

Company registration no. 09908552

Boketto Newco Limited

**Annual report and financial statements
for the year ended 31 December 2022**



Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	8
Independent auditors' report to the members of Boketto Newco Limited	11
Consolidated statement of comprehensive income	14
Consolidated statement of financial position	15
Company statement of financial position	17
Consolidated statement of changes in equity	18
Company statement of changes in equity	19
Consolidated statement of cash flows	20
Notes to the financial statements	21

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Officers and professional advisers

Directors

N Longman
D Phillips
R Prosser

Secretary

S Patel

Registered office

New Mill
New Mill Lane
Witney
Oxfordshire
OX29 9SX

Independent auditors

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

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Strategic report

The directors present their strategic report Boketto Newco Limited and its subsidiaries ("the group") for the year ended 31 December 2022.

Principal activities

The principal activity of the group is that of a tailor-made tour operator. The principal activity of Boketto Newco Limited ("the company") is that of a corporate holding company.

Review and results for the year

In the first quarter of 2022 the impact of Covid 19 and the Omicron variant subsided and a much more positive travel environment emerged. 2022 has been a year of recovery with departures rapidly increasing in the first half of the year. In the second half of the year demand recovered to pre-pandemic levels and the outlook remains positive, with a very high intent to travel seen across the client base both in the UK and in the US.

During the period impacted by the pandemic, the group continued to invest in product and technology. Product is the collective term given to our accommodation, experience and travel offering to clients. Working with our destination partners we have continued to further develop inspiring travel experiences. For a period we had a particular focus on short-haul travel from the UK and US, recognising clients changing travel preferences as we emerged from the crisis. The focus is now back to our traditional long haul destinations and to navigating our clients to consistently high quality product following the global disruption that the pandemic created. We also accelerated the implementation of a new reservation system which had fully replaced our old reservation system by the start of 2022. This brings the business many efficiencies both in terms of our internal business, as well as how clients can interact with us.

The group had a very strong second half of 2022 with a return to profitable trading. The loss for the year, which is after deducting £12.7m of interest accrued on long term loan notes not payable until 2025 (2021: interest accrued £8.4m), was £18.5m (2021: £55.3m). Earnings before financing, taxation, depreciation, amortisation costs and operating exceptional items (adjusted EBITDA) for the year was a profit of £10.6m (2021: loss £31.5m).

The group's lenders and shareholders remained very supportive of the business throughout the pandemic period providing additional funding in October 2021. Following the return to normal levels of trading in 2022, the Group was able to generate £15m of cash in the year, closing 2022 with £80.2m (2021: £65.2m) of cash (including restricted cash – see note 16), ensuring it is well capitalised to deliver on the growth opportunity as travel rebounds strongly post the pandemic.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Strategic report (continued)

Financial performance

The key performance indicators are as follows:

	2022	2021
Revenue	£221.6m	£26.3m
Adjusted EBITDA (note 4)	£10.6m	£(31.5m)

Principal risks and uncertainties

Market risk

The group is reliant on the desire of UK and US travellers to take tailor-made holidays. The breadth of travel choices offered and the opportunity for growth across multiple client source-markets, is a key element of the board's strategic plan to mitigate the risk of exposure to a single market. The Group has seen strong demand for travel in both the UK and US markets post the pandemic. This is expected to continue in spite of any pressures on the general economy.

The group continues to focus on the quality of its service and is continually reviewing the range of destinations and experiences it offers to meet the changing market demands. Due to the high level of demand, less marketing activity has been required but the group continuously reviews its marketing strategies and is confident of its ability to take advantage of the opportunity to further grow the business as it continues to build further business capacity.

Financial risk management

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

Financial risk

The group uses external financing to support its strategy with a combination of senior bank debt and long term loan notes.

The group received strong support from shareholders and lenders during the pandemic with an injection of new funds in October 2021 in the form of additional loan notes and term loans to provide working capital until the impact of the Covid-19 pandemic reduced. During 2022 the group returned to operating profitability and started to generate cash sufficient to service its debt.

The shareholder loan notes are repayable (other than at the group's option) in October and November 2025 and are subject to certain financial covenants and undertakings which the directors monitor. The term loans are repayable in September 2024 and January 2025.

Interest rate swaps and caps are used to reduce interest rate risk with respect to senior debt.

The directors consider the funding of the company and group to be appropriate for its current requirements.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Strategic report (continued)

Financial risk management (continued)

Liquidity risk

Cash flow forecasting and management are performed by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its borrowing facilities at all times, so that the group does not breach its borrowing limits or covenants. Such forecasting takes into consideration the group's debt financing plans, covenant compliance and external regulatory requirements with the Civil Aviation Authority (CAA).

The group works closely with the CAA in order to meet their requirements to protect client monies and is forecast to remain compliant with their requirements over the next twelve months.

Foreign exchange risk

The group has exposure to currency movements due to timing of payments to suppliers in foreign currencies. The group uses foreign currency forwards to hedge its exposure to foreign currency risk. Under the group's policy the terms of the forwards must align with the hedged items.

Credit risk

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

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

Directors' duties under s172(1)

The directors of the group must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 and include a duty to promote the success of the group for the benefit of its members as a whole.

The directors fulfil these duties in the following ways:

Risk management

The group operates in a continually changing external environment and its activities therein expose it to certain key risks. As the group continues to grow, our approach to identifying and mitigating risk continues to evolve. The group maintains a risk register which is continually updated and is formally reviewed by the board of directors twice a year. During 2022 the risk register was also reviewed and actions agreed with senior managers across the business.

Details of our principal risks and uncertainties, and how these are specifically managed, appear earlier in this report.

Our employees

The directors believe our employees are crucial to the success of the group's business. They are firm believers that the more our employees keep their spirit and individuality, and the more engaged they are, the better they serve our customers.

For further details on our employees, and how their interests are regarded, please see page 10.

Business relationships

The group's strategy is rooted in organic growth, driven by selling more tailor-made holidays to our repeat clients and to new clients coming to us through recommendations.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Strategic report (continued)

Directors' duties under s172(1) (continued)

Business relationships (continued)

We strive to maintain a strong relationship with our clients before, during and after their travels. In support of this strategy, we continue to work alongside our suppliers to develop new product offerings that reflect feedback received from our customers. Client satisfaction questionnaire scores are a key performance indicator used by the board. Our client engagement team focus on delivering excellent client service, by way of ongoing communication, for example through our seasonal Traveller magazine and through client events.

Our relationship with suppliers is key to both our and their success. Our product team build and maintain these relationships, working collaboratively to continually develop new product offerings and unique experiences to offer to our clients. Priority is given to the client experience during their trip to ensure it is the best possible whether facilitated by airlines, hotels, guides, transfer or excursion providers.

As the business rapidly returned to normal operation post the Covid-19 pandemic, the group has changed its focus on these business relationships to look further forward. This includes defining a long term target client experience and working to review and enhance its relationships with key suppliers with clear and open communication critical as both parties focus on growth.

Community and environment

The directors believe it is the group's responsibility to empower our clients, suppliers and employees to travel in the right way. We refer to this as Responsible Travel and try to achieve this through our policies on animal encounters; child welfare; and carbon offsetting, all of which are available on the Audley website.

In addition, the directors believe that a key part of Responsible Travel involves giving something back. The group actively supports a number of social and environmental charities and projects around the world and in the local communities surrounding our offices. This is achieved through donations, including fundraising by Audley staff, and volunteer work.

For detailed SECR reporting please see the specific environmental reporting section below.

Business conduct

As a regulated travel business, the group's general counsel attends all board meetings as company secretary and works closely with travel lawyers in the UK, US and Canada to ensure the board is aware of the relevant licencing requirements and good business practice in those countries. The board is committed to ensuring good business practice throughout the business and drives this both through the risk management process described above, by carrying out regular functional reviews, and by commissioning external experts to review compliance with new rules and regulations.

Shareholders / loan note holders

The directors are committed to engaging openly and fairly with all shareholders. The company's immediate and ultimate parent undertakings have representation on the company's board.

Lenders

In addition to providing monthly management information, annual meetings are held with the holders of the senior debt in the group. At these meetings the company provides an update on the business performance and strategic plans for the business. Lender questions are co-ordinated by way of our agent at HSBC and are responded to promptly by the group.

