

The Culture Trip Ltd

Annual Report and Financial Statements

Period Ended

31 December 2020

Company Number 07539023



The Culture Trip Ltd

Company Information For the period ended 31 December 2020

Directors	L Chvatal R Sevela D Stoessel J Harrer
Company secretary	D Stoessel
Registered number	07539023
Registered office	32-38 Scrutton Street London EC2A 4RQ
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

The Culture Trip Ltd

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The Culture Trip Ltd

Strategic report For the period ended 31 December 2020

Introduction

The directors present their strategic report, directors report and the financial statements of the company for the 15 month period ended 31 December 2020. The comparative information is for the year ended 30 September 2019.

The company extended its accounting period from 30 September 2020 to 31 December 2020.

Principal Activities and Business Review

The company is a global scale-up operating in travel, media and entertainment. The company creates stories that reveal what is unique and special about a place, its people and its culture. In-house creative and editorial teams work with a global network of freelance creators to tell location-centred stories around the world, including articles, videos, photography, illustration and animation. Through its website, apps, and social channels, and its network of more than 300 local creators, the company reaches a global monthly audience of more than 10 million.

The principal activities of the business for the period ended on 31 December 2020 were the scaling up of its Online Travel Agency (OTA) and the provision of marketing and advertising services, all of this being built around a core of high quality, unique and inspiring digital content.

Following the Series A investment in 2016 of £15.5m (\$20m), PPF Group led the Series B investment of £85m (\$110m) in the group in April 2018. The Series B investment is completed in two tranches (one of \$80 million and one of \$30 million) which are further divided into sub-tranches. The last of these sub-tranches was received in October 2019.

The period ended 31 December 2020 saw turnover decrease by 1.3% to £1.32 million (2019: £1.34 million), while operating losses decreased to £34.33 million (2019: £38.59 million), and cash at bank and in hand decreased to £1.19 million (2019: increased to £2.17 million).

The losses arising in the year is the result of the company's continued investment in its product, technology, content, sales and marketing teams, and their associated activities. The group considers that such investment is necessary to assist it in achieving its strategic goals, and to support further revenue growth.

Principal risks and uncertainties

The company recognises the potential financial risks that it faces and the board regularly considers each in turn to ensure that they are mitigated as far as possible. As part of this process the company undertakes a regular update of its medium term and long-range business plan.

Technology risk

The company's principal products are (accessible via) its website and apps, and consequently any interruption to, or failure of, its systems, software, and infrastructure could cause disruption to its users and customers. To mitigate these risks, the company regularly reviews its processes and policies in relation to technology stability, security, and continuity. Its principal user-facing products and services are hosted on cloud servers provided by leading global technology companies. Similarly, when procuring software and services from third parties, the company opts for cloud and web-based where practicable.

Economic and Competitive Environment

The company's operations are affected by overall economic conditions in the markets in which it operates. A change in user demand for content and services, or in client demand for advertising and content production and distribution, could have a negative impact on the revenue and profit of the company. The management regularly reviews operating performance and corresponding investment decisions.

The Culture Trip Ltd

Strategic report (continued) For the period ended 31 December 2020

Principal risks and uncertainties (continued)

Privacy and Data Protection

Unauthorised access to users' or clients' data could lead to reputational damage, compliance issues, and financial losses. To mitigate this risk the company maintains data and information security policies, provides its staff with training in relevant regulations, and requires its third-party suppliers to comply with all necessary legislation in the jurisdictions in which it operates.

Covid-19

The directors have considered the principal risks and uncertainties related to Covid-19, and these are noted in the going concern section below.

Key performance indicators

The directors review a number of financial and non-financial performance indicators when reviewing operating performance. The directors consider turnover and monthly unique visitors (MUVs) as the key performance indicators of the company. For the current period these KPIs were as follows:

	Period ended 31 December 2020	Year ended 30 September 2019
Turnover	£1.32 million	£1.34 million
Cash at bank and in hand	£1.19 million	£2.17 million
Monthly unique visitors	11.4 million	16.4 million

The Culture Trip Ltd

Strategic report (continued) For the period ended 31 December 2020

Going concern

The directors have considered the forecasts for the company. These forecasts assume that the company will continue to invest in its product, technology, content, sales and marketing teams, and their associated activities, in order to achieve their strategic goals and to support further revenue growth for the next 12 months from the approval of these financial statements.

