Travel Counsellors Limited

Annual Report and Financial Statements

Year Ended

31 October 2020

Company Number 02133414

Travel Counsellors Limited

Company Information

Directors	S Byrne E A Crosier K Hughes K Morris
Registered number	02133414
Registered office	Venus No1 Old Park Lane Trafford City Manchester England M41 7HA
Independent auditor	Deloitte LLP The Hanover Building Corporation Street Manchester M4 4AH
Bankers	Lloyds Bank 46-48 Market Street Manchester M1 1PW

Travel Counsellors Limited

Contents

The directors present their strategic report together with the audited financial statement for the year ended 31 October 2020.

Principal activity

The principal activity of the Company is the provision of a technology platform, travel content and other services to self-employed travel professionals and independent travel businesses on a franchise basis, who in turn provide holidays and corporate travel services to the public and to businesses.

Key performance indicators

	2020 £000	2019 £000	Movement £000	Movement %
Total transaction value (TTV)	**168,050**	**472,137**	(304,087)	(64.4)
Revenue	**103,450**	**244,739**	(141,289)	(57.7)
Gross profit	**13,975**	**37,879**	(23,904)	(63.1)
(Loss)/profit before tax	**(9,648)**	**11,842**	(21,490)	(181.5)
Adjusted EBITDA*	**(2,868)**	**18,691**	(21,559)	(115.3)
Employee numbers (average)	**304**	**306**	(2)	n/a

*Defined as EBITDA plus Trust Income, being the interest received from funds held in trust accounts, less exceptional items.

Business review

The Company was making excellent progress against both its budget and growth forecast prior to the outbreak of COVID-19, and because of this good progress, we are well placed to capitalise on the inevitable structural changes as the market normalises post pandemic. We have already seen a shift in the market as our customer book more 'staycation' holidays in order to get a vacation booked during the year ended October 2020.

The flexibility and asset light nature of our business model together with our trust account protection for customers positions us well to see through the COVID-19 disruption and prosper when normal market conditions return.

The Company had organised package holidays for customers which have, or will be cancelled due to airspace closures, cancelled flights, government advice and/or travel regulations. As a consequence, the performance of the Company has been significantly impacted resulting in sharp falls in both total transaction value and revenue.

As a result of the devastating impact of the COVID-19 pandemic on the travel and leisure industry, the Company has seen all of its KPIs severely impacted, with Total Transaction Value ("TTV") being 64% lower than the prior year at £168.1m (2019: £472.1m) and revenue, being the commission we earn as an agent and the business we transact as principal, declining by 58%, to £103.5m (2019: £244.7m), with the resulting gross profit for the year being £14.0m (2019: £37.9m). Furthermore, as a result of the changing economic conditions brought on by the COVID-19 pandemic, the Company has recorded a pre-tax loss of £(9.6)m (2019 profit: £11.8m).

EBITDA, the key measure of profitability in the business adjusted for trust income and exceptional items, was a loss of £2.9m (2019: profit of £18.7m). Average employee numbers remained broadly flat, as whilst the Company completed a cost reduction programme involving a reduction in headcount, this was done in October at the end of the financial year.

Principal risks and uncertainties

The following risks and uncertainties may affect the Company's operating results and financial position.

COVID-19 risk – The COVID-19 pandemic has developed rapidly in 2020 and into 2021. The resulting impact of the virus on the operations and measures taken by various governments to contain the virus have negatively affected the Company's and by extension, the Group's (of which the Company is a member) results in the reporting period.

The currently known impacts of COVID-19 on the business are:

- **Customer sentiment** – customers have been less willing to or are unable to confirm travel plans because of uncertainty over travel restrictions
- **Cancellations** – severe travel restrictions to control the spread of the virus have prevented many customers from fulfilling travel plans, resulting in cancellations or rebookings
- **Merchant service provider availability** - across the industry, providers have begun to look at either requesting increased amounts of security or/and increasing fees. As a result, the business is reviewing its merchant service acquirer services.

Other risks to trading and recovery are under close review and include:

- **Travel Counsellor retention** – Travel Counsellors as independent business owners may be unable to continue in operation for an extended time with no or limited earnings and may seek other forms of income
- **Travel Counsellor recruitment** – The demand from potential Travel Counsellors to join the platform may reduce, particularly amongst those considering a move into the travel industry
- **Supply chain** – failure of some suppliers is likely, reducing options available for Travel Counsellors to meet customer needs. Other suppliers may look to negotiate less favourable terms, or seek forms of security due to the increased risk profile of the industry and access to insurance

These impacts are mitigated by the Company's strong liquidity position ahead of the crisis, including that provided by the Company's ringfenced trust accounts of consumer funds, the Company's flexible low fixed cost and asset light business model; and the flexible structure of the Company's banking facilities.

The Company has a long-standing history of protecting customer and supplier monies via its ring-fenced trust accounts and is not reliant on customer money to fund working capital. The Company is therefore well positioned to manage the process of cancellations and customer refunds without a material impact on working capital.

In response to the impacts and risks, the business has taken the following actions:

- we have obtained from our lenders a covenant waiver and amendment on our debt facilities for a period of at least 12 months from the date of signing of the financial statements;
- we have significantly reduced the cost run-rate of the business by reducing headcount and restructuring the business;
- we have exited the Australian market where long-term financial viability was uncertain;
- we have drawn-down on the Revolving Credit Facility from our lenders;
- we have received a capital injection of £18.5m from our shareholders; and
- we have commenced negotiations with merchant service providers.

These significant measures have been quantified and used in various trading scenarios for the purposes of the Company's finance planning.

Principal risks and uncertainties (continued)

Market risks - the travel market is affected by external factors, including the economic environment, extreme weather events, acts of war and terrorism, and virus outbreaks (such as SARS-CoV-2 that has led to the COVID-19 pandemic, see 'COVID-19 risk' above). All of these external factors can have an impact on business volumes. The Company manages this risk by maintaining a low fixed cost base, offering a diverse range of products and destinations, and ensuring that its Travel Counsellors are well trained and informed, enabling them to provide good advice to their clients.

Commercial risks – the Company operates in a competitive environment in which buying habits and distribution channels are evolving over time. The potential impact of changes in the market is mitigated by a diverse range of products, the high service levels provided to the Travel Counsellors by the Company, the value added by the Travel Counsellors, the strong, long-term client relationships the Company encourages them to develop and maintain, and the flexibility derived from acting as principal as well as agent.

Foreign currency risk – the Company takes on transactional currency exposures relating to the cost of foreign currency denominated product (principally accommodation). This exposure primarily relates to the Sterling:Dollar and Sterling:Euro exchange rates. The Company manages this risk by buying foreign currency to match requirements as they are generated by bookings. In periods of heightened volatility, the Company mitigates currency risk using currency options.