Each year a budget is presented to the lenders setting out the group's plans and forecast for the year ahead against which the company reports its actual performance monthly.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Strategic report (continued)

Directors' duties under s172(1) (continued)

Regulators

The key travel regulator for the group is the CAA who regulate the UK business. The monthly management information provided to lenders is also made available to the CAA. In addition, management hold a monthly call with the CAA in which the latest management information is discussed. These monthly calls enable the group to get feedback from the CAA which is factored in to board decision making. Annually the group meets with the CAA to agree the terms of its ATOL licence for the year ahead.

Key decisions

During 2022, as the group recovered post the Covid-19 pandemic, the boards primary focus has quickly shifted from the management of the group's liquidity, which was monitored on a weekly basis by the board, to how best to take advantage of the rapidly increasing market demand in order to grow the business. Decisions were taken to invest in areas that would enable profitable growth of the business. Actions, such as decisions to rapidly accelerate hiring to scale up the group's capacity to service higher client volume, were taken with reference to the group's employees, suppliers, clients, lenders and shareholders.

An employee consultative forum supports decisions being considered by the board including with respect to changes made to the structure of the sales organisation to better ready the team for a return to normal levels of travel. Regular feedback is received from clients as processes were established to support clients postponing or cancelling their trips. Consistently and increasingly strong feedback was received from clients as departures increased through the year. The board works closely with its shareholders and lenders to regularly review working capital requirements as the group grows. The board approved a budget for 2023 and updated its long term plan. In assessing these plans the board are looking to quickly build the business back up to its pre-2020 levels, deliver long term return for shareholders whilst maintaining the high level of client experience, continuing to evolve the product range, provide a framework for Responsible Travel and recognise the importance of high employee satisfaction.

The board also decided to continue investing in "best in class" digital technologies, to further enhance the client engagement and booking experience and to provide employees with the best tools with which to continue to provide a high quality service to clients.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Strategic report (continued)

Environmental reporting

The return of travel in 2022 saw the business return to headcount growth. However, the group has still delivered an absolute reduction in energy consumption and emissions and a reduced carbon intensity measure of tCO₂ per employee:

	2022			2021		
	UK operations	US/Rest of world operations	Total	UK operations	US/Rest of world operations	Total
Energy Consumed (MWh)	747	196	943	713	293	1,006
Scope 1 and Scope 2 emissions tCO ₂	79	84	163	89	75	164
Carbon Intensity measure						
tCO ₂ per Employee			0.24			0.26

The tCO₂ for Scope 1 and 2 emissions include energy consumed and associated Greenhouse Gas (GHG) emissions from electricity as well as any other fuel where we are directly responsible for the fuel cost. We have used the carbon dioxide equivalents methodology as the basis for our calculations.

The group has continued its focus on reducing Scope 1 and 2 emissions by moving most of its on-premises servers to the cloud, reducing its electricity consumption. During 2022 the group submitted a letter to the Science Based Targets initiative confirming its intention to have its reduction targets verified. This commitment was followed up by the submission of its targets to the same organisation in December of 2022, which should start to be verified, according to the SBTi timetable, in late June 2023. These targets reflect the groups intention in 2023/2024 to focus on working with its business partners to measure and reduce their emissions, to support the reduction of the per person per day emissions of its trips.

Approved by the board of directors and signed on behalf of the board on 29 March 2022.



D Phillips
Director

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Directors' report

The directors present their annual report on the affairs of the group and company, together with the audited consolidated financial statements and auditors' report, for the year ended 31 December 2022.

Going concern

The company is dependent on the financial performance of the rest of the Boketto Holdco group as it is in net liability position and is a cross guarantor for the Boketto Holdco group's senior debt facilities. Taking into account the trading of the Boketto Holdco group, the directors have a reasonable expectation that the group (and company) has adequate resources to continue in existence for the foreseeable future, being at least twelve months from the date the financial statements are approved. Therefore, they have adopted the going concern basis in preparing these financial statements. In concluding on the group's and company's ability to continue as a going concern, the directors have taken account of the following points.

The group uses external debt financing as part of a balanced capital structure (see note 19). The first repayments of capital are not scheduled until September 2024.

The Boketto Holdco group headed by Boketto Holdco Limited, the company's ultimate parent, also has long term debt finance provided by shareholders. The interest on external shareholder notes and capital balances have no scheduled cash payment in the normal course of operations prior to 2025.

On 21 October 2021, the Boketto Holdco group completed a refinancing in which it increased its shareholder and senior lender borrowing to provide adequate funding to enable the group to meet its liquidity and other stakeholder funding covenants and commitments during the period until the impact of the Covid-19 pandemic was forecast to reduce, and travel fully resumed. This funding has proved adequate. The group has consistently shown liquidity significantly ahead of its refinancing forecasts.

Monthly and quarterly cash flow forecasts have been prepared for the business for the next 18 months with further projections to the end of 2026. These cash flows assume that the profitability of the trading companies continue to grow in accordance with the detailed long term business plan which has been approved by the board of directors. Scenarios have been run to test the sensitivity of the forecast including the impact from any potential short-term closure of travel destinations and from a reduced demand. These forecasts, including downside scenarios and mitigating actions that are within the group's control, demonstrate that throughout the period all liabilities of the business are met in accordance with contractual terms, and that the lender covenants and regulatory commitments are achieved.

Future developments

The strategy of the group remains focused on a continued quick recovery to pre-pandemic levels of revenue, growth and profitability to take advantage of the expected opportunities for the group in the coming years. The business will continue to scale up its headcount to support growth. This recovery is augmented by new product offerings around the world for both its US and UK customers. Investment continues in the back-office platforms and sales excellence to augment the client experience. The directors believe that due to the group's unique and varied product, the profile of the client base and the enhanced operational capability, the outlook is very positive.

Branches outside the UK

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

Dividends

The result for the year is shown in the consolidated statement of comprehensive income on page 14. The directors do not recommend the payment of a dividend (2021: £nil).

Research and development

Given the nature of the business as a tour operator the group does not engage in significant research and development activities. The group does however invest in developing bespoke systems that support the business' key operations. All such expenditure has been capitalised where it meets the criteria set out in IAS 38.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Directors' report (continued)

Political and charitable contributions

The group made charitable donations amounting to £24k to various international registered charities during the year (2021: £16k). The group made no political donations nor incurred any political expenditure during the year (2021: £nil).

Directors and officers

The directors who served during the year under review and up to the date of signing these financial statements, unless otherwise stated, were:

N Longman
D Phillips
R Prosser

Company Secretary
S Patel

Directors' indemnities

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

Disabled employees

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

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group and the company. This is achieved through formal and informal communication channels. Monthly meetings, led by the group's CEO, Group Executive Board (GEB) and members of the leadership team are held to keep employees updated. The group's intranet has regular news articles and updates. Each of these communication forums/channels gives our people the opportunity to ask questions, respond to polls and surveys and feedback their views on content. Quarterly pulse surveys were also introduced during the year to facilitate individual feedback and to measure engagement.

Leadership calls are held every month and are delivered by the CEO and HR Director to keep the leaders of the business informed and engaged in the group's strategic initiatives and change programmes.

Employee feedback is communicated by GEB members including the group's HR Director to the group's board. The level of staff attrition and employee engagement are monitored closely by the board and are key inputs to its decision making. In addition, an employee consultative forum, in the UK, supports employee related decisions made by the board and facilitates formal communication on these topics with employees which in 2022. The group established a similar employee consultative forum in the US at the end of 2022.

Principal risks and uncertainties

The principal risks and uncertainties facing the group are discussed in the strategic report on page 3.

