consolidated income statement**

The post acquisition results of the acquired Group for the three and a half month period from 15 June 2017 have been included in these Group consolidated accounts. Revenue of £409.5m and Adjusted EBITDA of £46.2m relate to the acquired business. If the results of the acquired businesses had been included in these consolidated financial statements from 1 October 2016, being the effect of a full year of trading, the Group's unaudited revenue and Adjusted EBITDA would have been £1,120.7m and £50.1m respectively. If the results of the acquired business had been included in these consolidated financial statements from the date of incorporation of 7 February 2017, being the beginning of the reporting period, the Group's unaudited revenue and Adjusted EBITDA would have been £818.3m and £64.8m respectively.

**30. Movements in liabilities arising from financing activities**

<b>Financial liabilities</b>	<b>Loans from former Group £m</b>	<b>Bank loans £m</b>	<b>Other loans £m</b>	<b>Total £m</b>
At Incorporation	-	-	-	-
Acquired	209.0	-	7.9	216.9
Cash inflow in the financial period	-	96.6	72.4	169.0
Cash outflow in the financial period	(209.0)	-	(72.4)	(281.4)
Non-cash movement	-	0.4	-	0.4
<b>At 30 September 2017 (Note 23)</b>	<b>-</b>	<b>97.0</b>	<b>7.9</b>	<b>104.9</b>

Loans taken out by the acquired Group, which were payable to a subsidiary of TUI AG, totalling £209.0m were repaid as part of the acquisition on 15 June 2017. As part of funding the acquisition of the Travelopia Group, the Group took out a Bridge Facility loan of £72.4m in June 2017 from funds under control of KKR & Co. L.P. This loan was subsequently fully repaid in the same month.

Details of the Group's bank loan are provided in Note 23. Details of committed undrawn banking facilities and covenants are provided in Note 27. Details of restricted cash are provided in Note 22.

### 31. Operating lease commitments

Total Group obligations under non-cancellable operating lease contracts are payable as follows:

	30 September 2017		Total £m
	Land and property £m	Aircraft, ships, boats and yachts £m	
<b>Total commitments under non-cancellable operating leases falling due:</b>			
No later than one year	6.5	40.9	47.4
Later than one year and no later than five years	8.7	67.4	76.1
Later than five years	7.4	0.2	7.6
<b>Total</b>	<b>22.6</b>	<b>108.5</b>	<b>131.1</b>

Operating lease commitments in respect of land and buildings comprise commitments in respect of the Group's hotels, offices, yacht and boat bases and shops. Operating lease commitments in respect of aircraft and marine vessels include the rental of one aircraft and eight polar cruise ships within our Expeditions division, 58 boats within the Le Boat division and 386 yachts within our Yachts division. A number of the boats and yachts lease contracts contain purchase options at the end of the lease term.

### 32. Capital and other financial commitments

The Group's capital and other financial commitments at 30 September 2017 are as follows:

	30 September 2017 £m
<b>Total amount payable</b>	
<b>Purchases of property, plant and equipment</b>	
Yachts	44.6
Boats	6.2
<b>Total capital commitments</b>	<b>50.8</b>
Aircraft charters	31.4
Other financial commitments	0.1
<b>Total financial commitments contracted but not provided for</b>	<b>82.3</b>

Aircraft charters disclosed in the table above comprise the expected payments for the rental of two planes, for which the contracts do not meet the definition of a lease, since the supplier has the ability to substitute them. The amount has therefore been included in this commitment table to reflect the total non-cancellable commitments due.

### 33. Related party transactions

Apart from with its own subsidiaries which are included in the consolidated financial statements, the Group, in carrying out its ordinary business activities, maintained direct and indirect relationships with the ultimate controlling party, KKR & Co. L.P., and related parties of KKR & Co. L.P. During the financial period, the Group had the following transactions with these related parties as follows:

- A one off fee of £1.7m was paid to KKR Capital Markets Ltd in respect of financial intermediation and debt negotiation services.
- On completing the acquisition of the Travelopia Group, transaction fees of £7.5m together with reimbursement of £0.3m of expenses were paid to KKR & Co. L.P.
- Management, consulting and financial services fees of £0.2m were paid to KKR & Co. L.P.