Regulatory environment – the travel industry is highly regulated, and the Company must comply with regulatory requirements to remain in business. The Company seeks to manage the associated risk by constantly monitoring regulatory changes, regular dialogue with the regulators and adapting the business model, operating processes and terms of trade where necessary.

Liquidity and cashflow risk – the Company manages this risk by operating trust accounts for client receipts and supplier payments, ensuring customer balances are received before cancellation costs start to accrue, maintaining accurate cash forecasts, and ensuring reasonable levels of cash and covenant headroom to accommodate any unforeseen requirements. Management continues to closely monitor its cash reserves, as any continued disruption to international travel caused by the COVID-19 pandemic would have a negative impact on the Company's ability to meet it's liabilities. The Company has cash holding of £62.4m (2019: £57.8m), which includes ringfenced trust cash for customers that have already paid. It is the Company's policy to place customer receipts for holidays that have not yet departed within a trust account, which is then used to pay suppliers post departure, or provide customer refunds, as has been the case with the unprecedented level of cancellations that have occurred as a result of the pandemic.

Credit and supplier failure risk – the Company offers credit terms to some corporate clients, exposing it to bad debt risk, and is exposed to the risk of failure of suppliers on itineraries where it acts as principal. The Company manages these risks through its supplier payment terms and by obtaining credit, airline-failure, and supplier-failure insurance cover against the residual exposure. Due to the sudden decline in travel, as a result of the COVID-19 pandemic, Travel Counsellors would have been paid commissions for bookings that were subsequently cancelled, resulting in the funds being due back to the business and there is a risk that with the uncertainty still existing in the travel industry that the funds will not be recovered. The business has put in place reporting metrics to monitor and report on the level of outstanding debt and has now since changed its commissions payment cycle which will aid to mitigate this risk going forward.

Principal risks and uncertainties (continued)

Cyber security – the Company operates in a digital environment, exposing it to criminal risk from individual and organised electronic activities. The Company manages these risks by following best practice security procedures, using 3rd party security organisations and reducing where possible the storage and transmission of sensitive information. The Company's legal and IT security teams continue to monitor ongoing compliance with data protection laws.

Health and safety risk – when arranging travel as principal, the Company takes on the risk of health and safety issues arising from the product sold. The Company mitigates this risk by employing dedicated health and safety resource, utilising 3rd party health and safety audit information in approving product for sale and obtaining tour operator insurance cover. The Company is OHSAS18001 accredited.

Package travel directive risk – the updated Package Travel Directive (PTD) came into effect in the UK in July 2018 and the Company has considered the impact on its business. The PTD updates European package holiday legislation with the aim of clarifying and modernising the scope of travellers' protection. The primary impact is to extend the Company's legal, regulatory and financial obligations in respect of contract performance, health and safety, and flight cancellations to a wider range of bookings. By virtue of its existing tour operating activity, the Company already has systems, processes and insurance in place to ensure it can fulfil these obligations, but these processes and insurance arrangements have been reviewed and updated to ensure they cover the additional bookings now benefiting from legal and regulatory protection.

Brexit risk – the Company has considered the impact of Brexit on its business now that the UK has fully left the EU and the Directors are satisfied that to date, the Company has not been materially affected and as such do not consider Brexit to be a significant risk to the future trading and profitability of the business. Key areas identified in previous reviews have also been severely affected by the COVID-19 pandemic, and may still prove to have a knock-on impact on the future trading and profitability of the business. These areas are all covered in the preceding paragraphs.

Future developments

The Company's core strategic focus – attracting more Travel Counsellors to our platform, supporting them in growing their businesses and in delivering a superior personal service to customers – is proven to deliver revenue and profit growth, which remains unchanged. Notwithstanding the uncertain long-term impacts on travel behaviour as a result of COVID-19, the Company is well positioned strategically to address the underlying long-term trends in the leisure and business travel sector and the wider economy. The forward earnings visibility afforded by the lead time from booking to departure, strong potential for further growth in Travel Counsellor franchisee numbers, and the reliable track record of new Travel Counsellors developing their businesses provides a good degree of confidence in long term growth prospects.

We strongly believe that our customers are eager to get back to travelling and enjoying holidaying again, which has led to a large pent-up demand for holidays again. The business and our Travel Counsellors have used this pandemic to strengthen its position within the industry and potential customers are now more than willing to depend on trusted travel advice during these uncertain travel times.

Core customers and clients are relatively premium, make complex trips and value convenience and travel outcomes above price. Travel Counsellor franchisees have the freedom to run their business in the way that best suits their own talents, aspirations and lifestyle. They build long term relationships with customers, sourced from their own network or from referrals, and provide those customers with a high touch, personalised service that drives high repeat rates. The Company's asset, labour and marketing-light operating model is highly scalable, and the personal relationships franchisees create with their customers are increasingly enhanced through digital technologies. The business model, over time, will continue to strengthen with investment in the platform by the company in digital technology and advanced analytics, enabling delivery of more effective tools and support to Travel Counsellor business owners, that enhances their productivity and augments the close relationships they foster with their customers and clients.

Directors' statement of compliance with duty to promote the success of the Company

The Directors are aware of their duty under Section 172 (1) of the Company Act 2006, to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequence of and decisions in the long-term
- The interest of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct

In discharging their s.172 (1) duties the Directors have had regard to the factors set out above, as well as other factors relevant to the decisions being made. By keeping true to our brand promise of 'with us, it's personal', the Board aims to ensure that the decisions made are consistent and intended to promote the Company's long-term success.

The consequences of decisions in the long term

The Company operates in an industry that is very dynamic and fast-moving and the Board appreciates the need to remain agile in order to respond to opportunities or emerging issues as they present themselves. The Directors fulfil their duties through a governance framework that delegates day-to-day decision-making to management of the Company, which reflects the highly regulated environment in which the Company operates. Nevertheless, the Board is mindful that many decisions will have a long-term impact, and that a number of its contractual commitments will remain with the Company for many years to come. The Board is able to also draw on the wealth of experience and awareness of senior employees within the Company, who have many years of experience and truly understand the impact of decisions in the longer term, to assist in high quality and consistent outcomes.

High standards of business conduct

The Board recognises the importance of corporate governance and believes that modern slavery and human trafficking are significant global issues presenting a challenge for businesses worldwide and has committed to continually reviewing its practices to combat slavery and human trafficking. The Board has a zero-tolerance approach to modern slavery and is committed to ensuring that its group companies act ethically and with integrity in their business dealings. Further details on the Company's Modern Slavery Statement can be found on the Company's website: http://mediaserver.travelcounsellors.co.uk/HOC/MSAStatementFY18-19.pdf

The Company manages its tax affairs responsibly and seeks to build constructive relationships with all tax authorities across the various countries in which it operates and does so by engaging with local tax experts in each area, to ensure compliance and accuracy of reporting.