Post balance sheet events

There are no post balance sheet events.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 for that period. In preparing the financial statements, the directors are required to:

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

The directors are 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.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Matters covered in the strategic report

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

Approved by the board of directors and signed on behalf of the board on 29 March 2023



D Phillips
Director

Independent auditors' report to the members of Boketto Newco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Boketto Newco Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: consolidated and company statement of financial position as at 31 December 2022; the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated and company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Boketto Newco Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment and those imposed by the travel industry regulators, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and

Independent auditors' report to the members of Boketto Newco Limited (continued)

regulations that have a direct impact on the financial statements such as tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, risk of misappropriation of assets, incentives to improve performance to meet targets for bonuses and share issuances and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, or posted by members of senior management with a financial reporting oversight role
- Challenging assumptions and judgements made by management in their accounting estimates and judgements
- Made enquiries with management regarding tax regulatory authorities in relation to compliance with laws and regulations
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulation

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

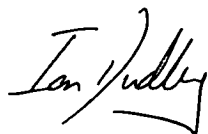
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Ian Dudley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
29 March 2023

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Consolidated statement of comprehensive income for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	4	221,555	26,306
Cost of sales		(183,582)	(41,999)
Gross profit/(loss)		37,973	(15,693)
Other administrative expenses		(36,240)	(33,970)
Reversal of impairment provisions on financial assets	5,15	577	-
Other operating income	5	643	593
Operating profit/(loss)	5	2,953	(49,070)
Finance income	7	1,681	1,351
Finance expenses	8	(24,721)	(18,956)
Net finance expenses		(23,040)	(17,605)
Loss before taxation		(20,087)	(66,675)
Taxation	9	1,543	11,389
Loss for the year		(18,544)	(55,286)
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit and loss			
Hedging gains and losses	23	929	21
Taxation on hedging gains & losses	9,23	(13)	(249)
Exchange differences on translating foreign operations	23	(2,903)	(479)
Other comprehensive expense for the year, net of taxation		(1,987)	(707)
Total comprehensive expense for the year		(20,531)	(55,993)

All results are derived from continuing operations. The total comprehensive expense for the year is all attributable to the owners of the parent company.

The notes on pages 22 to 54 form an integral part of these financial statements.

Boketto Newco Limited**Annual report and financial statements for the year ended 31 December 2022****Consolidated statement of financial position
as at 31 December 2022**

	Note	2022 £'000	2021 £'000
Non-current assets			
Intangible assets	10	228,911	233,965
Property, plant and equipment	11	4,702	6,005
Derivative financial assets	14	847	-
Restricted cash	16	10,000	10,000
Deferred tax assets	20	9,338	16,091
Total non-current assets		253,798	266,061
Current assets			
Trade and other receivables	15	23,830	13,333
Cash and cash equivalents	16	70,171	55,238
Deferred tax assets	20	500	-
Current tax Asset	15	244	231
Derivative financial assets	14	1,756	1,357
Total current assets		96,501	70,159
Total assets		350,299	336,220

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

**Consolidated statement of financial position
as at 31 December 2022 (continued)**

	Note	2022 £'000	2021 £'000
Non-current liabilities			
Contract liabilities	18	13,698	18,953
Borrowings	19	176,465	177,366
Deferred tax liabilities	20	18	8,691
Total non-current liabilities		190,181	205,010
Current liabilities			
Trade and other payables	17	108,690	94,601
Contract liabilities	18	104,214	68,594
Borrowings	19	1,393	1,613
Current tax liability	17	-	68
Derivative financial liabilities	14	1,165	1,147
Total current liabilities		215,462	166,023
Total liabilities		405,643	371,033
Net liabilities		(55,344)	(34,813)
Share capital and share premium	22	173,209	173,209
Other reserves	23	(1,821)	166
Accumulated losses		(226,732)	(208,188)
Total equity		(55,344)	(34,813)

The notes on pages 21 to 53 form an integral part of these financial statements.

The financial statements of Boketto Newco Limited (registered number 09908552) on pages 14 to 53 were approved by the board of directors and authorised for issue on 29 March 2023.

Signed on behalf of the board of directors.



D Phillips
Director

Boketto Newco Limited**Annual report and financial statements for the year ended 31 December 2022****Company statement of financial position
as at 31 December 2022**

	Note	2021 £'000	2020 £'000
Non-current assets			
Investments	12	1,540	-
Total non-current assets		1,540	-
Current assets			
Trade and other receivables	15	312,761	227,998
Total current assets		312,761	227,998
Total assets		314,301	227,998
Current liabilities			
Trade and other payables	17	101,252	88,555
Total current liabilities		101,252	88,555
Total liabilities		101,252	88,555
Net assets		213,049	139,443
Share capital and share premium	22	173,209	173,209
Accumulated profits/(losses)		39,840	(33,766)
Total equity		213,049	139,443

The notes on pages 21 to 53 form an integral part of these financial statements.

As permitted by Section 408 of the Companies Act 2006, a company statement of comprehensive income is not included as part of the published financial statements of Boketto Newco Limited. The result for the financial year of the company was a profit of £73,606k (2021: £17,800k).

The financial statements of Boketto Newco Limited (registered number 09908552) on pages 14 to 53 were approved by the board of directors and authorised for issue on 29 March 2023

Signed on behalf of the board of directors.



D Phillips
Director

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Consolidated statement of changes in equity for the year ended 31 December 2022

	Share capital £'000	Other reserves £'000	Accumulated losses £'000	Total £'000
Balance at 1 January 2021	173,209	873	(152,902)	21,180
Loss for the year	-	-	(55,286)	(55,286)
Hedging gains or losses, net of tax	-	(228)	-	(228)
Exchange differences on translating foreign operations	-	(479)	-	(479)
Total comprehensive expense for the year	-	(707)	(55,286)	(55,993)
Balance at 31 December 2021	173,209	166	(208,188)	(34,813)
Balance at 1 January 2022	173,209	166	(208,188)	(34,813)
Loss for the year	-	-	(18,544)	(18,544)
Hedging gains or losses, net of tax	-	916	-	916
Exchange differences on translating foreign operations	-	(2,903)	-	(2,903)
Total comprehensive expense for the year	-	(1,987)	(18,544)	(20,531)
Balance at 31 December 2022	173,209	(1,821)	(226,732)	(55,344)

The notes on pages 21 to 53 form an integral part of these financial statements.

Boketto Newco Limited**Annual report and financial statements for the year ended 31 December 2022****Company statement of changes in equity
for the year ended 31 December 2022**

	Share capital and share premium £'000	Accumulated (losses)/profit £'000	Total £'000
Balance at 1 January 2021	173,209	(51,566)	121,643
Profit for the year	-	17,800	17,800
Balance at 31 December 2021	<u>173,209</u>	<u>(33,766)</u>	<u>139,443</u>
Balance at 1 January 2022	173,209	(33,766)	139,443
Profit for the year	-	73,606	73,606
Balance at 31 December 2022	<u>173,209</u>	<u>39,840</u>	<u>213,049</u>

The notes on pages 21 to 53 form an integral part of these financial statements.

Boketto Newco Limited**Annual report and financial statements for the year ended 31 December 2022****Consolidated statement of cash flows
for the year ended 31 December 2022**

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	24	28,683	(27,484)
Interest paid		(10,822)	(8,459)
Tax paid		(108)	2,794
Net cash inflow/(outflow) from operating activities		17,753	(33,149)
Cash flows from investing activities			
Payments for property, plant and equipment		(448)	(113)
Payments for intangible assets		(1,004)	(1,838)
Bank interest received	7	1,493	31
Net cash inflow/(outflow) from investing activities		41	(1,920)
Cash flows from financing activities			
Repayment of intercompany loan notes	17	-	-
Repayment of other intercompany debt		(201)	(482)
Receipt of senior debt		-	18,000
Receipt of intercompany loan notes		-	25,000
Payment of refinancing fees and issue costs		-	(200)
Payment of lease liabilities		(2,125)	(2,548)
Net foreign exchange losses		(818)	(785)
Net cash inflow/(outflow) from financing activities		(3,144)	38,985
Net increase in cash and cash equivalents		14,650	3,916
Cash and cash equivalents at the beginning of the year		65,238	61,376
Effects of exchange rate changes on cash and cash equivalents		283	(54)
Cash and cash equivalents at end of the year	16	80,171	65,238

The notes on pages 21 to 53 form an integral part of these financial statements.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements for the year ended 31 December 2021

1. General information

Boketto Newco Limited ('the company') and its subsidiaries (together, 'the group'), provide tailor-made tour operator services in the United Kingdom and the United States of America. The company is a private company limited by shares and incorporated and domiciled in England, United Kingdom.

2. Accounting policies

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

2.1 Basis of preparation of financial statements

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards with future changes being subject to endorsement by the UK Endorsement Board. Boketto Newco Limited transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The consolidated financial statements of Boketto Newco Limited have been prepared in accordance with UK - adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The company financial statements of Boketto Newco Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and with the Companies Act 2006 applicable to companies reporting under FRS 101.