Details of key management compensation is provided in Note 10. Details of the bridging facility taken out (and subsequently repaid) from funds under the control of KKR & Co. L.P. in connection with funding the acquisition of the Travelopia Group are provided in Note 30.

### 34. Subsidiary undertakings at 30 September 2017

The Group's consolidated financial statements include the results of the Company, its direct and all of its indirect subsidiaries included in the table below. The Directors consider the book value of the investment in its direct subsidiary to be supported by the higher of underlying net assets and its recoverable value.

Name of Undertaking	Country of incorporation	Registered address	Share class (100% owned)
Adventure Transport Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Adventure Travels USA, Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.01 Ordinary shares
Alkor Yat Turizm Isletmeciligi AS	Turkey	Tuzla Mahallesi 556, Sokak No: 6/A, Fethiye, Mugla, Turkey	TRY0.10 Ordinary shares
American Adventures Travel, Inc.	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.01 Ordinary shares
Antigua Charter Services Limited	Antigua and Barbuda	Old Parham Road, St Johns.	XCD1.00 Ordinary shares
Brightspark Travel Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.01 Ordinary shares
CHS Tour Services Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Connoisseur Belgium BVBA	Belgium	Brugse Vaart 48 8620 Nieuwpoort.	€100.00 Ordinary shares
Crown Blue Line France SAS	France	Le Grand Bassin, 11400 Castlenaudary.	€16.00 Ordinary shares
Crown Blue Line GmbH	Germany	Marina Wolfsbruch, Im Wolfsbruch, 16831 Kleinzerland.	€1.00 Ordinary shares
Crown Blue Line Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Crown Holidays Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£0.50 Ordinary shares
Crown Travel Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Educators Limited	Canada	1685 Tech Avenue, Unit 2, Mississauga, ON, L4W0A7.	CAD1.00 Ordinary shares
EEFC, Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$ Common stock shares
Emerald Star Limited	Ireland	One Spencer Dock, North Wall Quay, Dublin1.	€1.25 Ordinary shares
Events International (Sports Travel) Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Events International Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Exodus Travels Australia PTY Ltd	Australia	Kovac Advisory Pty Ltd, Level 3, 50 Market Street, Melbourne VIC 3000.	AUD1.00 Ordinary shares
Exodus Travels Canada Inc	Canada	112 Merton Street, Suite 1, ON M4S 2Z8, Canada	CAD1.00 Common shares
Exodus Travels Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Exodus Travels USA, Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.01 Common stock shares
Fanatics Sports & Party Tours UK Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Fanatics Sports & Party Tours PTY Limited	Australia	Bradfield Partners Pty Ltd, 323 Princes Highway, Banksia, NSW 2216.	AUD Ordinary shares
Fanfirm PTY Limited	Australia	Bradfield Partners Pty Ltd, 323 Princes Highway, Banksia, NSW 2216.	AUD Ordinary shares
FCM (BVI) Limited	Virgin Islands, British	c/o Belmont Trust Limited, Belmont Chambers, Tropical Isle Bldg, Nibbs Street, Road Town, Tortola, VG1110.	US\$100.00 Ordinary shares
First Travel Group Limited	New Zealand	Moore Stephens Markhams, Auckland, Level 10, 203 Queen Street, Auckland, 1010.	NZD1,180,873.00 Ordinary shares
Francotel Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom.	£1.00 Ordinary shares
Gei-Morrings LLC	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.01 Ordinary shares
Gie Uma (53.57% owned)	French Polynesia	Marina Apooliti, No 4443 B, Raiatea, RCS Papette.	XPF20,000.00 Ordinary shares
Gullivers Group Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Gullivers Sports Travel Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Hayes & Jarvis (Travel) Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Headwater Holidays Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares

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<b>Name of Undertaking</b>	<b>Country of incorporation</b>	<b>Registered address</b>	<b>Share class (100% owned)</b>
Hellenic Sailing Holidays SA	Greece	19 Karyatidon Street, 14564 Athens.	€3.00 Ordinary shares
Hellenic Sailing SA	Greece	19 Karyatidon Street, 14564 Athens.	€30.00 Ordinary shares
International Expeditions, Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.01 Ordinary shares
Intrav, Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$1.00 Ordinary shares
Le Boat Limited	Canada	Town of Smiths Falls' Maintenance Facility, 191 Beckwith S. N, Town of Smiths Falls, K7A 2B2, Canada	NPV Common shares
Le Boat Netherlands BV	Netherlands	De Zwaan 18, 8551 RK, Woudsend.	€1.00 Ordinary shares
Le Piolet SCI	France	Les Menuires, 73440, Les Belleville.	€15.2449 Ordinary shares
Les Tours Jumpstreet Tours, Inc	Canada	372 Ste-Catherine West, Suite 411, Montreal Quebec H3B 1A2.	CAD1.00 Ordinary-AA shares CAD1.00 Ordinary-B shares
Mariner Expeditions, Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801	NPV Common shares
Mariner International (Grenada) Limited	Grenada	Nos. 4 & 6 Lucas Street, St. George's.	XCD1.00 Ordinary shares
Mariner International (UK) Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£0.05 Ordinary shares
Mariner International (USA), Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801	US\$0.01 Ordinary shares
Mariner International Travel (UK) Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£0.05 Ordinary shares
Mariner International Travel, Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.0001 Ordinary shares
Mariner Operations USA, Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.001 Ordinary shares
Mariner Travel GmbH	Germany	C/O Wallotech Kistler, Candidplatz 9, 81543, München.	DEM1.00 Ordinary shares
Mariner Travel (Malaysia) Sdn Bhd	Malaysia	No. 3, Jalan SS1/15, Kg Tunku Selangor, 47300 Petaling Jaya, Malaysia	RM1.00 Ordinary shares
Mariner Travel SARL	France	92 rue de Richelieu, 75002 Paris	€16.00 Ordinary shares
Mariner Yacht Services SA	St Martin	Captain Oliver's Marina, Oyster Pond, 97150.	€15.00 Ordinary shares
Mariner Yachts (Proprietary) Limited	South Africa	2nd Floor Marina Centre, Lobby 1, West Quay Road, V&A Waterfront.	ZAR1.00 Ordinary shares
Master Yachting GmbH	Germany	Ochsenfurter Str. 1 a, 97286, Sommerhausen, Germany	DEM25,000 Ordinary shares
Maxi Yen SL	Spain	Jose Rover Motta, 27, 07006 Palma de Mallorca.	ESP1,000.00 Ordinary shares
Molay Travel SARL	France	Le Chateau, 14330, Le Molay Littry.	€1,524.49 Ordinary shares
Molay Travel SCI	France	Le Chateau, 14330, Le Molay Littry.	€15.2449016 Ordinary shares
Mont Charvin Ski SARL	France	Hotel Le Mont Charvin, 73590 Notre Dame de Bellecombe.	€20.00 Ordinary shares
Moorings Grenadine Limited	Saint Vincent and the Grenadines	C/O PO Box 262, Kingstown.	XCD Ordinary shares
Moorings Yachting SAS	France	TUI Marine, 92 Rue de Richelieu, 75002, Paris.	€15.00 Ordinary shares
Moorings Yat Isletmeciligi Turizm Ve Ticaret Ltd	Turkey	1 Street, Town, Gocek.	TRL25,000,000.00 Ordinary shares
MyPlanet Holding A/S	Denmark	P.Hiort Lorenzens Vej 2, , DK-8000, Aarhus C.	DKK100.00 Ordinary shares
MyPlanet International A/S	Denmark	Soren Frichs Vej 34A, 8230, Abyhoj.	DKK1,000.00 Ordinary shares
MyPlanet Sweden AB	Sweden	Kastellgatan 17, 413 07, Goteborg.	SEK100.00 Ordinary shares
Platinum Event Travel Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Porter and Haylett Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Premiere International Corp.	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$ Ordinary shares
Prestige Boating Holidays Limited	Ireland	One Spencer Dock, North Wall Quay, Dublin1.	€1.25 Ordinary shares

