

Headwater Holidays Limited
Reports of the Directors and financial statements
for the year ended 30 September 2018
Company number 4484400

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The Directors present their Strategic and Directors' reports on the audited financial statements of Headwater Holidays Limited (the "Company") for the year ended 30 September 2018.

STRATEGIC REPORT

The Company's principal activity during the year continued to be that of a tour operator specialising in operating tours, treks and adventure holidays in Europe.

Review of the business

The Company's loss on ordinary activities before taxation for the year ended 30 September 2018 was £1,514,354 (2017: £200,446 loss). No interim dividend was paid during the year (2017: £nil) and the Directors do not recommend the payment of a final dividend.

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

	Year ended 30 September 2018	Year ended 30 September 2017
	Number/£	Number/£
Number of passengers	5,513	5,831
Revenue	7,676,254	7,987,025
Margin per passenger	251	344
Loss on ordinary activities before taxation	(1,514,354)	(200,446)
Net assets	2,293,036	3,748,603

During the year passenger numbers were lower, revenue and gross profit also decreased from 2017. Uncertainty created by the United Kingdom's decision to leave the European Union continues. The gross margin per passenger continues to be adversely hit by the fall in the pound which has not been matched by a corresponding increase in selling prices. There was continued tight control of marketing and overhead costs, the Company returned a loss on ordinary activities of £1,514,354 (2017: £200,446). This year includes a one off impairment of goodwill cost of £1,175,238.

Basis other than that of going concern

On 1 Oct 2018, the business and assets of the company were acquired by Exodus Travels Limited, a fellow Group company. Headwater Holidays now operates as a brand within Exodus Travels Limited. As a result of this decision the financial statements are prepared on a basis other than going concern.

STRATEGIC REPORT (continued)

Principal risks and uncertainties

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

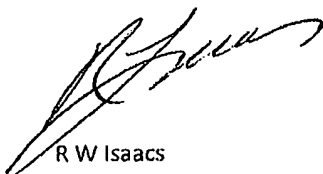
- **Destination disruption risk.** Providers of holiday and travel services are exposed to the inherent risk of incidents affecting some countries or destinations within their operations. This can include natural catastrophes such as hurricanes or tsunamis; outbreaks of disease such as Ebola; and terrorist events throughout the world.
- **Consumer preferences and desires.** The tourism industry is fast-paced and competitive with the emergence of new market participants operating new business models, combined with consumer tastes and preferences evolving all the time. In recent years there has been an emergence of successful substitute business models such as web-based travel and hotel portals which allow end users to combine the individual elements of a holiday trip on their own and book them separately. Consumer tastes and preferences have evolved in recent years as well, with more consumers booking their holidays online and via mobiles and tablets, and booking closer to the time of travel. There is the risk that if we do not respond adequately to such business model disruption, or if our products and services fail to meet changing customer demands and preferences, that our turnover, market share and profitability will suffer as a result.
- **Input cost volatility.** A significant proportion of operating expenses is in non-local currency which therefore exposes the business to changes in exchange rates. There is the risk that if we do not manage adequately the volatility of exchange rates and other input costs, then this could result in increased costs and lead to margin erosion, impacting on our ability to achieve profit targets. The Company manages this risk using a hedging policy of taking out options to purchase non-functional currency many months in advance of the underlying transaction, thereby creating an element of certainty over the Company's future cost base. This protects the Company's profit margins, although the accounting policy adopted by the Company will cause volatility in the statement of comprehensive income in the period between the time that the option is purchased and the underlying transaction is recognised.
- **Legal & regulatory compliance.** The Company operates in a highly-regulated environment, particularly in relation to consumer protection, tax, aviation and the environment. If we do not establish an effective system of internal control that ensures we operate in compliance with all legal and regulatory requirements, we will suffer negative impact, damage to our reputation and reduced revenues and/or higher input costs.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