Both financial statements have been prepared under the historical cost convention, as modified by certain financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss. The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company and group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

Company financial statement disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of the company financial statements, in accordance with FRS 101:

- (a) the following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 111 (cash flow statement information), and
- (b) IAS 7, 'Statement of cash flows';
- (c) the requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

2.2 New and amended standards adopted by the group

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the group's financial statements.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

2. Accounting policies (continued)

2.3 Consolidation

The group's financial statements consolidate the financial statements of the company and its subsidiary undertakings for the year ended 31 December 2022.

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

2.4 Functional and presentation currency

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). The financial statements of the company and the consolidated financial statements of the group are presented in Pounds Sterling (£), which is the functional currency of the parent company and presentation currency of the group's financial statements. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The results and financial position of the group entity that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

2.5 Going concern

The company is dependent on the financial performance of the rest of the Boketto Holdco group as it is in net liability position and is a cross guarantor for the Boketto Holdco group's senior debt facilities. Taking into account the trading of the Boketto Holdco group, the directors have a reasonable expectation that the group (and company) has adequate resources to continue in existence for the foreseeable future, being at least twelve months from the date the financial statements are approved. Therefore, they have adopted the going concern basis in preparing these financial statements. In concluding on the group's and company's ability to continue as a going concern, the directors have taken account of the following points.

The group uses external debt financing as part of a balanced capital structure (see note 19). The first repayments of capital are not scheduled until September 2024.

The Boketto Holdco group headed by Boketto Holdco Limited, the company's ultimate parent, also has long term debt finance provided by shareholders. The interest on external shareholder notes and capital balances have no scheduled cash payment in the normal course of operations prior to 2025.

On 21 October 2021, the Boketto Holdco group completed a refinancing in which it increased its shareholder and senior lender borrowing to provide adequate funding to enable the group to meet its liquidity and other stakeholder funding covenants and commitments during the period until the impact of the Covid-19 pandemic was forecast to reduce, and travel fully resumed. This funding has proved adequate. The group has consistently shown liquidity significantly ahead of its refinancing forecasts.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued)

for the year ended 31 December 2022

2. Accounting policies (continued)

2.5 *Going concern (continued)*

Monthly and quarterly cash flow forecasts have been prepared for the business for the next 18 months with further projections to the end of 2026. These cash flows assume that the profitability of the trading companies continue to grow in accordance with the detailed long term business plan which has been approved by the board of directors. Scenarios have been run to test the sensitivity of the forecast including the impact from any potential short-term closure of travel destinations and from a reduced demand. These forecasts, including downside scenarios and mitigating actions that are within the group's control, demonstrate that throughout the period all liabilities of the business are met in accordance with contractual terms, and that the lender covenants and regulatory commitments are achieved.

2.6 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer together with the board of directors.

2.7 *Revenue from contracts with customers*

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

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

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

The group receives commission on referrals for travel insurance, which is recognised at the point at which the insurance company makes a sale from the referral. It is included in other income, together with sub-rental income.

2.8 *Contract liabilities and related expenditure*

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

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

2.9 *Amounts received in government support for job retention schemes*

Amounts received in government support for job retention schemes are treated as other operating income.

2.10 *Finance income and costs*

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

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

2. Accounting policies (continued)

2.11 Current and deferred taxation

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

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

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are only offset when there is a legally enforceable right to offset the current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.12 Investments

Investments in subsidiaries and associates are measured at cost less impairment. The company annually reviews investments for indicators of impairment.

2.13 Property, plant & equipment

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

Right-of-use assets arising from lease agreements are initially recognised at cost comprising the amount of the initial measurement of the lease liability and any initial direct costs. Associated depreciation is calculated over the shorter of the asset's useful life and the lease term on a straight-line basis

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

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

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

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued)

for the year ended 31 December 2022

2. Accounting policies (continued)

2.14 Intangible assets & goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs that is expected to benefit from the synergies of the combination. Each unit to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Internally developed intangible assets

Expenditure on internally developed intangible assets is capitalised if:

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

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

Intangible assets acquired as part of a business combination

The group recognises intangible assets acquired in a business combination separately from goodwill provided they are separable or arise from contractual or other legal rights and their fair value can be measured reliably. Intangible assets acquired in a business combination are initially recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Amortisation

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

Internally developed intangibles	3 - 7 years
Software and software licences	3 - 5 years
Trademarks	20 years
Customer relationship assets	15 years

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

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

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

2. Accounting policies (continued)

2.15 Trade receivables

Trade receivables are amounts due from customers in respect of holidays sold and other services performed in the ordinary course of business.

Such amounts due from customers are recognised in line with cancellation terms.

2.16 Cash and cash equivalents

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

2.17 Financial instruments

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

Classification

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

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

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

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

Subsequent measurement

Financial instruments at FVTPL are subsequently measured at fair value. Net gains and losses are recognised in profit or loss.

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

Derecognition

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

Derivative financial instruments and hedge accounting

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

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

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

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

2. Accounting policies (continued)

2.17 Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve as part of other reserves (note 23). The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

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

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

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

2.18 Trade and other payables

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

2.19 Borrowings

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

2.20 Leases

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

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

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

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

2. Accounting policies (continued)

2.20 Leases (continued)

If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.

In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Extension and termination options are included in a number of the property leases. These options are used to maximise operational flexibility. The lease term beyond the date of the option is only included in the lease period if the option is reasonably certain to be exercised.

2.21 Employee benefits

The group operates a defined contribution pension scheme. A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

2.22 Share capital

Ordinary shares are classified as equity. When a group company purchases the company's equity (treasury shares) the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.23 Share-based payments

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

2.24 Exceptional items

The separate reporting of exceptional items helps to provide an indication of the group / company's underlying business performance. Exceptional items relate to certain costs or incomes that individually or collectively, are significant by virtue of their size or nature. In considering the nature of an item, management's assessment includes, both individually and collectively, each of the following:

- Whether the item is outside the principal activities of the business
- The specific circumstances which have led to an item arising
- The likelihood of recurrence
- If the item is likely to recur, whether the item is unusual by virtue of its size

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

3. Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

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

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

Intangible assets

After the initial capitalisation the directors, at least annually, undertake an assessment of the carrying value of the group's intangible assets to determine whether there is any indication that those assets have suffered an impairment loss (note 10).

Goodwill

The directors test goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired. The assumptions used in this test are set out in note 10.

Investments

The directors, at least annually, undertake an assessment of the carrying value of the investments to determine whether there is any indication that these assets have suffered an impairment loss, and where an investment is already carrying an impairment loss whether that impairment is still required. The assumptions used in this assessment are set out in note 12.

Deferred taxes

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available against which those unused tax losses, unused tax credits or deductible temporary differences can be utilised. At least annually the directors review this critical accounting estimate as the underlying assumptions can change from period to period. For example, tax law changes or variances in future projected operating performance could result in a change of the deferred tax asset. If the company was not able to realise all or part of its net deferred tax assets in the future, an adjustment to its deferred tax assets would be charged to income tax expense or directly to equity in the period such determination was made.

Critical judgements in applying the group's accounting policies

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

Supplier liabilities and prepayments

Due to the uncertainties as to the timing and extent of country re-openings following the Covid-19 pandemic, the directors have applied judgement in assessing the amount of supplier liabilities, including the application of cancellation costs, and the recovery of related supplier balances including prepayments.

Intangible assets

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

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying the group's accounting policies (continued)

Investments

The directors use their judgement in assessing the value of investments. These assessments require the use of estimates, in particular in relation to the expected growth rates, and appropriate discount rates as set out in note 12. Where the value of the investments is less than the carrying value, a provision for impairment is made. If subsequently the value in use increases an adjustment to the provision is made to increase the investment up to but not above the original value.

Deferred taxes

In determining the amount of recognised deferred tax the directors apply judgement to decide the extent that it is probable that sufficient taxable profit will be available against which unused tax losses, unused tax credits or deductible temporary differences can be utilised.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued)

for the year ended 31 December 2022

4. Segmental analysis

Management has determined operating segments for the purposes of allocating revenue, resources and assessing performance.