The company received the final tranche of the \$110m Series B investment during the period, through their controlling party/shareholder 'The Culture Trip Sarl', along with a further \$60m secured through a convertible loan note from the controlling party subsequent to this, enabling the company to continue working towards their strategic goals beyond December 2021. The company shall have discussions with the controlling party on future funds in early 2022 with a view to ensuring ongoing working capital requirements are met.

The company has prepared forecasts for the next 12 months from the approval of these financial statements, which forecasts ongoing losses, as the company continues to be adversely impacted by the continuing Covid-19 pandemic, hence the Company anticipates some restructuring and is reliant on the continued financial support of the controlling party in order to continue as a going concern. A letter of support has been obtained from the controlling party, indicating their intention and support to provide financial support to the Company for a period of at least 12 months from the date of approval of the financial statement. However this support is not legally binding and therefore not guaranteed. However, the directors understand that the controlling party will continue to support the company due to its potential to grow into a profitable operation in the foreseeable future, which is evident from the above funding provided. Therefore, the directors consider it appropriate to prepare the financial statements on a going concern basis.

However, the ongoing losses, along with the expected difficulties in growing revenue due to the effects of the pandemic, anticipated restructuring and the resulting reliance on the financial support of the controlling party which is not guaranteed indicates that a material uncertainty exists that may cast significant doubt over the ability of the company to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business.

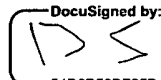
The financial statements do not include any adjustments that would result if the company is unable to continue as a going concern.

Future developments

The company intends to continue to invest in its product, technology, content, sales, and marketing activities in order to achieve its strategic goals, and to support further revenue growth. In 2021 the company is expecting a recovery in advertising revenues, while travel revenues remain challenging to scale due to the Covid-19 pandemic. A significant organisational restructure was carried out in 2020 to help manage the cost base (mainly staff cost and service purchased cost) during this time, followed by further targeted cost-saving measures in 2021. This is expected to result in a saving of 50% on administrative costs for the year 2021 compared to the period ended 31 December 2020.

In 2022 it is anticipated that some restructuring of the business may be required as the business model is re-evaluated and streamlined.

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

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D Stoessel
Director

Date: 18 February 2022

The Culture Trip Ltd

Directors' report For the period ended 31 December 2020

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have selected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing 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, subject to any material departures disclosed 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 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.

Principal activity

The principal activities of the business are the production and distribution of content in various formats, and the provision of related marketing and advertising services. In the current period the company's activities also extended to the provision of travel services, whereby customers can book places to stay and experiences on the Culture Trip platform.

Results

The loss for the period, after taxation, amounted to £33.52 million (2019 - £36.78 million).

Directors

The directors who served during the period were:

Dr K Naudts (resigned 9 February 2021)
Y Adan (resigned 13 September 2020)
L Chvatal
N Mattos (resigned 23 October 2020)
R Sevela
D Stoessel (appointed 7 September 2020)
J Harrer (appointed 7 September 2020)

The Culture Trip Ltd

Directors' report (continued) For the period ended 31 December 2020

Disclosure of information to auditor

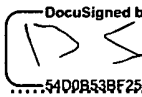
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- 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.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

DocuSigned by:

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D Stoessel
Director

Date: 18 February 2022

The Culture Trip Ltd

Independent auditor's report to the members of The Culture Trip Ltd For the period ended 31 December 2020

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Culture Trip Ltd ("the company") for the period ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (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 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 related to going concern

We draw attention to Note 2.3 to the financial statements, which indicates the directors' considerations over going concern including the effects of the Covid-19 pandemic and anticipated restructuring. The Company is dependent on the continued financial support of its controlling party, which is not guaranteed. As stated in note 2.3, these events or conditions, along with other matters as set forth in note 2.3, 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.

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

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

The Culture Trip Ltd

Independent auditor's report to the members of The Culture Trip Ltd For the period ended 31 December 2020 (continued)

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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 period which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has 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 material misstatements in the strategic report and in the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities, 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.