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Name of Undertaking	Country of Incorporation	Registered address	Share class (100% owned)
Quark Expeditions, Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.01 Common stock shares
SAS The Moorings	French Polynesia	Uturoa, Raiatea, BP 165, French Polynesia	XPF2,000.00 Ordinary shares
Sawadee Amsterdam B.V.	Netherlands	Prins Bernhardplein 200, 1097 JB Amsterdam, AZ Amsterdam.	€10.00 Ordinary shares
Ski Bound Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Skibound France SARL	France	Hotel Le Mont Charvin, 73590 Notre Dame de Bellecombe.	€15.2449 Ordinary shares
Specialist Holiday Group Ireland Limited	Ireland	One Spencer Dock, North Wall Quay, Dublin1.	€1.25 Ordinary shares
Specialist Holidays (Travel) Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Sportsworld Group Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Student City Travel Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Student Skiing Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Studentcity.com, Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.01 Ordinary shares of common stock
Sunsail (Antigua) Limited	Antigua and Barbuda	9 Factory Road, St John's.	XCD1.00 Ordinary shares
Sunsail (Australia) PTY Limited	Australia	Suite 1502, 275 Alfred Street, North Sydney NSW 2060.	AUD1.00 Ordinary shares
Sunsail (Seychelles) Limited	Seychelles	KPMG Pool & Patel, La Rosiere, PO Box 117, Victoria, Mahe.	INR100.00 Ordinary shares
Sunsail (Thailand) Limited	Thailand	Phuket Boat Lagoon, 20/5 Moo 2, Thepkasattri Road, Koh Kaew, Phuket, 83200.	THB100.00 Ordinary B shares
Sunsail Adroatic d.o.o.	Croatia	Ljudevita Posavskog 4, Split, 21000.	HRK38,999,700.00 Ordinary shares
Sunsail Hellas MEPE	Greece	Apollonos 12, P.Faliro 17561, Athens.	€30.00 Ordinary shares
Sunsail International BV	Netherlands	Karel Doormanstraat 331-4, 3012 GH, Rotterdam.	€100.00 Ordinary shares
Sunsail SAS	France	Le Grand Bassin, BP 1201, 11400 Castlenaudary.	€15.00 Ordinary shares
Sunsail Spain SLU	Spain	Marine Naviera Balear, Paseo Maritimo Number 4 , 07014 Palma de Mallorca, Spain	€1.00 Ordinary shares
Sunsail Worldwide Sailing (St. Vincent) Limited	Saint Vincent and the Grenadines	The Lagoon Marina & Hotel, Ratho Mill, Box 133, Kingstown.	XCD Common shares
Sunsail Worldwide Sailing Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom.	£0.05 Ordinary shares
TCS & Starquest Expeditions, Inc	United States	1000 Second Avenue, Suite 1400, Seattle, WA, 98104.	US\$ Common stock shares
TCS Expeditions, Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.01 Ordinary shares
The Moorings (Bahamas) Ltd	Bahamas	C/o Chambers of Allan J Benjamin, Aurora House, Dowdeswell St., Dunmore Lane, Nassau, Bahamas	BSD1.00 Ordinary shares
The Moorings (Seychelles) Ltd	Seychelles	C/O Corporate Registrars (Pty) Ltd, "The Creole Spirit", Quincy Street, PO Box 18, Victoria, Mahe.	SCR100.00 Ordinary shares
The Moorings (St Lucia) Ltd	Saint Lucia	Pointe Seraphine, Castries.	US\$1.00 Ordinary shares
The Moorings Belize Limited	Belize	91 North Front Street, Belize City.	BZD10.00 Ordinary shares
The Moorings Doo	Croatia	Ljudevita Posavskog 4, Split, 21000.	HRK1.00 Ordinary shares
The Moorings Limited	Virgin Islands, British	Belmont Chambers, P.O. Box 3443, Road Town, Tortola.	US\$1.00 Ordinary shares
The Moorings Sailing Holidays Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
TIM Bidco 1 Limited	United Kingdom	11th Floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom	£1.00 Ordinary shares
TIM Bidco II Corp	United States	Suite 302, 4001 Kennett Pike, Wilmington DE 19807, United States	£1.00 Ordinary shares
TIM Holdco Limited	United Kingdom	11th Floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom	£1.00 Ordinary shares
TIM Midco Limited*	United Kingdom	11th Floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom	£1.00 Ordinary shares
Travcoa Corporation	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.01 Ordinary shares