	2022 UK&I £'000	2022 N. America £'000	2022 Unallocated £'000	2022 Total £'000
Revenue	148,091	73,464	-	221,555
Adjusted EBITDA	6,329	4,489	(234)	10,584
Depreciation of property, plant & equipment	(1,438)	(595)	-	(2,033)
Amortisation of intangible assets	(2,122)	(3)	(4,005)	(6,130)
Reversal of impairment provisions on financial assets	-	-	577	577
Operating exceptional items	155	126	(326)	(45)
Operating profit/(loss)	2,924	4,017	(3,988)	2,953
Net finance costs	(2,385)	(1,493)	(19,162)	(23,040)
Profit/(loss) before tax	539	2,524	(23,150)	(20,087)
	2021 UK&I £'000	2021 N. America £'000	2021 Unallocated £'000	2021 Total £'000
Revenue	11,550	14,756	-	26,306
Adjusted EBITDA	(23,346)	(7,652)	(452)	(31,450)
Depreciation of property, plant & equipment	(1,719)	(666)	-	(2,385)
Amortisation of intangible assets	(2,574)	(26)	(4,007)	(6,607)
Operating exceptional items	(5,437)	(2,672)	(519)	(8,628)
Operating loss	(33,076)	(11,016)	(4,978)	(49,070)
Net finance costs	(2,472)	(356)	(14,777)	(17,605)
Loss before tax	(35,548)	(11,372)	(19,755)	(66,675)

Operating exceptional items are comprised of a credit of £1,570k (2021: charge of £7,316k) attributable to the Covid-19 crisis and charges of £1,615k (2021: £1,312k) of other operating exceptional items.

In 2022, a credit of £1,570k (2021: charge of £7,316k) was identified as attributable to the impact of the Covid-19 pandemic and was deemed to be exceptional in nature. Costs categorised as such included; supplier costs relating to the repatriation of clients; supplier cancellation costs; and staff costs relating to time spent supporting clients to cancel or postpone their holidays, or to process refunds. The credit has arisen in 2022 primarily as a result of the level of Covid-19 related cancellations in 2023 being less than the level that was estimated at the end of 2022. As a result the level of supplier cancellation costs relating to open bookings at the end of 2022 was significantly less than the accrual for expected costs made at 31 December 2022 and the release of the accrual has been recorded as a credit to exceptional items.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

4. Segmental analysis (continued)

There were further operating exceptional items of £1,615k (2021: £1,312k), which related to costs incurred by the group in relation to non-capital expenditure on one-time transformational projects and refinancing activities.

Unallocated amortisation of intangibles assets relates to intangible assets arising on consolidation and relates to the group as a whole, and therefore is not attributable to a specific segment.

Unallocated net finance costs relates to the cost of debt used in funding the group as a whole and therefore is not attributable to a specific segment.

5. Operating profit/(loss)

	Note	2022 £'000	2021 £'000
<i>Operating profit/(loss) is stated after charging:</i>			
Amortisation of intangible assets	10	6,130	6,607
Depreciation of property, plant & equipment	11	2,033	2,385
Fees payable to the company's auditor		150	131
		<u> </u>	<u> </u>
<i>and after crediting as follows</i>			
Reversal of impairment provisions on financial assets	15	577	-
		<u> </u>	<u> </u>
<i>and after crediting other income as follows:</i>			
Insurance referral commission		643	382
Government support in relation to job retention schemes		-	211
		<u> </u>	<u> </u>
		643	593

During the year the directors assessed the recoverable value of the financial assets of the company, and the impairment provision on the assets was reversed.

The company tests the value of its financial assets annually for impairment or more frequently if there are indications that they may be impaired. For fellow group company assets, the recoverable amounts of the cash generating units (CGUs) are determined from value in use calculations and assessment of the net realisable value of the groups CGUs. Two CGUs have been identified (the two trading subsidiaries of Boketto Bidco Limited, Audley Travel Group Limited and Audley Travel US, Inc.).

The tests indicate that there is now no impairment in the carrying value of financial asset balances with fellow group companies in 2022. Accordingly, an impairment provision of £577k has been reversed to restore the book value of the financial asset (2021: £nil).

The key assumptions of the value in use calculation are the discount rates, the growth rates and the cash flow forecasts. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the group. The growth rates are based on the group's four year forecast and after excluding future profits from future capital expenditure.

The group prepares detailed cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and assumes a growth rate applied into perpetuity of 2.0% (2021: 2.0%).

The rate used to discount the forecast cash flows of both CGUs is a discount rate of 13.7% (2021: 11.4%).

Included in depreciation of property, plant & equipment is £1,534k for depreciation of right of use assets (2021: £1,034k)

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

The analysis of the auditors' remuneration is as follows:

	2022 £'000	2021 £'000
Fees payable to the company's auditors and its associates for the:		
Audit of the parent company and consolidated financial statements	12	10
Audit of the company's subsidiaries	123	107
Total audit fees	135	117
Covenant assurance services	15	14
Total non-audit fees	15	14

6. Employees and directors

Employees and directors

Employees

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

	2022 Number	2021 Number
Administrative	208	182
Sales	474	439
	682	621

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

	2022 £'000	2021 £'000
Wages and salaries	35,238	27,360
Social security costs	176	2,748
Termination Benefits	3,585	30
Other pension costs	1,267	1,077
	40,266	31,215

Amounts received in government support in relation to job retention schemes during the year was £nil (2021: £211k). This is included in other operating income.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

6. Employees and directors (continued)

Directors

The directors' emoluments were as follows:

	2022	2021
	£'000	£'000
Aggregate emoluments	1,133	884
Termination benefits	-	30
Company contributions to money purchase pension schemes	20	16
	1,153	930

Highest paid director

The highest paid director's emoluments were as follows:

	2022	2021
	£'000	£'000
Aggregate emoluments	486	436
Company contributions to money purchase pension schemes	-	-
	486	436

Key management personnel

Key management personnel are defined as senior managers who are making key strategic decisions at a group level.

Key management personnel emoluments were as follows:

	2022	2021
	£'000	£'000
Aggregate emoluments	1,711	1,741
Company contributions to money purchase pension schemes	50	52
Share-based payment	-	-
	1,761	1,793

Company

There are no employees, other than directors, employed by the company (2021: none). None of the directors received any remuneration from the company in respect of services for the company as they were considered a trivial part of their duties. (2021: none). Directors' remuneration is borne by Boketto Bidco Limited and Audley Travel US, Inc. on behalf of the company.

Boketto Newco Limited**Annual report and financial statements for the year ended 31 December 2022****Notes to the financial statements (continued)
for the year ended 31 December 2022****7. Finance income**

	2022	2021
	£'000	£'000
Bank interest receivable	1,493	31
Interest rate swap fair value gain	188	1,320
	<u>1,681</u>	<u>1,351</u>

8. Finance expenses

	2022	2021
	£'000	£'000
Bank interest payable	454	573
Bank finance charges	65	421
Senior debt interest	10,121	7,138
Amortisation of senior debt costs	641	696
Loan note interest	12,684	8,412
Lease interest payable	178	218
Write off of issues costs on modification of senior debt (see note 19)	-	417
Bond and other arrangement fees	-	145
Net foreign exchange loss	578	936
	<u>24,721</u>	<u>18,956</u>

Boketto Newco Limited**Annual report and financial statements for the year ended 31 December 2022****Notes to the financial statements (continued)
for the year ended 31 December 2022****9. Taxation**

The tax credit included in the loss for the year comprises:

	2022 £'000	2021 £'000
Current tax		
Corporation tax	-	(309)
Adjustment in respect of prior years	22	145
Total current tax	22	(164)
Deferred tax		
Origination and reversal of timing differences	(999)	(9,143)
Adjustment in respect of prior years	18	(259)
Effect of changes in tax rates	(584)	(1,823)
Total deferred tax	(1,565)	(11,225)
Total tax credit included in loss	(1,543)	(11,389)

The tax charge included in other comprehensive income comprises:

	2022 £'000	2021 £'000
Deferred tax		
Origination and reversal of timing differences	13	249
Total tax charge included in other comprehensive income	13	249

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

9. Taxation (continued)

The differences between the total tax credit shown in the income statement above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2022 £'000	2021 £'000
Loss before tax	(20,087)	(66,675)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2021: 19%)	(3,817)	(12,668)
Effects of:		
- Adjustment in respect of prior years	40	(94)
- Effect of changes in tax rates	(584)	(1,833)
- Effect of overseas tax rates	52	(448)
- Income not recognised	(126)	-
- Expenses not deductible for tax purposes	517	852
- Group relief surrendered	2,352	1,890
- Amounts not recognised	314	912
- Foreign exchange differences	83	-
- Deferred tax provided	(394)	-
- Transfer pricing adjustments	20	-
Total tax credit for the year	(1,543)	(11,389)

In the Budget 2020, the government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 will go ahead. As a result, the relevant deferred tax balances were remeasured in the prior year calculated using a blended rate as utilisation was expected to continue beyond March 2023. The deferred tax balances at 31 December 2022 have been calculated using the 25% tax rate.