The Culture Trip Ltd

Independent auditor's report to the members of The Culture Trip Ltd For the period ended 31 December 2020 (continued)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- We have identified and assessed the potential risks related to irregularities, including fraud, by considering the following:
 - Enquiries of management regarding the compliance with laws and regulations; the detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud; and the controls in place to mitigate risks related to fraud or non-compliance with laws and regulations; and
 - Obtaining an understanding of the legal and regulatory framework in which the company operates. The key laws considered are accounting standards and the Companies Act 2006.
- We have responded to risks identified by performing procedures including the following:
 - Enquiry of in-house management legal counsel concerning actual and potential litigation and claims; and
 - Review of financial statements disclosures and testing to supporting documentation.
- We have also considered the risk of fraud through management override of controls by:
 - Testing on a sample basis the appropriateness of journal entries and other adjustments; and
 - Assessing whether the judgements made in making accounting estimates are indicative of potential bias.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

The Culture Trip Ltd

Independent auditor's report to the members of The Culture Trip Ltd For the period ended 31 December 2020 (continued)

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.

DocuSigned by:

Andrew Viner

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Andrew Viner (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 21 February 2022

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

The Culture Trip Ltd

Statement of comprehensive income For the period ended 31 December 2020

	Note	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Turnover	4	1,318,960	1,336,761
Cost of sales		(750,852)	(673,789)
Gross profit		568,108	662,972
Administrative expenses		(34,900,095)	(39,256,136)
Operating loss		(34,331,987)	(38,593,164)
Interest receivable and similar income	9	8,998	10,152
Interest payable and similar charges	10	(30,125)	(31)
Loss before tax		(34,353,114)	(38,583,043)
Tax credit	11	833,040	1,802,226
Loss for the financial period/year		(33,520,074)	(36,780,817)

All amounts relate to continuing operations.

The notes on pages 13 to 29 form part of these financial statements.

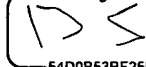
The Culture Trip Ltd
Registered number:07539023

Statement of financial position
For the period ended 31 December 2020

	Note	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Fixed assets			
Tangible assets	12	144,467	360,005
Investments	13	179	161,224
		<u>144,646</u>	<u>521,229</u>
Current assets			
Debtors: amounts falling due after more than one year	14	951,714	549,093
Debtors: amounts falling due within one year	14	2,798,186	3,670,333
Cash and cash equivalents		1,192,341	2,167,614
		<u>4,942,241</u>	<u>6,387,040</u>
Creditors: amounts falling due within one year	15	(96,081,102)	(63,978,433)
Net current liabilities		<u>(91,138,861)</u>	<u>(57,591,393)</u>
Net liabilities		<u>(90,994,215)</u>	<u>(57,070,164)</u>
Capital and reserves			
Share capital	16	4,746	4,746
Share premium account	17	15,752,023	15,752,023
Profit and loss account	17	(106,750,984)	(72,826,933)
		<u>(90,994,215)</u>	<u>(57,070,164)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:



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D Stoessel

Director

Date: 18 February 2022

The notes on pages 13 to 29 form part of these financial statements.

The Culture Trip Ltd

Statement of changes in equity For the period ended 31 December 2020

	Share capital	Share premium	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2019	4,746	15,752,023	(72,826,933)	(57,070,164)
Comprehensive income for the period				
Loss for the period	-	-	(33,520,074)	(33,520,074)
Share options credit	-	-	(403,977)	(403,977)
At 31 December 2020	<u>4,746</u>	<u>15,752,023</u>	<u>(106,750,984)</u>	<u>(90,994,215)</u>

Statement of changes in equity For the year ended 30 September 2019

	Share capital	Share premium	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2018	4,746	15,752,023	(36,241,438)	(20,484,669)
Comprehensive loss for the year				
Loss for the year	-	-	(36,780,817)	(36,780,817)
Share options charge	-	-	195,322	195,322
At 30 September 2019	<u>4,746</u>	<u>15,752,023</u>	<u>(72,826,933)</u>	<u>(57,070,164)</u>

The notes on pages 13 to 29 form part of these financial statements.

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

1. General information

The Culture Trip Ltd is a private company limited by shares and incorporated in England and Wales under the Companies Act. The address of the 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 directors' 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 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 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 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of PPF Group N.V as at 31 December 2020 and these financial statements may be obtained from <https://www.ppf.eu/en/about-the-ppf-group/financial-results-and-financial-reports/financial-statements>

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

2. Accounting policies (continued)

2.3 Going concern

The directors have considered the forecasts for the company. These forecasts assume that the company will continue to invest in its product, technology, content, sales and marketing teams, and their associated activities, in order to achieve their strategic goals and to support further revenue growth for the next 12 months from the approval of these financial statements.

