Clarity Travel Limited
(formerly Mawasem Limited)

Annual report and financial statements

Registered number 07413801

For the year ended 31 December 2019

Contents

Strategic report

The Directors present their Strategic report on the affairs of the Company, together with the audited financial statements. This annual report covers the year ended 31 December 2019.

Business review and activities

Clarity Travel Limited is a wholly owned subsidiary of The Portman Travel Group Limited which is a subsidiary of Seera Group Holding, a company that is listed on the Saudi Arabia stock exchange.

The principal activities of the Company were that of a Travel agent operating in the corporate market. As part of its continued expansion the business purchased the entire share capital of Ian Allan Travel Limited, a business operating in the corporate market and specialising in Academic and not for profit organisations. This acquisition has been consolidated into the business during the year and further strengthens the Company in these specific segments of its market.

The results for the Company show a pre-tax profit of £406,000 (2018: £2,658,000) for the period and sales of £28,107,000 (2018: £24,614,000). The Company has net assets of £15,366,000 (2018: £15,419,000).

Business environment

The Company specialise in the business travel industry using innovative software technology to deliver cost effective travel management services to their clients. Seera Group Holding have built up a strong and integrated worldwide network of travel operations which now include operations of the Company.

Section 172 Companies Act 2006

This report sets out how the directors comply with the requirement of Section 172 Companies Act 2006 and how these requirements have impacted on the Board's decision making throughout 2019.
The key matters that the directors report on when undertaking their duties are:

The likely consequence of any decision in the long term.
The Company has a 3-year plan that the directors regularly monitor to ensure its implementation throughout the year using detailed reports on operating and financial performance. The business is operated within tight budgetary guidelines and as part of the regular monitoring looks for external events that may material impact the business and develops mitigations plans to offset any adverse impacts or take advantage of growth opportunities

The interest of the Company's employees.
The Company's employees are fundamental to the long-term success of the business. We aim to be a responsible employer in our approach to pay and benefits our employees receive. All of our employees have objectives and personal development plans in which to further their careers within the business. An annual survey is conducted to measure the engagement of the employees and follow up plans are put in place to improve this on a year on year basis.

The need to foster the Company's business relationships with suppliers, customers and others
Delivery of excellent service to our customers is key to the success of the business in order to retain, grow and acquire new business. We conduct regular client satisfaction surveys and monitor department performance against these surveys. We hold regular client events to enable an open and honest communication between the business and its clients and between clients in order to talk about innovations in the industry and give an opportunity to share ideas about how to minimize costs for our clients and maximise the efficiency of service delivery.
The Company maintains excellent relationships with all of our suppliers and conducts regular supplier reviews to monitor performance. We operate a partnership model with suppliers in order to encourage efficiencies and innovation that we are able to pass onto our customers in the form of better products, improved service and lower cost.

The impact of the Company's operations on the community and environment
The Company encourages all its employees to get involved in community projects to improve the places where they live and work. We support a specific charitable cause each year that is decided by employees and hold various events throughout the year in order to raise funds.

Strategic report *(continued)*

Section 172 Companies Act 2006 *(continued)*

The desirability of the Company maintaining a reputation for high standards of business conduct

The directors take the reputation of the Company seriously which is not limited to only operational and financial performance. The Company regularly reviews its Whistelblower and Ethics policy and ensures it remains appropriate as the business develops and grows.

The need to act fairly between members

As the Board of Directors, our intentions are to behave responsibly toward our stakeholders and treat them fairly and equally so they too may benefit from the successful delivery of our plan.

Strategy and future outlook

Following the acquisition of Portman Travel in 2016, the board has undertaken significant restructuring work to ensure a seamless merger. As part of those restructure plans the parent company changed it's name from Mawasem Travel and Tourism Limited to The Portman Travel Group Limited in 2017. During 2018 and 2019 most of the client base for Portman Travel Limited had been transferred to the Company. This has benefited the Company in terms of local and global reach, synergistic savings and technology improvements which will ultimately deliver better, more effective and leading edge travel solutions to our client base.

The continued focus on good and effective cost control among corporates means that the Travel Management Market will continue to grow. The Company will continue to invest in technology, which will allow it to compete effectively in this market and achieve significant organic growth.

The board aims to maintain the development of the business with continuous productivity and efficiency gains. The Company seeks to develop closer links with international partners by seeking bilateral trading agreements.

The outbreak of the Covid -19 pandemic has had a significant impact on the travel industry and the Company will endeavour to seek ways to improve the safety of it's staff and ensure that the Company can remain profitable in the medium to long term.

Principal risks and uncertainties

The Company have identified a number of principal risks and uncertainties that could potentially damage the current business model and future growth opportunities:

- Recruitment, development and retention of talented people – the development of an in-house Recruitment, Human Resources and Learning and Development function has ensured that we have programmes and initiatives that attract, retain and grow the best talent for the company.

- Geo-political events and natural disasters – The nature of our business operations exposes the Company to a wide range of geo-political risks and potential natural disaster scenarios. To counter these risks the Company operates a flexible business model with the ability to react quickly to such events and offer clients alternative travel arrangements if required.