Expenses not deductible for tax purposes primarily relates to accrued interest on shareholder loan notes where the ability to obtain a tax deduction is restricted.

The group has unrecognised deferred tax assets relating to carried forward interest expenses of £1,557k and Corporate Interest Restriction of £2,665k (2021: £2,246k and £5,837k).

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

10. Intangible assets

Group

	Goodwill £'000	Software and licences £'000	Internally developed intangibles £'000	Customer relationships £'000	Trademarks £'000	Total £'000
Cost						
At 1 January 2021	231,062	456	16,840	40,213	29,929	318,500
Additions	-	6	1,790	-	-	1,796
Exchange movements	-	-	(2)	-	-	(2)
At 31 December 2021	231,062	462	18,628	40,213	29,929	320,294
At 1 January 2022	231,062	462	18,628	40,213	29,929	320,294
Additions	-	-	1,106	-	-	1,106
Disposals	-	(390)	(2,836)	-	-	(3,226)
At 31 December 2022	231,062	72	16,898	40,213	29,929	318,174
Accumulated amortisation						
At 1 January 2021	51,800	405	7,165	10,820	9,530	79,720
Charge for the year	-	32	2,569	2,011	1,995	6,607
Exchange movements	-	-	2	-	-	2
At 31 December 2021	51,800	437	9,736	12,831	11,525	86,329
At 1 January 2022	51,800	437	9,736	12,831	11,525	86,329
Charge for the year	-	19	2,106	2,010	1,995	6,130
Disposals	-	(384)	(2,812)	-	-	(3,196)
At 31 December 2022	51,800	72	9,030	14,841	13,520	89,263
Net book values						
At 31 December 2022	179,262	-	7,868	25,372	16,409	228,911
At 31 December 2021	179,262	25	8,892	27,382	18,404	233,965

Revenue of the acquired business is driven by a significant proportion of repeat customers and the Audley Travel brand is fundamental to the group's operating model, therefore customer relationships, trademarks and software were recognised on the acquisition of the group on 18 December 2015. Goodwill arose upon the acquisition of the group.

Included within the cost of internally developed intangibles is an amount of £185k (2021: £ nil) relating to assets under construction and as such does not incur amortisation.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued)

for the year ended 31 December 2022

10. Intangible assets (continued)

Impairment tests for goodwill

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired. The recoverable amounts of the cash generating units (CGUs) are determined from value in use calculations and assessment of the net realisable value of the CGU. Two CGUs have been identified (the two trading subsidiaries, Audley Travel Group Limited and Audley Travel US, Inc.) which align with the operating segments identified, as per note 4.

The group tests indicate that there has been no impairment in the carrying value of goodwill within the Audley Travel Group Limited CGU in 2021. Accordingly, no impairment charge has been made to reduce the book value of goodwill (2021: £nil).

The key assumptions of the value in use calculation are the discount rates, the growth rates and the cash flow forecasts. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the group. The growth rates are based on the group's five year forecast and after excluding future profits from future capital expenditure.

The group prepares detailed cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and assumes a growth rate applied into perpetuity of 2% (2021: 2.0%).

The rate used to discount the forecast cash flows of both CGUs is a pre tax discount rate of 13.7% (2021: 11.4%)

The group has conducted a sensitivity analysis on the impairment of goodwill and has concluded that there are no reasonable foreseeable scenarios which would give rise to an impairment in the carrying value of goodwill. Any increase in discount rates, reduction in long term growth rates or delays in cash flows could impact the assessment of the impairment in the carrying value of goodwill. An increase in the discount rate by 1% would reduce headroom by £49m and a reduction in the growth rate by 1% would decrease headroom by £31m neither of which would result in a further impairment.

Company

The company has no intangible assets (2021: none).

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

11. Property, plant and equipment

Group

	Buildings and leasehold improvements £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2021	19,269	1,162	4,801	25,232
Additions	1,293	-	118	1,411
Disposals	(2,728)	(143)	(635)	(3,506)
Exchange movements	49	4	(2)	51
At 31 December 2021	17,883	1,023	4,282	23,188
At 1 January 2022	17,883	1,023	4,282	23,188
Additions	20	5	426	451
Disposals	-	(4)	(2,773)	(2,777)
Exchange movements	551	41	53	645
At 31 December 2022	18,454	1,065	1,988	21,507
Accumulated depreciation				
At 1 January 2021	13,486	907	3,888	18,281
Charge for the year	1,616	165	604	2,385
Disposals	(2,728)	(143)	(635)	(3,506)
Exchange movements	16	5	2	23
At 31 December 2021	12,390	934	3,859	17,183
At 1 January 2022	12,390	934	3,859	17,183
Charge for the year	1,636	67	330	2,033
Disposals	-	(4)	(2,770)	(2,774)
Exchange movements	276	41	46	363
At 31 December 2022	14,302	1,038	1,465	16,805
Net book value				
At 31 December 2022	4,152	27	523	4,702
At 31 December 2021	5,493	89	423	6,005

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

11. Property, plant and equipment (continued)

Buildings and office equipment of the group include the following amounts where the group is a lessee:

	2022	2021
	£'000	£'000
Cost		
Buildings	16,887	16,338
Office equipment	310	308
	<u>17,197</u>	<u>16,646</u>
Accumulated depreciation and impairment		
Buildings	12,950	11,207
Office equipment	234	207
	<u>13,184</u>	<u>11,414</u>
Net book value		
Buildings	3,937	5,131
Office equipment	76	101
	<u>4,013</u>	<u>5,232</u>

The minimum lease payments owed by the group are presented in note 19.

At 31 December 2022 the group has no commitments to additional leases above the amounts disclosed in note 9 (2021: none).

Company

The company has no property, plant and equipment (2021: none).

The company has no amounts committed to capital expenditure at 31 December 2022 (2021: none).

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

12. Investments

Company

	2022 £'000	2021 £'000
Cost and net book value		
At 1 January	-	-
Reversal of impairment of investment	1,540	-
At 31 December	<u>1,540</u>	<u>-</u>

Subsidiary undertakings

The company had the following subsidiaries at 31 December 2022 and 2021:

Company name	Country of incorporation	Principal activity	Class of share	Holding %
Audley Travel Group Limited	United Kingdom	Tour operator	Ordinary	100
Audley Travel US, Inc.	United States of America	Tour operator	Ordinary	100
Audley Travel Services	United Kingdom	Dormant	Ordinary	100
Boketto Bidco Limited+	United Kingdom	Holding company	Ordinary	100

+ Held directly by Boketto Newco Limited.

The registered address of the companies incorporated in the United Kingdom is New Mill, New Mill Lane, Witney, Oxfordshire, OX29 9SX.

The registered address of Audley Travel US, Inc. is 77 North Washington Street, 6th Floor, Boston, MA 02114.

The company tests the value of its financial assets annually for impairment or more frequently if there are indications that they may be impaired. For fellow group company assets, the recoverable amounts of the cash generating units (CGUs) are determined from value in use calculations and assessment of the net realisable value of the groups CGUs. Two CGUs have been identified (the two trading subsidiaries of Boketto Bidco Limited, Audley Travel Group Limited and Audley Travel US, Inc.).

The tests carried out at the end of December 2022 indicate that there is now no impairment in the carrying value of investments in subsidiaries in 2022. Accordingly, an impairment provision of £1,540k has been reversed to restore the book value of the financial asset (2021: £nil).

The key assumptions of the value in use calculation are the discount rates, the growth rates and the cash flow forecasts. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the group.