The Board expects all of its colleagues to observe the high standards contained within the Company's policies in relation to bribery and corruption, data protection, equality, diversity and inclusion, IT security, fraud and whistleblowing, each of which is reinforced through appropriate training.

Acting fairly between members of the Company

The Board recognises its legal and regulatory duties and does not take decisions or actions, such as selectively disclosing confidential or inside information that would provide any shareholder with an unfair advantage. The Board is fairly represented by members of all the different class of shareholders.

Directors' statement of compliance with duty to promote the success of the Company (continued)

Our key stakeholders and how we engage with them

The Directors consider the Company's key stakeholders to be its employees, its customers, its suppliers and its shareholders.

Stakeholders	Stakeholder key interests	How we engage
Employees		
The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the the Company.	Our employees are interested in: • Training and development • Career progression • Reward and recognition • Engagement • Health and safety • Respect	• Regular internal communications • Training and feedback • Identifying and progressing talented individuals • Briefings and events • Colleague conference
Customers		
We put our customers first and always aim to do the right thing. We focus on building trust and loyalty with our customers by getting to know them personally. This forms strong relationships that last long after the booking. The Company places considerable value on its interaction with the Travel Counsellors, as they are the core of what makes the Company 'tick'.	• Efficient booking process • Transparent pricing • Helpdesk support • New and exciting packages and destinations • Clear and timely communication	• Mobile / app technology • Regular communications • Training and feedback • Briefings and events • Annual conferences • Dedicated Travel Counsellors TV • Social media
Suppliers & partners		
Our suppliers are the key to having high quality products available for our customers, and we have developed very close relationships over many years of relationship building.	• Long-term relationships • Growth • Profitability of trade relationship • Responsible procurement and trust	• Regular calls with key suppliers • Regular updates with key account managers • Shared issue resolution approach • Sharing key data to allow a smooth flow of business activity • Regular commercial conversations to support a profitable trade relationship

Directors' statement of compliance with duty to promote the success of the Company (continued)

Stakeholders	Stakeholder key interests	How we engage
Shareholders		
The confidence of our shareholders is key to delivering our strategy as access to capital may be required to the long-term performance of our business. Our ultimate shareholders, through our parent company, are in regular communication with the Board.	• Financial performance • Governance and transparency • Operating and financial information • Confidence and trust in the Group's leadership team	• Monthly management reporting • Investor board meetings • Direct access to members of the Executive committee • Annual Report
Regulators		
The Civil Aviation Authority (CAA) oversees the Air Travel Organisers' Licensing (ATOL) scheme which protects customers in the event of a travel company failure. We comply with the ATOL regulations and engage with the CAA to maintain a constructive and trusted relationship. There are other aspects of our business that have oversight by regulators, for example, the ICO (Information Commissioner's Office) regulates compliance with privacy laws and there are also various consumer rights regulated by bodies such as Competition Markets Authority and the Advertising Standards Authority.	• Our regulators expect us to meet relevant legal requirements and to treat our customers and employees and other stakeholders in a fair way. • Responding in a timely and constructive manner. • Open dialogue and collaborative approach	• We engage with some regulators, such as the CAA on a more regular basis. We engage through reporting, audits and direct consultation. • Engagement has increased in frequency during the COVID-19 pandemic. • We also engage with the CAA and the wider travel community at industry meetings.

Directors' statement of compliance with duty to promote the success of the Company (continued)

Stakeholders	Stakeholder key interests	How we engage
Communities and society		
We are a business that puts people at its heart and that includes how we support our people, customers and our wider communities, both in which we live and in which we send our customers to every day . As a fast-growing travel business, it's our duty to make sure we operate in a responsible way and ensure our only impact is a positive one.	• Ethical businesses managed responsibly • Building partnerships that support and create positive impact and outcomes for society • Environmental impact • Source of future employment and opportunities	Our approach to sustainability is to educate our people and customers around the importance of responsible travel, introducing more sustainable practices across the business, and identifying and signposting sustainable products and ancillaries to customers. This includes partnering with the Travel Foundation to support the charity's worldwide research and destination projects, which aim to measure and manage the impacts of tourism, working with us to roll out bespoke training programmes for our internal network and advising on the most impactful approaches to ensuring our people and customers have the insight and ability to make sustainable choices.

This report was approved by the board on 7 May 2021 and signed on its behalf.

Steve Byrne

S Byrne
Director

Directors' Report
For the Year Ended 31 October 2020

The directors present their report together with the audited financial statements for the year ended 31 October 2020.

The Company's risks and uncertainties as well as an indication of the likely future plans and developments of the Company are presented within the strategic report.

Results and dividends

The results of the year's trading and the financial position of the Company are shown in the annexed financial statements.

During the year, no interim dividend was paid to the parent company (2019 - £Nil). The directors do not recommend the payment of a final dividend in respect of ordinary shares (2019 - £Nil).

Research and development

During 2020 the Company spent £Nil (2019 - £713,000) on research and development that was included within the Statement of Comprehensive Income and £1,554,000 (2019 - £2,859,000) on development that has been capitalised within intangible fixed assets. This is the research and development on the Company's internal systems.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk: The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Credit risk
The Company offers credit terms to some corporate clients, exposing it to bad debt risk, and is exposed to the risk of failure of suppliers on itineraries where it acts as principal. The Company manages these risks through its supplier payment terms and by obtaining credit, airline-failure, and supplier-failure insurance cover against the residual exposure. Due to the sudden decline in travel, as a result of the COVID-19 pandemic, Travel Counsellors would have been paid commissions for flights that were subsequently cancelled, resulting in the funds being due back to the business and there is a risk that with the uncertainty still existing in the travel industry that the funds will not be recovered. The business has put in place reporting metrics to monitor and report on the level of outstanding debt and have now since changed its commissions payment cycle which will aid to mitigate this risk going forward.

Cashflow and liquidity risk
The Company manages this risk by operating trust accounts for client receipts and supplier payments, ensuring customer balances are received before cancellation costs start to accrue, maintaining accurate cash forecasts, and ensuring reasonable levels of cash and covenant headroom to accommodate any unforeseen requirements. Management continues to closely monitor its cash reserves, as any continued disruption to international travel caused by the COVID-19 pandemic would have a negative impact on the Company's ability to meet it's liabilities.