- **IT development and strategy.** Our focus is on enhancing customer experience by providing engaging, intuitive, seamless and continuous customer service through delivery of leading digital solutions, core platform capabilities, underlying technical infrastructure and IT services required to support the Company's overall strategy for driving profitable top-line growth. There is a risk that we fail to keep up with or outpace the market and evolving consumer preferences, we do not concentrate our activities on the correct areas for overall business success, do not ensure continuity of service for critical IT systems and/or do not execute our strategy and developments in line with expectations, our customer numbers, revenue and profitability will ultimately be impacted.
- **Health & safety.** For all providers of holiday and travel services, 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 colleagues whilst on one of our holidays. This could result in reputational damage to the Company and/or financial liabilities through legal action being taken by the affected parties.
- **Talent management.** The Company's success depends on its ability to retain key management and it relies on having good relations with its colleagues. If we are unable to attract and retain talent, build future leadership capability and maintain the commitment and trust of our employees, we risk not maximising our operating results and financial performance.
- **Cyber security.** Our responsibility is to protect the confidentiality, integrity and availability of the data we have and the services we provide to our customers, our employees, our suppliers and service delivery teams. There is a risk that our increasing level of online sales increases our exposure and susceptibility to cyber-attacks and hacks. If we do not ensure we have the appropriate level of security controls in place across the Company, this could have a significant negative impact on our key stakeholders, (e.g. customers and suppliers) associated reputational damage and potential for financial implications.
- **Supply chain risk.** Providers of holiday and travel services are exposed to the inherent risk of failure in their key suppliers.
- **Sustainable development.** Our focus is to reduce the environmental impact of our holidays, creating positive change for people and communities and being a pioneer of sustainable tourism across the world. There is a risk that we are not successful in driving forecast environmental improvements across our operations, that our suppliers do not uphold our sustainability standards and we fail to influence destinations to manage tourism more sustainably. If we do not maximise our positive impact on destinations and minimise the negative impact on the environment to the extent that our stakeholders expect, this could result in a decline in stakeholder confidence, reputational damage, sustained long term damage to the Company's current and future destinations, reduction in demand for our products and services and loss of competitive advantage.

On behalf of the Board



R W Isaacs
Director

Company Number 4484400

Dated 27 June 2019

DIRECTORS' REPORT

Directors

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

S M Seward	(appointed 23 January 2018)
R W Isaacs	(appointed 5 February 2018)

Other Directors who served during the year were:

P J Burrell	(resigned 23 January 2018)
T D James	(resigned 3 April 2018)

Directors' insurance

During the financial year, an intermediate parent company, Travelopia Holdings Limited maintained Directors' and Officers' liability insurance policies on behalf of the Directors of the Company. These policies meet the Companies Act 2006 definition of a qualifying third party indemnity provision.

Statement as to disclosure of information to auditors

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

Business review

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Reports of the Directors and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. As explained in note 2 to the financial statements, the Directors do not believe the going concern basis to be appropriate and, in consequence, these financial statements have not been prepared on that basis.

DIRECTORS' REPORT (continued)

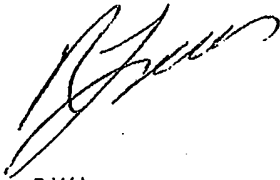
Statement of Directors' responsibilities (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Post balance sheet events

At 1 October 2018, the business and assets of the Company were acquired by Exodus Travels Limited, a fellow Group company. Headwater Holidays now operates as a brand within Exodus Travels Limited.

On behalf of the Board



R W Isaacs
Director

Company Number 4484400

Dated 27 June 2019

Opinion

We have audited the financial statements of Headwater Holidays Ltd (the 'company') for the year ended 30 September 2018 which comprise statement of total comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of preparation

We draw attention to note 2 to the financial statements which explains that the Directors took a decision to hive up the trade and assets of the business post year end to a fellow Group Company. Accordingly the financial statements have been prepared on a basis other than that of a going concern as described in note 2. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the Reports of the Directors and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.