The detailed cash flow forecasts are derived from the most recent financial budgets approved by management for the next five years and assumes a growth rate applied into perpetuity of 2.0% (2021: 2.0%). The growth rates are based on the group's four year forecast and after excluding future profits from future capital expenditure.

The rate used to discount the forecast cash flows of both CGUs is a discount rate of 13.7% (2021: 11.4%).

A sensitivity analysis on the value of the investments has also been conducted and the directors have concluded that there are no reasonable foreseeable scenarios which would give rise to an impairment in the carrying value.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

13. Financial instruments

Financial instruments by category

The carrying values of the group's financial assets and liabilities are summarised by category below:

	2022 £'000	2021 £'000
Financial assets		
Financial assets at amortised cost:		
• Cash and cash equivalents (note 16)	80,171	65,238
• Trade and other receivables (note 15)	9,275	5,543
Derivative financial instruments:		
• Used for hedging (note 14)	2,603	1,357
	<u>92,049</u>	<u>72,138</u>
Financial liabilities		
Financial liabilities at amortised cost:		
• Borrowings (note 19)	177,858	178,979
• Trade and other payables (note 17)	100,664	89,200
• Accruals (note 17)	8,027	5,401
Derivative financial instruments:		
• Used for hedging (note 14)	1,165	1,147
	<u>287,714</u>	<u>274,727</u>

The maturity analysis for borrowings is on page 50 and the trade payables and accruals are all payable within 1 year.

The carrying values of the company's financial assets and liabilities are summarised by category below:

	2022 £'000	2021 £'000
Financial assets		
Financial assets at amortised cost:		
• Trade and other receivables (note 15)	312,761	227,998
	<u>312,761</u>	<u>227,998</u>
Financial liabilities		
Financial liabilities at amortised cost:		
• Trade and other payables (note 17)	101,252	88,555
	<u>101,252</u>	<u>88,555</u>

The group's exposure to various risks associated with the financial instruments is discussed in the strategic report. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

13. Financial instruments (continued)

Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. All trade receivables are with counter parties without an external credit rating.

The group does not provide services to its customers until full payment has been received. The group's clients also typically fall within strong socioeconomic groups. Trade receivables have therefore been treated as one group, which is considered to have a very low credit risk associated with it. An analysis of overdue trade receivables is presented in note 15.

The counter parties of the derivative financial assets and liabilities are financial institutions with credit ratings between Baa2 to A1. (2021: Baa3 to A1)

Both the forward contracts and the interest rate swap are valued by external valuation experts at each year end.

The group's income, expense, gains and losses in respect of financial instruments are summarised below:

	2022 £'000	2021 £'000
Interest income and expense		
Total interest income for financial assets at amortised cost	1,493	31
Total interest expense for financial liabilities at amortised cost	(10,818)	(8,350)
Fair value gains and losses		
On derivative financial instruments measured at fair value through the income statement	299	1,239
On derivative financial instruments measured at fair value through other comprehensive income	929	21

14. Derivative financial instruments

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

Group	Foreign currency contracts £'000	Interest rate swap £'000	Total £'000
Opening balance at 1 January 2021	(389)	(661)	(1,050)
Change in fair value of hedging instrument recognised in OCI	21	-	21
Change in fair value of hedging instrument recognised in the income statement	(81)	1,320	1,239
Closing balance at 31 December 2021	(449)	659	210
Change in fair value of hedging instrument recognised in OCI	929	-	929
Change in fair value of hedging instrument recognised in the income statement	111	188	299
Closing balance at 31 December 2022	591	847	1,438

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

14. Derivative financial instruments (continued)

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

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

The floating to fixed interest rate swap was taken out by the group to hedge part of the senior debt drawn down. The arrangement will expire in 2023. The fair value of the swap is valued using a valuation model using quoted inputs.

Forward foreign currency contracts

The following table details the forward foreign currency contracts outstanding as at the year end.

	2022	2021
	£'000	£'000
Notional value	70,907	66,462
Fair value	591	(449)

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

Interest rate swap

The floating to fixed interest rate swap was taken out to hedge part of the senior debt and matures on 31 March 2023. It is accounted for as a cash flow hedge and has an average contract fixed interest rate of 0.3953% (2021: 0.3953%).

	2022	2021
	£'000	£'000
Notional value	100,000	100,000
Fair value	847	659

Company

The company has no derivative financial instruments (2021: none).

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

15. Trade and other receivables

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Trade receivables	241	-	227	-
Other receivables	6,434	-	3,493	-
Prepayments	14,555	-	7,790	-
Amounts due from group undertakings	2,600	312,761	1,823	227,998
	<u>23,830</u>	<u>312,761</u>	<u>13,333</u>	<u>227,998</u>
Corporation tax receivable	244	-	231	-
	<u>24,074</u>	<u>312,761</u>	<u>13,564</u>	<u>227,998</u>

In the consolidated group accounts the amounts owed by group undertakings is interest free and repayable on demand, in the prior year these balances were reduced by a provision of £577k. (see note 5)

Age analysis of trade receivables

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Current	-	-	-	-
Overdue	241	-	227	-
	<u>241</u>	<u>-</u>	<u>227</u>	<u>-</u>

Amounts are presented after impairment provisions of £69k (2021: £199k).

Current trade receivables are classified as amounts outstanding from customers pre departure date, whilst overdue receivables are classified as amounts outstanding post departure date.

The carrying amounts of trade receivables are denominated in the following currencies:

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
GBP	180	-	12	-
USD	14	-	169	-
CAD	3	-	34	-
EUR	44	-	12	-
	<u>241</u>	<u>-</u>	<u>227</u>	<u>-</u>

Boketto Newco Limited**Annual report and financial statements for the year ended 31 December 2022****Notes to the financial statements (continued)
for the year ended 31 December 2022****16. Cash and cash equivalents**

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Current				
Cash at bank and in hand	70,171	-	55,238	-
Non-current				
Restricted cash	10,000	-	10,000	-
Cash and cash equivalents	80,171	-	65,238	-

In April 2022, the Civil Aviation Authority ("CAA") granted the annual renewal of Audley Travel Group Limited's ATOL licence. As a condition of granting the licence, £10,000k (2021: £10,000k) was restricted from use until the next annual renewal in March 2023. As per note 21, management expect to renew the ATOL licence on similar terms and conditions as currently agreed with the CAA, and therefore expect the restrictions on use to continue for the foreseeable future.

Cash and cash equivalents are subject to interest at floating rates. The credit quality of the financial institutions where the cash and cash equivalents are held are all rated by Moody's as between Aa3 to AAAM.

17. Trade and other payables

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Trade payables	2,131	-	3,176	-
Other payables	201	-	560	-
Payroll tax and other statutory liabilities	837	-	722	-
Accruals	8,027	-	5,401	-
Pension payable	247	-	179	-
Amounts owed to other group undertakings	97,247	101,252	84,563	88,555
	108,690	101,252	94,601	88,555
Corporation tax payable	-	-	68	-
	108,690	101,252	94,669	88,555

At the 31 December 2022 the total amount owed on priority loan notes to a group undertaking was £97,247k (2021: £84,563k).

All other amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

The group operates a defined contribution scheme and the contributions are charged to the profit and loss account. The contributions charged in the year amounted to £1,267k (2021: £1,077k) with unpaid contributions at 31 December 2022 of £247k (2021: £179k).

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

18. Contract liabilities

Group

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

	2022	2021
	£'000	£'000
Current	104,214	68,594
Non-current	13,698	18,953
	117,912	87,547

Revenue of £127k was recognised in 2022 relating to brought forward contract liabilities (2021: £2,688k). No revenue was recognised in the year relating to performance obligations satisfied in a prior year (2021: nil).

Contract liabilities started to increase at the year-end as the confidence to travel increased with the Covid-19 pandemic starting to recede.

Company

The company has no contract liabilities (2021: nil).

19. Borrowings

Group

	2022	2021
	£'000	£'000
Non-current		
Senior debt (Facility A)	41,000	41,000
Senior debt (Facility B)	133,000	133,000
Capitalised costs of raising senior debt	(646)	(1,286)
Lease liabilities	3,111	4,652
	176,465	177,366
Current		
Capitalised costs of raising senior debt	(642)	(642)
Lease liabilities	2,035	2,255
	1,393	1,613

Further information relating to loans from related parties is set out in note 26.