Directors

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

S Byrne
E A Crosier (appointed 2 September 2020)
K Hughes
K Morris
S A Shaw (resigned 31 December 2019)

Qualifying third party indemnity provisions

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

Going concern

The directors have prepared the financial statements on the going concern basis having concluded that the Company has access to adequate resources to continue in operational existence for the foreseeable future. The Company is part of the Cannes Topco Group (the 'Group') and in forming their conclusion on going concern, the directors have taken into account the Group's and Company's current levels of liquidity (including that provided by the Group's ring-fenced trust accounts for consumer funds), the flexible structure of the Group's banking facilities (particularly with regards to potential relief in respect of covenant tests), support of the principal shareholders, and financial modelling based on several factors, assumptions and estimates reflecting the information currently available to the directors. In particular, the Group has a long-standing history of protecting customer and supplier monies via its ring-fenced trust accounts and is not reliant on customer money to fund its working capital.

As discussed in note 2.4 of the financial statements, the COVID-19 crisis represents a material uncertainty for the global travel industry with no historic data to support a recovery timeline for financial planning purposes. At its most severe and long-term, the disruption caused by the unprecedented COVID-19 pandemic could hinder the Group and in turn the Company's ability to generate cash and stay within the financial covenants within the banking facility agreement and within the covenants set by the CAA. Therefore as a result of the material uncertainty at the Group, this in turn creates a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Engagement with suppliers, customers and others

Please refer to the s172 statement in the Strategic Report for details on how the Directors engage with suppliers, customers and other key stakeholders.

Disabled employees

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

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through regular internal communications which are made to all employees to ensure that they are kept well informed of the performance of the Company. The Company seeks to work with each individual employee, enabling them to reach and maximise their potential in the context of their own personal circumstances.

Charitable gifts

Charitable donations of £9,600 (2019 - £55,000) were made during the year.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company has taken the exemption available to subsidiary companies not to disclose information in respect of greenhouse gas emissions, energy consumption and energy efficiency action given this is disclosed in the consolidated financial statements of the ultimate parent company, Cannes Topco Limited.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Events after the reporting period

Since the end of the financial year the Directors of the Group have agreed to settle a legal dispute which has led to a full provision being made in the current financial year.

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006, subject to board approval.

This report was approved by the board on 7 May 2021 and signed on its behalf.

Steve Byrne

S Byrne
Director

Travel Counsellors Limited

Directors' Responsibilities Statement
For the Year Ended 31 October 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent Auditor's Report to the Members of Travel Counsellors Limited

Report on the audited of the financial statements

Opinion on the financial statements

In our opinion the financial statements of Travel Counsellors Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 October 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in the preparation of the financial statements is in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 2.4 in the financial statements, which indicates that the disruption caused by the unprecedented COVID 19 pandemic could hinder the Group and therefore in turn the Company's ability to generate sufficient cash and stay within the financial covenants within the banking facility agreement and within the covenants set by the Civil Aviation Authority.

As stated in note 2.4, these events or conditions, along with the other matters as set forth in note 2.4, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alistair Pritchard FCA

Alistair Pritchard FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom

07 May 2021

Travel Counsellors Limited

Statement of Comprehensive Income
For the Year Ended 31 October 2020

	Note	2020 £000	2019 £000
Total transaction value (TTV)		**168,050**	472,137
Turnover	4	**103,450**	244,739
Cost of sales		**(89,475)**	(206,860)
Gross profit		**13,975**	37,879
Administrative expenses		**(21,348)**	(22,456)
Exceptional administrative expenses	7	**(4,788)**	(743)
Other operating income	5	**1,505**	-
Operating (loss)/profit		**(10,656)**	14,680
Investment impairment	17	**-**	(1,866)
Interest receivable and similar income	11	**1,113**	328
Interest payable and similar charges	12	**(105)**	(1,300)
(Loss)/profit before tax	6	**(9,648)**	11,842
Tax on (loss)/profit	13	**1,634**	(2,594)
(Loss)/profit for the financial year		**(8,014)**	9,248

All income and expenses shown above arose from continuing operations.

There was no other comprehensive income for 2020 (2019 - £Nil).

The notes on pages 20 to 51 form part of these financial statements.

Travel Counsellors Limited
Registered number:02133414

Statement of Financial Position
As at 31 October 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Non-current assets					
Intangible assets	14		**7,568**		8,128
Tangible assets	15		**2,608**		2,926
Right of use asset	16		**2,121**		2,434
Investments in subsidiaries	17		**29**		29
			12,326		13,517
Current assets					
Stocks	18	**122**		209	
Debtors: amounts falling due after more than one year	19	**231**		-	
Debtors: amounts falling due within one year	19	**62,205**		100,875	
Cash at bank and in hand	20	**62,411**		57,819	
		124,969		158,903	
Creditors: amounts falling due within one year	21	**(80,856)**		(110,027)	
Net current assets			**44,113**		48,876
Total assets less current liabilities			**56,439**		62,393
Creditors: amounts falling due after more than one year	22		**(1,818)**		(2,123)
			54,621		60,270
Provisions for liabilities					
Deferred taxation	25		**(1,106)**		(1,351)
Other provisions	26		**(2,610)**		-
Net assets			**50,905**		58,919

Travel Counsellors Limited
Registered number:02133414

Statement of Financial Position (continued)
As at 31 October 2020

	Note	2020 £000	2019 £000
Capital and reserves			
Called up share capital	27	**135**	135
Merger reserve	27	**4,010**	4,010
Profit and loss account	27	**46,760**	54,774
Total equity		**50,905**	58,919

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7 May 2021.

Steve Byrne

S Byrne
Director

The notes on pages 20 to 51 form part of these financial statements.

Travel Counsellors Limited

Statement of Changes in Equity
For the Year Ended 31 October 2020

	Called up share capital	Merger reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 November 2018	**135**	**4,010**	**45,526**	**49,671**
Comprehensive income for the year				
Profit for the year	-	-	**9,248**	**9,248**
Total comprehensive income for the year	-	-	**9,248**	**9,248**
At 1 November 2019	**135**	**4,010**	**54,774**	**58,919**
Comprehensive expense for the year				
Loss for the year	-	-	**(8,014)**	**(8,014)**
Total comprehensive expense for the year	-	-	**(8,014)**	**(8,014)**
At 31 October 2020	**135**	**4,010**	**46,760**	**50,905**

The notes on pages 20 to 51 form part of these financial statements.

1. General information

Travel Counsellors Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is given on the Company Information page and the nature of the Company's operations and its principal activities are set out in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. Amounts presented are rounded to the nearest thousand.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions (continued)

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied on the basis that equivalent disclosures are included in the consolidated financial statements of Cannes Topco Limited. These financial statements do not include certain disclosures in respect of:

- Financial Instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures.