Dominic Stammers (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

27 June 2019

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

Headwater Holidays Limited

Statement of total comprehensive income for the year ended 30 September 2018


	Note	Year ended 30 September 2018 £	Year ended 30 September 2017 £
Revenue	6	7,676,254	7,987,025
Cost of sales		(6,309,945)	(5,979,625)
Gross profit		1,366,309	2,007,400
Administrative expenses		(2,895,332)	(2,181,758)
Operating loss		(1,529,023)	(174,358)
Finance income	7	20,344	9,491
Finance expense	8	(5,675)	(35,579)
Loss on ordinary activities before taxation	9	(1,514,354)	(200,446)
Tax credit	11	58,787	35,234
Loss for the financial year attributable to owners of the parent		(1,455,567)	(165,212)
Total comprehensive loss for the year attributable to owners of the parent		(1,455,567)	(165,212)

Headwater Holidays Limited
Balance sheet as at 30 September 2018

	Note	30 September 2018 £	30 September 2017 £
Non-current assets			
Intangible assets	12	53,709	1,224,781
Property, plant and equipment	13	45,662	96,408
Deferred tax assets	14	28,327	25,844
		<u>127,698</u>	<u>1,347,033</u>
Current assets			
Trade and other receivables	15	3,331,400	3,071,015
Income tax – corporation tax recoverable		-	20,858
Income tax – group relief receivable		69,065	-
Derivative financial assets	16	11,709	15,031
Cash and cash equivalents		553,429	1,101,940
		<u>3,965,603</u>	<u>4,208,844</u>
Total assets		<u>4,093,301</u>	<u>5,555,877</u>
Current liabilities			
Trade and other payables	17	(1,731,910)	(1,663,697)
Income tax – group relief payable		-	(74,825)
Income tax – corporation tax payable		-	-
Derivative financial liabilities	16	-	(397)
		<u>(1,731,910)</u>	<u>(1,738,919)</u>
Non-current liabilities			
Provisions for liabilities	18	(68,355)	(68,355)
		<u>(68,355)</u>	<u>(68,355)</u>
Total liabilities		<u>(1,800,265)</u>	<u>(1,807,274)</u>
Net assets		<u>2,293,036</u>	<u>3,748,603</u>
Equity			
Called up share capital	20	1	1,900,001
Profit and loss account		2,293,035	1,848,602
Total equity attributable to owners of the parent		<u>2,293,036</u>	<u>3,748,603</u>

The notes on pages 12 to 23 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2019 and signed on its behalf by:


R W Isaacs
Director

Headwater Holidays Limited
Statement of changes in equity for the year ended 30 September 2018

	Note	Called up share capital £	Profit and loss account £	Total equity £
At 1 October 2016		1,900,001	2,013,814	3,913,815
Total comprehensive loss for the year		-	(165,212)	(165,212)
At 30 September 2017		1,900,001	1,848,602	3,748,603
Share capital reduction	20	(1,900,000)	1,900,000	-
Total comprehensive loss for the year		-	(1,455,567)	(1,455,567)
At 30 September 2018		<u>1</u>	<u>2,293,035</u>	<u>2,293,036</u>

1. General information

The Company is a private limited company incorporated and domiciled in England. The address of its registered office is Origin One, 108 High Street, Crawley, West Sussex, RH10 1BD. The Company's registered number is 4484400.

The principal activity of the Company continues to be that of a tour operator selling holiday related services to customers the majority of which are based in the UK.

2. Basis of preparation

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

As described more fully on the Strategic Report on page 1, following the Company's hive up of trade and assets on the 1 October 2018 the Directors have prepared the financial statements on a basis other than that of a going concern. There are no material impacts of this change in presentation.

FRS 101

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

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

Functional and presentational currency

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

3. Summary of significant accounting policies

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

New and amended standards adopted by the Company

None of the amendments to accounting standards relevant to the Company are considered material to the Company and hence there has been no impact on these financial statements as a result of adopting the amended standards.

3. Summary of significant accounting policies (continued)

Goodwill

Goodwill arises on the acquisition of the trade, assets and liabilities of businesses and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. If the total of consideration transferred is less than the fair value of the net assets in the subsidiary acquired, the difference is recognised directly in the statement of total comprehensive income. Goodwill is tested annually for impairment, but is not amortised, in accordance with IFRS 3.