On 21 December 2021 the group increased its Facility A and Facility B loans by £10m and £5m respectively. The increase in Facility A was a substantial modification according to IFRS9. As a result of this the original amortised issue costs of £417k were expensed to finance costs. Costs of £240k were incurred in arranging and issuing the increase to Facility A and are being amortised over the terms of the instrument. Facility A carries variable interest at SONIA plus no more than 4.0%, dependent on the total net leverage ratio of the company (2021: SONIA plus no more than 4.0%). Facility A is repayable on 30 September 2024. Facility B carries variable interest at SONIA plus no more than 4.5%, dependent on the total net leverage ratio of the company (2021: SONIA plus no more than 4.5%). Facility B is repayable on 31 January 2025. To secure these borrowings, the group granted a fixed and floating charge over all the assets of Audley Travel US, Inc., Boketto Bidco Limited and the company.

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

19. Borrowings (continued)

The directors consider that the carrying amount of borrowings approximates to their fair value. The carrying amounts of the group's borrowings are denominated in Pounds Sterling, with the exception of some lease liabilities, which are denominated in United States Dollars.

Senior debt (net of issue costs)

	2022	2021
	£'000	£'000
Between one and five years	173,354	172,714
	173,354	172,714
On demand or within one year	(642)	(642)
	172,712	172,072

Lease liabilities

	2022	2021
	£'000	£'000
Commitments in relation to leases are payable as follows:		
Within one year	2,155	2,297
Later than one year but not later than five years	3,267	4,701
Later than five years	-	332
	5,422	7,330
Minimum lease payments		
Future finance charges	(276)	(423)
	5,146	6,907
The present value of lease liabilities is as follows:		
Within one year	2,035	2,255
Later than one year but not later than five years	3,111	4,339
Later than five years	-	313
	5,146	6,907

There are no renewal or purchase options (2021: nil), and no contingent rentals were paid during the year (2021: nil).

Company

The company has no borrowings (2021: none).

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

20. Deferred tax

Group

Deferred tax is recognised as follows:

	2022	2021
	£'000	£'000
Accelerated capital allowances	(472)	(355)
Short term trading timing differences	(231)	(3,398)
Recognised on acquired intangible assets	10,464	8,691
Recognised regarding corporate interest restriction	(3,134)	-
Losses	(16,447)	(12,338)
Deferred tax asset	(9,820)	(7,400)

Reconciliation of deferred tax movement:

	2022	2021
	£'000	£'000
At 1 January	(7,400)	3,627
Accelerated capital allowances	(117)	(78)
Short term trading timing differences	3,167	(3,704)
Recognised on acquired tangible assets	1,773	(5)
Recognition of losses	(4,109)	(7,240)
Recognised on corporate interest restriction	(3,134)	-
At 31 December	(9,820)	(7,400)

The group has unrecognised deferred tax assets relating to carried forward interest expenses of £1,557k and Corporate Interest Restriction of £2,665k (2021: £2,246k and £5,837k).

Company

The company has no recognised or unrecognised deferred tax liabilities or assets (2021: none).

21. External regulatory requirements & contingent liabilities

Audley Travel Group Limited, a subsidiary of the group currently holds an Air Travel Organisers' Licence ('ATOL') issued by the CAA and is an accredited agent of the International Air Transport Association ('IATA').

In order to offer air inclusive package holidays, Audley Travel Group Limited requires the annual renewal by the CAA of its ATOL licence. The CAA awards this on the basis of meeting agreed financial criteria and renews this in March (effective 1 April) each year. Audley Travel Group Limited has complied with these requirements during the years presented in these financial statements, and subsequent to 31 December 2021 to the date of signing these financial statements. The directors see no reason why the ATOL licence will not be renewed in April 2021 on substantially the same terms and conditions as currently agreed with the CAA.

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

As at 31 December 2021, there were contingent liabilities in respect of counter indemnities and guarantees given by the group, in the normal course of business, to banks in respect of CAA bonds amounting to £20,000k (2021: £20,000k), and a commitment to a revolving credit facility amounting to £2m (2021: £2m).

There are no other material contingent liabilities (2021: none).

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

22. Share capital and share premium

Ordinary shares of £0.01 each Authorised		2022 Number	2021 Number
At 1 January		154,029,285	154,029,285
At 1 December		<u>154,029,285</u>	<u>154,029,285</u>

Called up, allotted and fully paid Ordinary shares of £0.01 each	Number of shares	Par value £,000	Share premium £'000	Total £000
Opening balance 1 January 2021 and 31 December 2021	154,029,285	1,540	171,669	173,209
Closing Balance 31 December 2022	<u>154,029,285</u>	<u>1,540</u>	<u>171,669</u>	<u>173,209</u>

23. Reserves

Accumulated losses includes the cumulative results for the group to date.

Movement in other reserves in the year is as follows:

	FX on translation £'000	Hedging reserve £'000	Total £'000
At 1 January 2021	790	83	873
Foreign exchange difference	(479)	-	(479)
Movement in cash flow hedges	-	21	21
Tax on movement in cash flow hedges	-	(249)	(249)
At 31 December 2021	<u>311</u>	<u>(145)</u>	<u>166</u>
At 1 January 2022	311	(145)	166
Foreign exchange difference	(2,903)	-	(2,903)
Movement in cash flow hedges	-	929	929
Tax on movement in cash flow hedges	-	(13)	(13)
At 31 December 2022	<u>(2,592)</u>	<u>771</u>	<u>(1,821)</u>

The foreign exchange reserve includes the foreign exchange gains or losses arising on the consolidation of Audley Travel US, Inc.

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

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

24. Cash generated used in operations

	2022	2021
	£'000	£'000
Operating profit/(loss)	2,953	(49,070)
Depreciation of property, plant & equipment	2,033	2,385
Reversal of impairment of group company balance	(577)	-
Profit on disposal of property plant and equipment	5	-
Amortisation of intangible assets	6,130	6,607
(Increase)/decrease in trade and other receivables	(9,161)	920
Increase in trade and other payables	997	484
Increase in contract liabilities	26,303	11,190
Cash used in operations	28,683	(27,484)

25. Share-based payments Group

During the year, B shares in the company's ultimate parent were awarded to employees of the group. The B shares represent 'sweet' equity and receive dividends in preference to other classes of ordinary shares and a return on capital.

	2022	2021
	Number	Number
Shares issued:		
B ordinary shares of £0.01 each	16,420	46,110

The B shares in the company were awarded to employees of the group from the group's employee benefit trust (EBT). These shares represent 'sweet' equity and receive dividends in preference to other classes of ordinary shares and a return on capital in accordance with the waterfall mechanism in the schedule to the articles of association. The shares were issued at fair value and consequently the share based payment charge has been calculated as £nil.

Company

There was no charge to the company in the year (2021: £nil).

Boketto Newco Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements (continued) for the year ended 31 December 2022

26. Related party transactions

Loan notes

Priority loan notes issued from immediate parent company

	2022 £'000	2021 £'000
Balance at 1 January	84,563	51,151
Loan notes issued	-	25,000
Interest charged	12,684	8,412
Balance at 31 December	97,247	84,563

The outstanding loan notes carry non-cash interest at a fixed rate of 15% and mature on 1 October 2025 and 5 November 2025

Transactions with directors and key management personnel

Employee loans

	2022 £'000	2021 £'000
Balance at 1 January	320	313
Loans advanced	-	-
Interest charged	5	7
Balance at 31 December	325	320

The loans are repayable at various dates including, 23 May 2023, 31 January 2026, 30 June 2026 and a date linked to the sale of preference shares. Interest accrues on the balance of the loans at an annual rate varying from a rate equivalent to the official rate of interest published by HM Revenue & Customs to non-interest bearing.

Consultancy fees

During the year, the group was charged consultancy fees of £67k (2021: £67k) by Solas Partnership Limited, a limited company of Richard Prosser (director of the company). At the year end, the group owed £6k (2021: £6k) to Solas Partnership Limited.

27. Ultimate controlling party

The company is a subsidiary undertaking of Boketto Midco 3 Limited. The ultimate controlling party is Boketto Holdco Limited, incorporated in England and Wales, which is the largest group in which the results of the company are consolidated. The consolidated financial statements of this group are available to the public and may be obtained from New Mill, New Mill Lane, Witney, Oxfordshire, OX29 9SX.