The consolidated accounts of Cannes Topco Limited are publicly available and may be obtained from its registered office at Venus No.1 Old Park Lane, Trafford City, Manchester, England, M41 7HA.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its ultimate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.4 Going concern

The COVID-19 pandemic has developed rapidly in 2020 and into 2021. The resulting impact of the virus on the operations and measures taken by various governments to contain the virus have negatively affected the Cannes Group of Companies, of which the Company is a member, results in the reporting period and up to the current day.

The current known impacts of COVID-19 on the business are:

- **Consumer sentiment** - customers have been less willing to or unable to confirm travel plans because of uncertainty over travel restrictions
- **Cancellations** - severe travel restrictions to control the spread of the disease have prevented many customers from fulfilling travel plans, resulting in cancellations or rebooks
- **Merchant service provider availability** – across the industry, providers have begun to look at either requesting increased amounts of security or/and increasing fees. As a result, the business is reviewing its merchant service acquirer services.

Other risks to trading and recovery are under close review and include:

- **Travel Counsellor retention** - Travel Counsellors as independent business owners may be unable to continue in operation for an extended time with no or limited earnings and may seek other forms of income
- **Travel Counsellor recruitment** - The demand from potential Travel Counsellors to join the platform may reduce, particularly amongst those considering a move into the travel industry
- **Supplier failure** - failure of some suppliers is likely, reducing options available for Travel Counsellors to meet customer needs. Other suppliers may look to negotiate less favourable terms, or seek forms of security due to the increased risk profile of the industry and access to insurance

2. Accounting policies (continued)

2.4 Going concern (continued)

These impacts are mitigated by the Group's strong liquidity position ahead of the crisis, including that provided by the Group's ringfenced trust accounts of consumer funds, the Group's flexible low fixed cost and asset light business model; and the flexible structure of the Group's banking facilities.

In particular, the Group has a long-standing history of protecting customer and suppliers monies via its ring- fenced trust accounts and is not reliant on customer money to fund working capital. The Group is therefore well positioned to manage the process of cancellations and customer refunds without a material impact on working capital.

In response to the impacts and risks, the business has taken the following actions:

- we have obtained from our lenders a covenant waiver and amendment on our debt facilities for a period of at least 12 months from the date of signing of the financial statements;
- we have significantly reduced the cost run-rate of the business by reducing headcount and restructuring the business;
- we have exited the Australian market where long-term financial viability was uncertain;
- we have drawn-down on the Revolving Credit Facility from our lenders;
- we have received a capital injection of £18.5m from our shareholders; and
- we have commenced negotiations with merchant service providers.

These significant measures have been quantified and used in various trading scenarios for the purposes of the Group's finance planning.

However, if travel restrictions remain in place through to Summer and customers are unable to travel internationally then it will be necessary to raise additional capital from investors or financing from lenders. We have started those discussions and we expect that this capital will be available if required.

The COVID-19 crisis represents a material uncertainty for the global travel industry and the disruption caused could hinder the Group and therefore the Company's ability to generate cash and stay within the financial covenants within the banking facility agreement and within the covenants set by the CAA. As a result, management note a material uncertainty on the Group's ability to continue as a going concern. Therefore as a result of the material uncertainty at the Group, this in turn creates a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

2. Accounting policies (continued)

2.5 Impact of new reporting standards, amendments and interpretations

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The standard which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IAS 1 and IAS 8 Definition of material

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

2.6 Total transaction value (TTV)

TTV, which is stated net of VAT, does not represent the Company's statutory turnover. TTV represents the gross price at which holidays have been sold by the Company, plus other associated revenues.

2. Accounting policies (continued)

2.7 Foreign currency translation

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each year end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

2.8 Turnover

Turnover represents income earned as follows:

- Commission earned by the Company in the ordinary course of business whilst acting as agent. All commissions are shown net of VAT. Income is recognised at the date at which commission falls due.
- Gross invoice value in the ordinary course of business whilst acting as principal. Income is deferred and recognised at the date of departure.

2.9 Pension costs

The Company operates a defined contribution scheme. The pension costs are charged to the Statement of Comprehensive Income in the period for which contributions are payable. Assets of the scheme are held separately from those of the Company in independently administered funds.

2. Accounting policies (continued)

2.10 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

2. Accounting policies (continued)

2.10 Leases (continued)

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in a separate line in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.19.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2.11 Exceptional items

Exceptional items are not defined by IFRS, but IAS 1 notes that individually material, standalone balances should be presented separately on the face of the Statement of Comprehensive Income.

2.12 Operating profit

Operating profit is stated before investment income and finance costs.

2.13 Government grants

Payments received from the government for furloughed employees are a form of grant. This grant money is receivable as compensation for expenses already incurred, and where this is not in respect of future related costs, is recognised in income in the period in which it becomes receivable and the related expense is incurred.

2. Accounting policies (continued)

2.14 Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.15 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.16 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they relate.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. Accounting policies (continued)

2.18 Intangible assets

Computer software

Computer software is carried at cost less accumulated amortisation. Externally acquired computer software is capitalised and amortisation is recognised within administrative expenses so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on a straight line basis at 20% per annum.

Trademarks

These relate to the registering of the Travel Counsellors name and logo in several countries around the world. Trademarks are capitalised at historical cost and amortised on a straight-line basis (within administrative expenses) at 25% per annum.

Development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Company's development of their in-house booking system ('Phenix') and other IT system is recognised if, and only if, all of the following conditions have been satisfied:

- the development is technically feasible;
- the Company is able to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development and to use or sell the intangible assets; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in the profit and loss in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (within administrative expenses), on the same basis as intangible assets that are acquired separately. Development costs are reviewed for impairment on an annual basis. More information is included within note 3. The estimated useful life of this intangible asset has been assessed to be ten years.

Patents

These relate to the costs incurred developing websites which are capitalised at historical cost and amortised on a straight-line basis (within administrative expenses) at 33% per annum.

2. Accounting policies (continued)

2.18 Intangible assets (continued)

Derecognition of intangibles assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.19 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property improvements	- 10% per annum
Fixtures and fittings	- 10% per annum
Computer hardware	- 20% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Right of use assets are depreciated over the life of the lease.

2.20 Impairment of fixed assets and goodwill

At each year end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2. Accounting policies (continued)

2.20 Impairment of fixed assets and goodwill (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2.21 Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment. Impairment is assessed annually using a discounted cash flow model.