The company received the final tranche of the \$110m Series B investment during the period, through their controlling party/shareholder 'The Culture Trip Sarl', along with a further \$60m secured through a convertible loan note from the controlling party subsequent to this, enabling the company to continue working towards their strategic goals beyond December 2021. The company shall have discussions with the controlling party on future funds in early 2022 with a view to ensuring ongoing working capital requirements are met.

The company has prepared forecasts for the next 12 months from the approval of these financial statements, which forecasts ongoing losses, as the company continues to be adversely impacted by the continuing Covid-19 pandemic, hence the Company anticipates some restructuring and is reliant on the continued financial support of the controlling party in order to continue as a going concern. A letter of support has been obtained from the controlling party, indicating their intention and support to provide financial support to the Company for a period of at least 12 months from the date of approval of the financial statement. However this support is not legally binding and therefore not guaranteed. However, the directors understand that the controlling party will continue to support the company due to its potential to grow into a profitable operation in the foreseeable future, which is evident from the above funding provided. Therefore, the directors consider it appropriate to prepare the financial statements on a going concern basis.

However, the ongoing losses, along with the expected difficulties in growing revenue due to the effects of the pandemic, anticipated restructuring and the resulting reliance on the financial support of the controlling party which is not guaranteed indicates that a material uncertainty exists that may cast significant doubt over the ability of the company to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments that would result if the company is unable to continue as a going concern.

2.4 Revenue

The company earns revenue from advertising/content revenue, which is recognised in line with fulfilment of contractual obligations with clients such as number of impressions the content generates, production of the content, event live etc and from marketing revenue, which is recognised as and when amounts become payable to the company by its affiliate partners, in accordance with the commercial agreements in place.

Revenue on travel related services is recognised once the booking for the accommodation or experience has been completed.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model 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.

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

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:

Fixtures and fittings	- 3 years
Office equipment	- 3 years
Website	- 5 years

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 the statement of comprehensive income.

2.6 Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term.

2.7 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.9 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.

2.10 Creditors

Short term creditors are measured at the transaction price.

For convertible loan notes, the amount initially attributed to debt component is at fair value, net of transaction costs and the conversion and redemption features are measured at fair value through profit or loss.

2.11 Finance costs

Finance costs are charged to the statement of comprehensive income 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.

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

2. Accounting policies (continued)

2.12 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.13 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with fair value of goods and services received.

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

2. Accounting policies (continued)

2.14 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income 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.

The Company accounts for qualifying research and development expenditure, e.g. R&D tax credits for such allowances as tax credits which means they are recognised when it is probable that the benefit will flow to the Company and that the benefit can be reliably measured. R&D tax credits reduce current tax expense and, to the extent the amounts are due in respect of them and not settled by the statement of financial position date, reduce current tax payable.

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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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.

Companies within the group may be entitled to claim special tax allowances in relation to qualifying research and development expenditure, e.g. R&D tax credits. The Company accounts for such allowances as tax credits which means they are recognised when it is probable that the benefit will flow to the Company and that the benefit can be reliably measured. R&D tax credits reduce current tax expense and, to the extent the amounts are due in respect of them and not settled by the statement of financial position date, reduce current tax payable.

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

2. Accounting policies (continued)

2.15 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.16 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

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

In preparing these financial statements, the directors have had to make the following judgments:

- Determine whether leases entered into by the company are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- The company calculates the cost of certain share-based payments by reference to the fair value of the equity instruments granted. The fair value of the instruments granted is subject to management estimate and any changes to these estimates may have a significant effect on the share-based payment charged to the income statement.

Other key sources of estimation uncertainty:

- **Tangible fixed assets (see note 12)**
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Impairment of debtors**
The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.
- **Revenue recognition**
Determining the amount of revenue to recognise in respect of project work ongoing at the period end. Factors taken into account in assessing the percentage completion of a project include hours worked versus budget, project phases, milestones completed or deliverables issued to the client.
- **Recoverability of amounts owed by group undertakings (see note 14)**
Provision for impairment of the carrying value of amounts owed by group undertakings is made based on management's estimate of the prospect of recovering the amounts due, which includes considering the solvency of the counterparty and its future outlook, based on budgets and forecasts prepared by management.