Computer software and software in development

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

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software platforms controlled by the Company are recognised as intangible assets when the following criteria are met:

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

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

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

Computer software	3 to 5 years
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Property, plant, equipment and depreciation

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

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

Computer hardware	3 years
Motor vehicles	3 - 4 years
Fixtures and fittings	5 years

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

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets

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

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedged. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise receivables in the balance sheet.

Derivative financial instruments and hedging activities

The Company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Changes in the fair value of derivatives are recorded in the statement of total comprehensive income within finance income or finance expense. Changes in the fair value of the hedged asset or liability that are attributable to the hedged risk are also recognised within the statement of total comprehensive income in the category to which they relate.

Trade and other receivables

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

Impairment of financial assets

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

Cash and cash equivalents

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

3. Summary of significant accounting policies (continued)

Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from third party suppliers or other Group companies. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost. Client monies at the balance sheet date relating to holidays commencing and flights departing after the year end are included as payments received on account within trade and other payables. If the date of departure is in one year or less they are classified as current liabilities, if not, they are presented as non-current liabilities.

Foreign currency translation

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

Revenue

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

Marketing and other direct sales costs

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

Pensions

The Company participates in the Group Defined Contribution Pension Scheme. Pension liabilities are charged to the statement of total comprehensive income as they fall due.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised on a straight-line basis over the term of the lease.

Finance income and finance expense

Finance income recognised in the statement of total comprehensive income comprises bank interest income. Finance expense recognised in the statement of total comprehensive income mainly comprises losses on the fair value of derivative financial instruments.

Current and deferred tax

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

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

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

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

3. Summary of significant accounting policies (continued)

Called up share capital

Ordinary shares are classified as equity.

4. Reduced disclosures permitted by FRS 101

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

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

5. Critical accounting estimates and judgments

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

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

5. Critical accounting estimates and judgments (continued)

a) Impairment of goodwill

In the current year, the impairment review has been performed on a 'value in use' basis for goodwill, which requires estimation of future net operating cash flows, the time period over which they will occur and appropriate discount and growth rates. Goodwill has been written off in full due to the sale of business and assets on 1 October 2019.

6. Revenue

Analysis of revenue by geography (origin):

	Year ended 30 September 2018 £	Year ended 30 September 2017 £
United Kingdom	6,649,440	7,047,175
Rest of the World	1,026,814	939,850
	<u>7,676,254</u>	<u>7,987,025</u>

7. Finance income

	Year ended 30 September 2018 £	Year ended 30 September 2017 £
Bank interest income	<u>20,344</u>	<u>9,491</u>

8. Finance expense

	Year ended 30 September 2018 £	Year ended 30 September 2017 £
Bank interest paid	2,751	-
Losses on derivative financial instruments	2,924	35,579
	<u>5,675</u>	<u>35,579</u>

9. Loss on ordinary activities before taxation

	Year ended 30 September 2018 £	Year ended 30 September 2017 £
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment	50,986	82,772
Amortisation of intangibles	14,291	7,621
Impairment of goodwill	1,175,238	-
Operating lease charges	56,300	55,120
Foreign exchange gains	(10,299)	(50,215)
Exceptional items – restructuring costs	73,489	-
Management charge	97,995	-

Auditors' remuneration was as follows:

	Year ended 30 September 2018 £	Year ended 30 September 2017 £
Fees for the audit of the Company	7,350	7,000
Total fees paid to the Company's auditors	7,350	7,000

10. Employees and Directors

Employee costs for the Company during the year were:

	Year ended 30 September 2018 £	Year ended 30 September 2017 £
Wages and salaries	898,628	873,291
Social security costs	68,630	80,766
Other pension costs	39,279	46,493
	1,006,537	1,000,550

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

	Year ended 30 September 2018 Number	Year ended 30 September 2017 Number
Selling and administration	26	30
Operations	9	9
	35	39

The details of Directors' remuneration are as follows:

	Year ended 30 September 2018 £	Year ended 30 September 2017 £
Directors' remuneration	73,792	92,430
Pension contributions	13,435	17,562
Compensation for loss of office	117,848	-
	205,075	109,992

One Director (2017: one) was remunerated by the Company. The other two Directors received no remuneration for their services as Directors of the Company (2017: £nil).