2.22 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.23 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.24 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.25 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.26 Financial instruments

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each year end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

2. Accounting policies (continued)

2.26 Financial instruments (continued)

Financial liabilities

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risk by using foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each year end date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2.27 Common control group reconstruction transactions

In the prior financial year, a restructure was done to ensure the South African part of the group complies with Black Economic Empowerment legislation. As a transaction under common control and therefore outside of the scope of IFRS 3, management have elected, under IAS 8, to adopt the merger accounting method from FRS 102. The value arising as consideration in excess of the carrying value of the assets transferred between companies under common control has been transferred to a merger reserve, with S612 of the companies act being the relevant legislation for merger relief from recognising as share premium.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Going concern

For the assumptions made in the Going Concern assessment see the detail contained within note 2.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Capitalisation of IT development costs

Determining the amounts to be capitalised involves judgement and is dependent upon the nature of the related development; namely whether it is capital (i.e. relating to the enhancement of the Phenix system or another internally generated IT system) or expenditure (as relating to the ongoing maintenance of the IT systems) in nature. Development costs that are directly attributable to the design and testing of identifiable and unique software products, websites and IT systems controlled by the Company are recognised as intangible assets if the recognition criteria set out in the accounting policies in note 2 are met.

Revenue recognition

A key judgement in recognising revenue is to distinguish where the Company's businesses act in the capacity of principal or agent so to determine the accounting as either gross or net respectively. In line with IAS 18 Revenue Recognition, the Company exercises judgement to assess principal or agency by considering if it is the prime obligor in all revenue arrangements, has pricing discretion and is exposed to inventory and credit risk in which case the Company will be principal to the arrangement.

Key sources of estimation uncertainty

Impairment of investments, intangible and tangible fixed assets

Determining whether assets are impaired requires an estimation of the value in use of the cash generating units to which the assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of investments at the year end date was £Nil (2019 - £Nil), intangibles was £7.6 million (2019 - £8.1 million) and tangible fixed assets was £2.6 million (2019 - £2.9 million). The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, expected changes to selling prices and direct costs and expected level of capital expenditure in the year. 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 CGU.

3. Judgements in applying accounting policies (continued)

Impairment of investments, intangible and tangible fixed assets (continued)

The Company has conducted a sensitivity analysis on the impairment test of the CGU's carrying value. An increase in the discount rate of 531 percentage points to the discount rate would cause the carrying value of non-current assets to equal their recoverable amount. The Company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next four years and extrapolates cash flows using a terminal growth value based on an estimated growth rate of 2 per cent. This is applied to the Company's forecasted EBITDA. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 13.3 per cent. No impairment has been identified following the value in use calculation.

4. Turnover

An analysis of the Company's turnover is as follows:

	2020 £000	2019 £000
Continuing operations		
Sale of services	**103,450**	244,739

Turnover is entirely attributable to the UK. The directors are of the opinion that there is only one class of business, being the provision of travel arrangements, either as principal or agent. All revenue is derived from the principal activity of the Company, that of a travel management company.

5. Other operating income

	2020 £000	2019 £000
Government grants receivable	**1,505**	-

6. (Loss)/profit before taxation

The (loss)/profit before taxation is stated after charging/(crediting):

	2020 £000	2019 £000
Depreciation of tangible fixed assets	**838**	725
Depreciation of right of use assets	**438**	420
Foreign exchange gain	**(90)**	(250)
Amortisation of intangible assets, including goodwill	**1,498**	1,354
Impairment of investment	**-**	1,916
Fair value (gain)/loss on derivatives	**(844)**	959
Loss on disposal of PPE and intangible	**4**	448
Cost of stock recognised as expense	**54**	176
Research & development charged as an expense	**-**	713
Staff costs	**13,966**	11,867

7. Exceptional items

	2020 £000	2019 £000
Legal and restructuring costs	**4,788**	743

During the current and prior year, the Company incurred one off legal and restructuring costs of £4.8m (2019 - £0.7m).

8. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual financial statements were £50,000 (2019 - £49,000).

Fees payable to Deloitte LLP and their associates for non-audit services, in respect of regulatory returns and covenant compliance to the Company totalled £8,200 (2019 - £8,000).

9. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £000	2019 £000
Wages and salaries	**12,687**	10,585
Social security costs	**926**	955
Cost of defined contribution scheme	**353**	360
	13,966	11,900

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Accounts and administration	**67**	66
Sales	**237**	240
	304	306

10. Directors' remuneration

The directors' remuneration analysed under the headings required by Company Law, is set out below. There were four (2019 - four) statutory directors in the year. During the prior year, management changed their policy such that remuneration of key management personnel would no longer be presented. The disclosure below includes costs associated with statutory directors only.

	2020 £000	2019 £000
Directors' emoluments	**644**	817
Company contributions to defined contribution pension schemes	**23**	33
	667	850

The highest paid director received remuneration of £272,000 (2019 - £339,000).

The value of the company's contributions paid to defined contribution pension schemes in respect of the highest paid director amounted to £1,000 (2019 - £11,000).

Directors' emoluments include £699,000 (2019 - £917,000) recharged to the Company by way of a management fee from the parent company, Cannes Bidco Limited.

11. Interest receivable and similar income

	2020 £000	2019 £000
Fair value gain on derivatives	**844**	-
Bank deposits	**269**	328
	1,113	328

12. Interest payable and similar charges

	2020 £000	2019 £000
Bank interest payable	**39**	41
Other loan interest payable	**-**	14
Options premium	**-**	208
Interest on lease liability	**66**	78
Fair value loss on derivatives	**-**	959
	105	1,300

13. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on (loss)/profit for the year	**(1,428)**	2,409
Adjustments in respect of previous periods	**39**	(74)
Total current tax	**(1,389)**	2,335
Deferred tax		
Current year	**(406)**	192
Adjustment in respect of previous periods	**2**	87
Effect of changes in tax rates	**159**	(20)
Total deferred tax	**(245)**	259
Taxation on (loss)/profit	**(1,634)**	2,594

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
(Loss)/profit before tax	**(9,648)**	11,842
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**(1,833)**	2,250
Effects of:		
Expenses not deductible for tax purposes	**26**	448
Income not taxable in determining taxable profit	**(27)**	(17)
Adjustments to tax charge in respect of prior periods	**41**	13
Amounts not recognised	**-**	(80)
Tax rate changes	**159**	(20)
Total tax (credit)/charge for the year	**(1,634)**	2,594

Factors that may affect future tax charges

Under legislation substantively enacted on 17 March 2020, the UK tax rate will remain to be 19% from 1 April 2020 onwards. As such, there will be no effect on future tax charges. The UK government has proposed an increase to the corporation tax rate to 25% from 1st April 2023. This has not yet been enacted by parliament.