**TIM Intermediateco Limited**  
**Notes to the consolidated financial statements**

Name of Undertaking	Country of incorporation	Registered address	Share class (100% owned)
Travel Class Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Travel Services Europe Spain SL	Spain	Calle Avila 48-50, Atico 1, 08005 Barcelon, Spain	€1.00 Ordinary shares
Travel Turf, Inc	United States	7540 Windsor Drive, Suite 202, Allentown, Pasadena PA, 18195.	US\$0.01 Ordinary shares
Travelbound European Tours Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Travelmood Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Travelopia Adventure Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Travelopia Central Operations Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Travelopia Contract Services Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Travelopia GmbH	Austria	Universitätsring 10, 1010, Wien, Austria	Quota NPV shares
Travelopia Holdings (Australia) PTY Limited	Australia	Level 14, 25 Bligh Street, Sydney, NSW, 2000, Australia	AUD1.00 Ordinary shares
Travelopia Holdings Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Travelopia USA Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.01 Ordinary shares
Trek America Travel Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Trek Investco Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£0.01 Ordinary shares
TTSS Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
TTSS Transportation Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
Versun Yachts SA	Greece	16 Karyatidon Street, Kato Kifisia, 14564, Athens.	€30.00 Ordinary shares
We Love Rugby PTY Limited	Australia	Bradfield Partners Pty Ltd, 323 Princes Highway, BANKSIA NSW 2216	NPV Ordinary shares
Williment Travel Group Limited	New Zealand	43-47 Hanson Street, Mt Cook, Wellington.	NZD Ordinary shares
World Challenge Expeditions (HK) Limited	Hong Kong	Unit 1601, 16/F Malaysia Building, 50 Gloucester Road, Wanchai.	HKD1.00 Ordinary shares
World Challenge Expeditions, Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.01 Ordinary shares
World Challenge Expeditions Limited	United Kingdom	Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD, United Kingdom	£1.00 Ordinary shares
World Challenge Expeditions PTY Ltd	Australia	Level 5, 163 Eastern Road, South Melbourne, VIC 3205.	AUD1.00 Ordinary shares
World Challenge NZ Limited	New Zealand	43-47 Hanson Street, Mt Cook, Wellington.	NZD1.00 Ordinary shares
Yachts International Limited	Virgin Islands, British	Belmont Chambers, P.O. Box 3443, Road Town, Tortola.	US\$0.10 Ordinary shares
Yil, LLC	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$ Ordinary shares
Your Man Tours, Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.01 Common stock shares
Zegrahm Expeditions, Inc	United States	Corporation Trust Centre, 1209 Orange Street, Wilmington, DE, 19801.	US\$0.01 Common stock shares

\* Direct shareholding of the Company

### 35. Audit exemption provided to certain UK Group subsidiaries

The Company has provided certain wholly owned UK subsidiaries (as disclosed in Note 34) and which are included within these Group consolidated financial statements) with guarantees of their respective debts in the form prescribed by Section 479(C) of the Companies Act 2006 ('the Act') such that they can claim exemption from requiring an audit in accordance with Section 479(A) of the Act. These guarantees cover all of the outstanding actual and contingent liabilities of these companies at 30 September 2017:

Subsidiary	Company number
Adventure Transport Limited	5742973
CHS Tour Services Limited	3488873
Crown Blue Line Limited	946385
Crown Holidays Limited	1734244
Events International (Sports Travel) Limited	3258979
Events International Limited	1956764
Mariner International (UK) Limited	2746852
Porter & Haylett Limited	614180
Student City Travel Limited	3662315
Tim Holdco Limited	10605586
Tim Midco Limited	10605234
Travelopia Holdings Limited	5934241
Trek Investco Limited	3769224
TTSS Transportation Limited	4053188

### 36. Post balance sheet events

On December 2017, President Trump signed into US law extensive changes to the US tax system. These changes are known as the Tax Cuts and Jobs Act ("the 2017 Act"). The 2017 Act has, amongst other things, reduced tax rates, substantially changed the international tax rules and made significant changes to the way in which tax losses are carried forward and recovered. Further details setting out the expected impact upon the Group are provided in Note 15.