11. Tax credit

The tax credit can be summarised as follows:

(i) Analysis of tax credit in the year

	Year ended 30 September 2018 £	Year ended 30 September 2017 £
Current tax:		
UK corporation tax	(56,304)	(12,761)
Total current tax	(56,304)	(12,761)
Deferred tax:		
Origination and reversal of temporary differences:	(4,550)	(22,656)
Adjustments in respect of prior years	-	235
Effect of change in tax rate	2,067	(52)
Total deferred tax (Note 14)	(2,483)	(22,473)
Total tax credit in the statement of total comprehensive income	(58,787)	(35,234)

(ii) Factors affecting the tax credit in the year

The tax credit (2017: credit) for the year ended 30 September 2018 is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19.5%). The differences are shown in the table below:

	Year ended 30 September 2018 £	Year ended 30 September 2017 £
Loss on ordinary activities before taxation	(1,514,354)	(200,446)
Loss on ordinary activities multiplied by the effective standard rate of UK corporation tax of 19% (2017: 19.5%)	(287,727)	(39,084)
Effects of:		
- Amounts not deductible for tax purposes	3,578	3,667
- Adjustment to tax charge in respect of previous periods	-	235
- Re-measurement of deferred tax – change in UK tax rate	2,067	(52)
- Non qualifying asset	223,295	(52)
Total tax expense in the statement of total comprehensive income	(58,787)	(35,234)

(iii) Factors affecting the future tax charge

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

The main UK corporation tax rate will reduce to 17% from 1 April 2020. At 30 September 2018, deferred tax assets and liabilities have been calculated based on the current UK corporation tax rate of 19%, or 17% where the temporary difference is expected to reverse after 1 April 2020. This reduction is also expected to reduce the Company's future current tax accordingly.

12. Intangible assets

	Goodwill £	Software £	Software under construction £	Total £
Cost:				
At 1 October 2017	1,678,908	57,164	-	1,736,072
Additions	-	-	18,457	18,457
At 30 September 2018	1,678,908	57,164	18,457	1,754,529
Accumulated amortisation and impairment:				
At 1 October 2017	503,670	7,621	-	511,291
Charge for the period	-	14,291	-	14,291
Impairment loss	1,175,238	-	-	1,175,238
At 30 September 2018	1,678,908	21,912	-	1,699,820
Net book value:				
At 30 September 2018	-	35,252	18,457	53,709
At 30 September 2017	1,175,238	49,543	-	1,224,781

Goodwill has been written off in view of the company's business and other assets being sold on 1st Oct 2018.

13. Property, plant and equipment

	Fixtures and fittings £	Computer hardware £	Vehicles and equipment £	Total £
Cost:				
At 1 October 2017	92,232	59,628	345,905	497,765
Additions	240	-	-	240
At 30 September 2018	92,472	59,628	345,905	498,005
Accumulated depreciation:				
At 1 October 2017	91,888	43,631	265,838	401,357
Charge for the year	117	8,606	42,263	50,986
At 30 September 2018	92,005	52,237	308,101	452,343
Net book value:				
At 30 September 2018	467	7,391	37,804	45,662
At 30 September 2017	344	15,997	80,067	96,408

14. Deferred tax assets and liabilities

	30 September 2018	30 September 2017
	£	£
Financial instruments	(2,225)	(2,781)
Depreciation in excess of capital allowances	17,565	15,638
Other	12,987	12,987
	<u>28,327</u>	<u>25,844</u>

The amount of deferred tax expected to reverse within one year is as follows:

	30 September 2018	30 September 2017
	£	£
Deferred tax liabilities due within one year	(2,483)	(2,781)
Total provision	<u>(2,483)</u>	<u>(2,781)</u>

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

Deferred tax assets/(liabilities)	Depreciation in excess of capital allowances £	Financial instruments £	Other £	Total £
At 1 October 2016	7,362	(3,991)	-	3,371
Credited to the statement of total comprehensive income	8,276	1,210	12,987	22,473
At 30 September 2017	15,638	(2,781)	12,987	25,844
Credited to the statement of total comprehensive income	1,927	556	-	2,483
At 30 September 2018	<u>17,565</u>	<u>(2,225)</u>	<u>12,987</u>	<u>28,327</u>

Depreciation in excess of capital allowances principally relate to timing differences in respect of property, plant and equipment. Deferred tax liabilities arising on financial instruments arise in respect of financial instruments accounted for under IAS 39.