14. Intangible assets

	Patents £000	Development expenditure £000	Trademarks £000	Computer software £000	Total £000
Cost					
At 1 November 2019	585	9,988	65	819	11,457
Additions	112	1,554	-	3	1,669
Disposals	-	(1,420)	-	-	(1,420)
At 31 October 2020	697	10,122	65	822	11,706
Amortisation					
At 1 November 2019	302	2,373	53	601	3,329
Charge for the year	219	1,106	9	164	1,498
On disposals	-	(689)	-	-	(689)
At 31 October 2020	521	2,790	62	765	4,138
Net book value					
At 31 October 2020	176	7,332	3	57	7,568
At 31 October 2019	283	7,615	12	218	8,128

The amortisation period for development costs incurred on the Company's Phenix system is 10 years.

Trademarks are amortised over their estimated useful lives, which is on average 4 years.

Computer software is amortised over its estimated useful life, which is on average 5 years.

Patents are amortised over their estimated useful lives, which is on average 3 years.

The amortisation charge is presented within administrative expenses caption in the Statement of Comprehensive Income.

15. Tangible fixed assets

	Leasehold property improvements £000	Fixtures and fittings £000	Computer hardware £000	Total £000
Cost				
At 1 November 2019	328	1,831	2,830	4,989
Additions	-	-	523	523
Disposals	-	-	(10)	(10)
At 31 October 2020	328	1,831	3,343	5,502
Depreciation				
At 1 November 2019	130	724	1,209	2,063
Charge for the year	33	183	622	838
Disposals	-	-	(7)	(7)
At 31 October 2020	163	907	1,824	2,894
Net book value				
At 31 October 2020	165	924	1,519	2,608
At 31 October 2019	198	1,107	1,621	2,926

16. Right of use asset

	Buildings £000	Motor vehicles £000	Computer hardware £000	Total £000
Cost				
At 1 November 2019	2,806	48	-	2,854
Additions	-	3	122	125
At 31 October 2020	2,806	51	122	2,979
Depreciation				
At 1 November 2019	401	19	-	420
Charge for the year	402	20	16	438
At 31 October 2020	803	39	16	858
Net book value				
At 31 October 2020	2,003	12	106	2,121
At 31 October 2019	2,405	29	-	2,434

17. Investments in subsidiaries

	Investments £000
Cost and net book value	
At 1 November 2019	29
At 31 October 2020	29

17. Investments in subsidiaries (continued)

The following were subsidiary undertakings of the Company:

Name	Registered office	Country of incorporation	Holding	Principal activity
Travel Counsellors (Ireland) Limited	NSC Campus, Mahon, Cork	Ireland	100%	Travel Agent
Travel Counsellors Nederland BV	Emmapark 8, 2595 ET The Hague	Netherlands	100%	Travel Agent
Travel Counsellors Proprietary	4/34 Queen Street, Melbourne, Victoria, 3000	Australia	100%	Travel Agent
TC Africa 1 Proprietary Limited	Floor 11, Norton Rose Fulbright House, 8 Riebeek Street, Cape Town 8001	South Africa	100%	Holding company for South African Group
Travel Counsellors Spain S.L.	Venus No 1 Old Park Lane, Trafford City, Manchester, England, M41 7HA	Spain	100%	Travel Consultants
Bob Sopel Travel Limited	Venus No 1 Old Park Lane, Trafford City, Manchester, England, M41 7HA	England & Wales	100%	Travel Consultants
Altius Trading 397 Pty Ltd	Floor 11, Norton Rose Fulbright House, 8 Riebeek Street, Cape Town 8001	South Africa	100%	Travel Consultants

All shares held in subsidiary undertakings are Ordinary shares.

All of the above are direct subsidiaries. With the exception of Travel Counsellors (Ireland) Limited, Travel Counsellors Nederlands BV, Travel Counsellors Proprietary and TC Africa 1 Proprietary, all other companies are now dormant.

Bob Sopel Travel Limited is entitled to, and has opted to take, exemption from the requirement for their individual financial statements to be audited under s480 of the Companies Act 2006 relating to dormant companies.

18. Stocks

	2020 £000	2019 £000
Stocks	**122**	209

There is no material difference between the replacement cost of stock and the amounts presented above.

An expense of £98k (2019 - £Nil) was recognised in the year in respect of slow-moving or obsolete stock.

19. Debtors

	2020 £000	2019 £000
Due after more than one year		
Amounts owed by group undertakings	**231**	-

	2020 £000	2019 £000
Due within one year		
Trade debtors	**2,281**	13,046
Amounts owed by parent companies	**29,931**	53,692
Amounts owed by subsidiary companies	**5,420**	4,931
Other debtors	**112**	-
Refunds from suppliers	**7,501**	-
Prepayments and accrued income	**16,265**	29,065
Tax recoverable	**627**	-
Derivative financial asset (see note 24)	**68**	141
	62,205	100,875

All intercompany balances are unsecured and repayable on demand and do not attract any interest.

An expense of £9k (2019 - £Nil) has been charged in the year in respect of bad or doubtful debts.

20. Cash and cash equivalents

	2020 £000	2019 £000
Bank current accounts	**21,771**	8,985
Amounts held in trust	**40,640**	48,834
	62,411	57,819

Cash and cash equivalents comprise amounts held in trust totalling £40.6m (2019 - £48.8m). Amounts held in trust are restricted cash held separately. These amounts are held as a financial guarantee for the Group's travel licences and for the protection of monies collected from passengers and due to Tour Organisers.

21. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	**37,002**	38,546
Refunds to customers	**1,780**	-
Amounts owed to subsidiary undertakings	**13,659**	12,731
Corporation tax	**-**	439
Other taxation and social security	**606**	881
Lease liabilities	**494**	461
Accruals and deferred income	**27,315**	56,052
Derivative financial liability (see note 24)	**-**	917
	80,856	110,027

All intercompany balances are unsecured and repayable on demand and do not attract an interest charge.

22. Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Lease liabilities	**1,703**	2,008
Redeemable cumulative preference shares	**115**	115
	1,818	2,123

The redeemable cumulative preference shares are entitled to a cumulative dividend of 15% per annum and are redeemable at par at the Company's option, whole or in part. There are no time restrictions on the redemption of the redeemable cumulative preference shares, redemption is at the option of the shareholder and there is no premium payable on redemption.

The dividends are unpaid at the year-end date.

There are no creditors due after more than five years.