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

4. Turnover

The whole of revenue and loss before taxation is attributable to the principal activity of the provision of marketing and advertising services.

Analysis of turnover by country of destination:

	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
United Kingdom	721,600	1,170,169
Europe	134,876	57,008
Asia	327,008	43,618
USA	134,890	61,466
Rest of the world	586	4,500
	<u>1,318,960</u>	<u>1,336,761</u>

5. Operating loss

The operating loss is stated after charging/(crediting):

	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Depreciation of tangible fixed assets	259,689	197,959
Loss/(profit) on disposal of fixed assets	2,854	(111)
Foreign exchange loss	1,567,747	2,528,056
Other operating lease rentals	796,280	631,476
Share based payment	(403,977)	195,322
Impairment charge	<u>390,561</u>	<u>4,076,583</u>

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

6. Auditor's remuneration

	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Fees payable to the company's auditor	<u>33,250</u>	<u>31,700</u>

The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent company.

7. Employees

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

	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Wages and salaries	16,251,987	13,104,344
Social security costs	1,895,171	1,610,672
Cost of defined contribution scheme	582,085	473,863
	<u>18,729,243</u>	<u>15,188,879</u>

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

	15 month period ended 31 December 2020 No.	Year ended 30 September 2019 No.
Employees	190	212
Directors	1	1
	<u>191</u>	<u>213</u>

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

8. Directors' remuneration

	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Directors' emoluments	423,969	360,000
Company contributions to defined contribution pension schemes	34,074	40,200
	458,043	400,200

During the period retirement benefits were accruing to 2 directors (year ended 30 September 2019 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £318,000 (year ended 30 September 2019 - £360,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £31,800 (year ended 30 September 2019 - £40,200).

9. Interest receivable and similar income

	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Other interest receivable	8,998	10,152

10. Interest payable and similar expenses

	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Bank interest payable	-	31
Intercompany interest payable	30,125	-

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

11. Taxation

	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Corporation tax		
Current tax on loss for the period/year	-	(1,802,226)
Adjustments in respect of previous periods	(833,040)	-
Taxation on loss on ordinary activities	<u>(833,040)</u>	<u>(1,802,226)</u>

Factors affecting tax credit for the period/year

The tax assessed for the period is lower than (year ended 30 September 2019 - higher than) the standard rate of corporation tax in the UK of 19% (year ended 30 September 2019 - 19%). The differences are explained below:

	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Loss on ordinary activities before tax	<u>(34,353,114)</u>	<u>(38,583,043)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (year ended 30 September 2019 - 19%)	(6,527,092)	(7,330,778)
Effects of:		
Fixed asset differences	-	967
Expenses not deductible for tax purposes	84,009	827,672
Non-taxable income	(153,511)	-
Additional deduction for R&D expenditure	-	(1,334,782)
Surrender of tax losses for R&D tax credit refund	-	559,311
Tax credit refund of prior year	(833,040)	-
Remeasurement of deferred tax for changes in tax rates	(1,316,476)	-
Movement in deferred tax not recognised	7,913,070	5,475,384
Total tax credit for the period/year	<u>(833,040)</u>	<u>(1,802,226)</u>

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

12. Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Website £	Total £
Cost				
At 1 October 2019	80,714	583,777	30,816	695,307
Additions	6,415	67,581	-	73,996
Disposals	-	(46,603)	-	(46,603)
At 31 December 2020	<u>87,129</u>	<u>604,755</u>	<u>30,816</u>	<u>722,700</u>
Depreciation				
At 1 October 2019	18,452	286,154	30,696	335,302
Charge for the period	17,992	241,577	120	259,689
Disposals	-	(16,758)	-	(16,758)
At 31 December 2020	<u>36,444</u>	<u>510,973</u>	<u>30,816</u>	<u>578,233</u>
Net book value				
At 31 December 2020	<u>50,685</u>	<u>93,782</u>	<u>-</u>	<u>144,467</u>
At 30 September 2019	<u>62,262</u>	<u>297,623</u>	<u>120</u>	<u>360,005</u>

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

13. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 October 2019	284,953
Additions	229,516
At 31 December 2020	514,469
Impairment	
At 1 October 2019	123,729
Charge for the period	390,561
At 31 December 2020	514,290
Net book value	
At 31 December 2020	179
At 30 September 2019	161,224

During the period, the company invested £229,516 in Shanghai Culture Trip IT Co, an amount of £390,561 invested in the same subsidiary was impaired.