There are no other unrecognised deferred tax assets nor un-provided deferred tax liabilities at either 30 September 2018 or 30 September 2017.

15. Trade and other receivables

	30 September 2018	30 September 2017
	£	£
Trade receivables	159,833	210,520
Amounts due from Group undertakings	2,993,325	2,792,327
Prepayments and accrued income	178,242	68,168
	<u>3,331,400</u>	<u>3,071,015</u>

Amounts due from Group undertakings are unsecured, interest free and repayable on demand.

16. Derivative financial instruments

	30 September 2018		30 September 2017	
	Assets	Liabilities	Assets	Liabilities
	£	£	£	£
Forward foreign exchange contracts - cash flow hedges	<u>11,709</u>	<u>-</u>	<u>15,031</u>	<u>397</u>

Fair value measurements

Derivatives are valued in the market using discounted cash flow techniques. These techniques incorporate observable prices in active markets, such as interest rates and foreign currency exchange rates. These market-based inputs are used in the discounted cash flow calculation incorporating the instrument's term, notional amount, volatility and discount rate.

Forward foreign exchange contracts are used by the Company to mitigate against the risk of adverse foreign exchange losses on future expected payments to overseas hoteliers and other non-UK based suppliers.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

The amount recognised in the statement of total comprehensive income that arises from hedges amounts to loss of £2,924 (2017: loss of £35,579).

17. Trade and other payables

	30 September 2018	30 September 2017
	£	£
Trade payables	-	209,854
Amounts due to Group undertakings	221,771	231,537
Other payables	78,745	132,898
Accruals and payments on account	<u>1,431,394</u>	<u>1,089,408</u>
	<u>1,731,910</u>	<u>1,663,697</u>

Amounts due to Group undertakings are unsecured, interest free and repayable on demand.

18. Provisions for liabilities

	30 September 2018	30 September 2017
	£	£
Dilapidations	<u>68,355</u>	<u>68,355</u>

A dilapidation provision has been recognised for our office in Northwich.

19. Operating lease commitments

The Company's total obligations under non-cancellable operating lease contracts are payable as follows:

	30 September 2018	30 September 2017
	£	£
No later than 1 year	56,300	56,300
Later than 1 year and no later than 5 years	<u>117,536</u>	<u>173,592</u>
	<u>173,836</u>	<u>229,892</u>

Operating lease commitments are in respect of land and buildings and comprise commitments in respect of property located at The Old School House, Chester Road, Northwich, Cheshire, CW8 1LE.

20. Called up share capital

	30 September 2018 £	30 September 2017 £
issued, allotted and fully paid		
1 (2017: 1,900,001) ordinary shares of £1.00 each	<u>1</u>	<u>1,900,001</u>

On 15 June 2018, the Company reduced its share capital from 1,900,001 ordinary shares of £1 each to 1 share of £1 and transferred £1,900,000 to the profit and loss account.

21. Contingent liabilities

In September 2017, the Company entered into a cross guarantee between certain Group companies with Barclays Bank PLC in respect of the Group's overdraft facility for its UK Sterling denominated bank accounts. As at 30 September 2018, the total liability for which the Company is a cross guarantor amounted to £nil (2017: £nil).

22. Ultimate parent company and controlling party

The ultimate controlling party of the Company is KKR & Co Inc (formally KKR & Co L.P) on behalf of funds under its management. The immediate parent company is Trek Investco Limited.

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

23. Post balance sheet events

At 1 October 2018, the business and assets of the company were acquired by Exodus Travels Limited, a fellow Group company. Headwater Holidays now operates as a brand within Exodus Travels Limited.

On 1 May 2019, the Company paid a dividend of £2.2m to its parent company, Trek Investco Limited.