23. Lease liabilities

	2020 £000	2019 £000
Analysed as:		
Non-current	**1,703**	2,008
Current	**494**	461
	2,197	2,469

	2020 £000	2019 £000
Undiscounted maturity analysis		
Year 1	**494**	461
Year 2	**487**	450
Year 3	**473**	445
Year 4	**442**	442
Year 5	**442**	442
Onwards	**-**	442
	2,338	2,682

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2020 £000	2019 £000
Interest expense on lease liabilities	**66**	78
Expense relating to short-term leases	**-**	14

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function.

24. Financial instruments

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

	2020 £000	2019 £000
Financial assets		
Cash	**62,411**	57,819
Trade debtors	**2,281**	13,046
Amounts owed by parent companies	**29,931**	53,692
Amounts owed by subsidiary companies	**5,420**	4,931
Fair value through profit and loss (FVTPL) - forward currency contracts	**68**	-
	100,111	129,488
Financial liabilities		
Fair value through profit and loss (FVTPL) - forward foreign currency contracts	**-**	776
Trade creditors	**37,002**	38,546
Amounts owed to subsidiary companies	**13,659**	12,731
	50,661	52,053

	2020 £000	2019 £000
Financial assets/(liabilities) carried at fair value through profit or loss (FVTPL)		
Forward foreign currency contracts	**68**	(917)
Interest rate options	**-**	141
	68	(776)

24. Financial instruments (continued)

Changes in value of financial instruments at fair value

	2020 £000	2019 £000
Financial liabilities carried at fair value through profit or loss (FVTPL)		
Forward foreign currency contracts	**844**	(1,100)
Interest rate options	**-**	141
	844	(959)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The Company uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

All derivative financial instruments are shown at fair value in the Statement of Financial Position. The fair values have been determined by reference to Level 2 techniques in the hierarchy described above. The fair value of derivative financial instruments represents the maximum credit exposure.

Significant assumptions used in determining fair value of financial assets and liabilities

Derivatives

The Company enters into derivative financial instruments contracts to manage its exposure to foreign exchange rate risk.

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments up to 12 months out.

24. Financial instruments (continued)

Forward foreign currency contracts

The following table details the forward foreign currency contracts outstanding as at the year-end. All of the forward contracts have maturities of less than one year after the year end date.

	Notional value 2020 £000	Notional value 2019 £000	Fair value 2020 £000	Fair value 2019 £000
Outstanding contracts				
Less than 3 months	**4,414**	7,655	**52**	(208)
Between 3 and 6 months	**784**	8,279	**8**	(357)
Greater than 6 months	**1,107**	7,269	**9**	(352)
	6,305	23,203	**69**	(917)

The Company takes on transactional currency exposures relating to the cost of foreign currency denominated product.

The Company has entered into forward foreign currency contracts to hedge against adverse movements in the foreign exchange market. Rates are not disclosed in the above table as the Company deems this information to be commercially sensitive.

Interest rate options

Interest rate options are valued based on the movement to market valuation provided by the bank.

The following table details the notional principal amounts and remaining terms of interest rate options contracts outstanding as at the reporting date:

	Company Notional value 2020 £000	Company Fair value 2020 £000	Company Notional value 2019 £000	Company Fair value 2019 £000
Oustanding contracts				
Less than 3 months	-	-	**6,026**	31
Between 3 and 6 months	-	-	**9,077**	97
Greater than 6 months	-	-	**3,888**	13
	-	-	**18,991**	141

The instruments are designated as fair value through the profit and loss. Gains of £844,000 (2019 - losses of £959,000) were recognised in interest receivable/payable.

25. Deferred taxation

	2020 £000
At beginning of year	**1,351**
Credited to profit or loss	**(245)**
Utilised in year	**-**
At end of year	**1,106**

The provision for deferred taxation is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	**1,577**	1,437
Other timing differences	**(471)**	(86)
	1,106	1,351

26. Provisions

	Restructuring provision £000	Legal provision £000	Total £000
At 1 November 2019	**-**	**-**	**-**
Charged to profit or loss	**1,015**	**1,595**	**2,610**
At 31 October 2020	**1,015**	**1,595**	**2,610**

Restructuring provision: Due to the impact of COVID-19, the business had to commence a restructuring programme, which looked to permanently reduce the cost base of the business. Costs provided for materially covers the agreed redundancy payment for all affected staff, with all payments expected to be made within the next 12 months.

Legal provision: Provision for the settlement of one-off legal costs, which existed at the balance sheet date, and was subsequently agreed and completed post the balance sheet date, and will be settled in the next 12 months. Refer to Note 30 - Events after the reporting period.

27. Share capital and reserves

	2020 £000	2019 £000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
63,000 A ordinary shares of £1 each	**63**	63
72,000 B ordinary shares of £1 each	**72**	72
	135	135

	2020 £000	2019 £000
Shares classified as debt		
Allotted, called up and fully paid		
115,000 Preference shares of £1 each	**115**	115

The Ordinary Class A shares and Ordinary Class B shares rank pari passu in respect of a winding up of the Company. The holders of Class B shares are not entitled to attend or vote at any general meeting of the Company.

Every general meeting of which a dividend is declared shall, by ordinary resolution, direct that such dividend be paid either in respect of one class of shares to the exclusion of the other class, or in respect of both classes of shares.

Merger reserve

The merger reserve was created on restructure of the South African companies, in which the Company acquired TC Africa 1 Proprietary Limited as a direct subsidiary holding.

Profit and loss account

The profit and loss account represents cumulative profits and losses, net of dividends and other adjustments

28. Contingent liabilities

The Company acts as a guarantor in respect of borrowings between Cannes Bidco Limited, the intermediate parent of the Company, Pemberton EMMDF II Holdings S.A.R.L, Pemberton Debt Holdings UK S.A.R.L and Lloyds Bank Plc. At the year end the total amount owed totalled £114.5m (2019 - £100.0m).

29. Related party transactions

The Company has. taken advantage of the exemption allowed by FRS 101:8k, not to disclose any transactions with wholly owned subsidiaries that are included in the consolidated financial statements of Cannes Topco Ltd. Related party balances are disclosed in the debtors and creditors within notes 19 and 21 respectively.

30. Events after the reporting period

Since the end of the financial year the Directors of the Group have agreed to settle a legal dispute, which existed as at the balance sheet date and has led to a full provision being made in the current financial year.

31. Controlling party

The immediate parent company is Travel Counsellors Group Limited and the ultimate parent company is Cannes Topco Limited.

The smallest and largest group in which the results of the Company are consolidated is that headed by Cannes Topco Limited, which is incorporated in the UK. The consolidated financial statements are publicly available and may be obtained from its registered office: Venus No. 1 Old Park Lane, Trafford City, Manchester, England, M41 7HA.

Vitruvian Partners LLP holds 82.8% of the issued equity capital of Cannes Topco Limited and is therefore considered the ultimate controlling party.