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Class of shares	Holding
The Culture Trip (USA) Ltd	USA	Ordinary	100%
Culture Trip (Israel) Ltd	Israel	Ordinary	100%
Shanghai Culture Trip IT Co	China	Ordinary	100%

Culture Trip (Israel) Ltd is registered in Israel and the address of the registered office is Unit 7, 113 Allenby St., Tel Aviv.

The Culture Trip (USA) Ltd is registered in the United States and the address of the registered office is 251 Little Falls Drive, Wilmington, DE 19819, US.

Shanghai Culture Trip IT Co is registered in China and the address of the registered office is Room 368, Unit 302, 211 Fute North Road, China (Shanghai).

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

14. Debtors

	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Due after more than one year		
Other debtors	592,504	189,883
Loan recoverable from director	359,210	359,210
	951,714	549,093

The loan from director £348,026 was settled during the course of 2021, remaining stands recoverable.

	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Due within one year		
Trade debtors	45,268	400,107
Amounts owed by group undertakings	136,661	-
Other debtors	176,255	372,485
Prepayments and accrued income	637,776	1,095,515
R&D tax credit recoverable	1,802,226	1,802,226
	2,798,186	3,670,333

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

15. Creditors: Amounts falling due within one year

	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Bank overdrafts	40	4,315
Trade creditors	1,500,097	1,209,008
Amounts owed to group undertakings	93,110,044	61,063,345
Other taxation and social security	1,022,634	438,253
Other creditors	5,474	855,974
Accruals and deferred income	442,813	407,538
	<u>96,081,102</u>	<u>63,978,433</u>

The amounts owed to group undertakings include a convertible loan note (CLN) secured against debentures. The CLN carries simple interest at 5%. Due to the terms of the loan note, the directors have determined there is no equity element and that the instrument should be recognised as a liability.

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

16. Share capital

	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Allotted, called up and fully paid		
1,000,010- A Ordinary shares of £0.001334 each	1,334	1,334
1,554,392- B Ordinary shares of £0.001334 each	2,074	2,074
617,827- D Ordinary shares of £0.001334 each	824	824
385,307- E Ordinary shares of £0.001334 each	514	514
	<u>4,746</u>	<u>4,746</u>

The A, B and D shareholders are entitled to receive notice of, attend and speak at the general meetings of the company. The A, B and D shareholders shall each have one vote on a show of hands and one vote for each share on a poll. The E shareholders shall not be entitled to receive notice of, attend and speak at or vote at the general meetings of the company.

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

17. Reserves

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

18. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £582,085 (year ended 30 September 2019 - £473,863). There was no outstanding amount at the end of the period (year ended 30 September 2019 - £93,797).

19. Commitments under operating leases

At 31 December 2020 the company had future minimum lease payments due under non-cancellable operating leases as follows:

	15 month period ended 31 December 2020 £	Year ended 30 September 2019 £
Not later than 1 year	174,150	371,070
Later than 1 year and not later than 5 years	-	628,850
	<u>174,150</u>	<u>999,920</u>

20. Other financial commitments

At 31 December 2020, the company has total commitments of £2,009,709 (year ended 30 September 2019 - £2,576,965) for services, which are contracted for but not provided for in the financial statements.

21. Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33 'Related Party Disclosures' paragraph 33.1A not to disclose transactions with certain group companies on the grounds that 100% of the voting rights in the company are controlled by the group.

The Culture Trip Ltd

Notes to the financial statements For the period ended 31 December 2020

22. Post balance sheet events

Subsequent to the year-end, Petr Kellner deceased. As at the date of signing of these financial statements, the ultimate controlling party is Mrs Renáta Kellnerová who was appointed as an administrator of the inheritance of the late Mr Kellner, authorised to manage all the assets belonging to the inheritance in ordinary course of business.

23. Controlling party

The immediate parent company is The Culture Trip SARL, a limited company registered in Luxembourg.

The ultimate controlling party is PPF Group N.V., a company registered in the Netherlands. As at the balance sheet date, the ultimate beneficiary of PPF Group N.V. is Petr Kellner.