### 37. Contingent liabilities

The Group had 349 yachts in the BVI at the time of Hurricane Irma that were leased and not recognised on the balance sheet. The Group is responsible for repairing or replacing the damaged leased fleet yachts and had insurance policies in place over the full fleet. Due to the timing of the hurricane, management was unable to reliably estimate the total cost of the repairs and replacement required at the reporting date but had instructed insurers to investigate the extent of the damage to seek recovery for those costs. A reliable estimate of the number of yachts that the Group was seeking a claim for has been determined and therefore an estimate of the insurance deductible on each yacht has been recognised calculated. As such, an expense of £2.7m has been recognised in the income statement in relation to this insurance deductible, as disclosed in Notes 12 and 14. The Group had a contingent liability in relation to the cost of replacing lost yachts, but also a contingent asset in relation to the insurance recovery. Since the year end and up until the date of signing these consolidated financial statements, the cost of replacing the yachts, less insurance deductible, is being recovered from the Groups fleet insurers.

### 38. Ultimate parent and controlling company

The Directors consider the ultimate parent and controlling party of the Company to be KKR & Co. L.P. on behalf of the funds under its management. The immediate parent company is Tim Capital Limited, a company incorporated in the Cayman Islands.



**TIM Intermediateco Limited**  
**Company balance sheet at 30 September 2017**

	Note	30 September 2017 £m
<b>Non-current assets</b>		
Investments in subsidiary undertakings	B	227.8
		<b>227.8</b>
<b>Current assets</b>		
Cash and cash equivalents		12.2
		<b>12.2</b>
<b>Total assets</b>		<b>240.0</b>
<b>Net assets</b>		<b>240.0</b>
<b>Equity</b>		
Called up share capital	C	240.0
Retained earnings		-
<b>Total equity attributable to equity holders of the parent</b>		<b>240.0</b>

The result after tax for the financial period was £nil. The notes on page 58 form part of the Company's financial statements.

The financial statements on pages 56 to 58 were approved by the Board of Directors on 19 February 2018 and were signed on its behalf by:



**J Metzner**  
**Director**

Company Number: 10604770

**TIM Intermediateco Limited**  
**Company statement of changes in equity at 30 September 2017**

	Called up share capital £m	Retained earnings £m	Total equity £m
At incorporation on 7 February 2017	-	-	-
Total comprehensive result for the financial period	-	-	-
<b>Transactions with owners</b>			
Share capital issued	240.0	-	240.0
<b>At 30 September 2017</b>	<b>240.0</b>	<b>-</b>	<b>240.0</b>

## A. Accounting policies

### Basis of preparation

The following accounting policies have been applied in dealing with items which are considered material in relation to the Company's financial statements. The Company's financial statements are presented in the Company's presentation currency of Sterling, rounded to the nearest one hundred thousand pounds.

### Accounting convention

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable UK accounting standards and under the historical cost convention. The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The Company has taken advantage of section 408 of the Companies Act 2006 not to publish a separate Income Statement and related notes for the Company. The result after tax for the financial period of £nil is presented within the Company Statement of Changes in Equity.

The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). In the parent company financial statements, the Company has applied the exemptions available under FRS 101 in respect of the Cash flow statement disclosures that would have otherwise been applicable.

### Taxation

The charge for taxation is based on the profit or loss for the financial period at the effective rate for the financial period.

### Investments

Investments in subsidiaries are stated at cost less provision for impairment.

### Share capital and share premium

Ordinary shares are classified as equity within shareholders' funds.

## B. Investments

	Shares in subsidiaries £m
<b>Cost</b>	
At incorporation	-
Additions	227.8
<b>At 30 September 2017</b>	<b>227.8</b>

The addition in the financial period relates to the Company's investment in TIM Midco Limited as part of the acquisition of the Travelopia Group, details of which are in Note 29 of the Group financial statements.

## C. Called up share capital

	30 September 2017 £m
<b>Fully paid and issued</b>	
239,990,000 ordinary shares of £1 each	240.0
<b>Total</b>	
239,990,000 ordinary shares of £1 each	240.0