- Economic uncertainties due to Brexit – On 23rd January 2020, the European Union (Withdrawal Agreement) Act received Royal Assent. This legislation will implement the withdrawal agreement and the UK have now entered a transition period ending 31st December 2020. The priority during this period will be to negotiate a trade deal with the EU. The Company with guidance from ATOL considered the implications of departure from the EU without a deal. The key risk areas considered are customs and taxes, borders and visa policy, aviation, maritime, rail and commercial contracts. The Company are confident that sufficient safeguards are now in place within the business to mitigate these risk areas.

- Failure to respond to customer demand, significant market changes and adverse global economic factors – there are monthly senior management review meetings that monitor financial trends through forecasting and budgeting tools.

- Major health and safety incident – the Company ensures that there are regular fire drills and a disaster recovery plan is tested routinely.

- Failure of IT infrastructure or internal control failure -IT plays a critical role in day to day operations and also to ensure a competitive edge in the marketplace. The Company recognises the importance and invests significantly in systems to ensure an efficient and secure services.

Strategic report *(continued)*

Financial risks management

The Company is subject to risks related to liquidity and cash flows risks, credit risk and counterparty credit risks within the framework of its business operation

Liquidity and cash flow

The Company uses its annual budget and planning process to predict and managed expected future liquidity. Cash forecasting is regularly reviewed and updated on a regular basis.

Credit risk

The Company's principal financial assets are trade and other receivables. The Company's credit risk is primarily attributable to these trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparts and customers. The Company is exposed to credit risk in relation to deposits and trade and other receivables. The maximum exposure in respect of each of these items at the balance sheet date is their carrying value. The Company assesses its counterparty exposure in relation to the investment of surplus cash and undrawn credit facilities. The Company uses published credit ratings and share price performance in the previous 30-day period to assess counterparty strength and therefore to define the credit limit for each counterparty.

Events since the balance sheet date

COVID-19 - The pandemic has disrupted, and continues to disrupt, the travel industry both nationally and internationally. The resulting travel restrictions have had, and may continue to have, a material adverse effect on the demand for local and worldwide travel and therefore may continue to have a material adverse effect on our financial results and business operations. The Company's primary duty is to ensure the health and safety of it's employees during the pandemic and therefore the Company has put measures in place, for most employees to be able to work from home and has also taken advantage of, where appropriate the government's temporary furlough scheme in order retain staff.

The outbreak of the COVID 19 that impacted on the Company in March 2020 has been considered by the board to be a non adjusting post balance sheet event. However, the Company has also considered it's financial position, future forecasts and current cash available and the business remains a going concern, as further explained in note 1.2.

Key performance indicators

The Company's directors believe that analysis using key performance indicators for the company is necessary for the development, performance and position of the business of the company. The key performance indicators used by the business are comparing revenue, gross margin and earnings before tax and interest and depreciation (EBITDA) before restructuring costs, debtor days and creditor days to previous period. We are pleased with the 2019 performance and the figures are aligned with the strategy review we have embarked on.

Strategic report *(continued)*

Key performance indicators *(continued)*

Following the adoption of IFRS16 in 2019, the EBITDA has been adjusted to allow for a like for like comparison

	2019	**2018**
	£'000	**£'000**
Revenue	28,107	24,614
EBITDA - see table below	2,990	3,504
Calculation - EBITDA		
Operating profit for the period	696	2,740
Legal provision	1,200	
Restructuring costs	624	272
Equity settled share based payment expenses	58	135
Depreciation of tangible assets (excluding IFRS16 adjustment)	148	197
Amortisation of intangible assets	288	160
IFRS16 adjustments		
Depreciation of tangible assets	369	-
Interest expense on leased liabilities	72	-
Lease rental adjustments	(465)	-
EBITDA	2,990	3,504

By order of the board

M Nevin
Director

31 July 2020

5 Hargreaves Court
Dyson Way
Staffordshire Technology Park
Beaconside
Stafford ST18 OWN

Directors' report

The Directors present their report on the affairs of Clarity Travel Limited and the audited financial statements for the year ended 31 December 2019.

Dividend

The Directors do not recommend the payment of a dividend *(2018: £nil).*

Directors

The Directors who held office during the year were as follows:

Y Yousif
M Nevin
A Aldawood
R Walsh

Company Secretary

M Nevin

Equal opportunities

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disable staff. If members of staff become disabled, the company continues employment wherever possible and arranges retraining.

Employees

The company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests. In the period the company has held regular briefing meetings, supplemented by a range of staff magazines to encourage the involvement of employees. Surveys are held regularly as a means of measuring the effectiveness of the ways in which staff are managed.

Political and charitable contributions

The company made no political or charitable donations or incurred any political expenditure during the period (2018: £nil).

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

M Nevin
Director

31 July 2020

5 Hargreaves Court
Dyson Way
Staffordshire Technology Park
Beaconside
Stafford
ST18 0WN

Statement of directors' responsibilities in respect of the annual report and the financial statements

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 year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 estimates that are reasonable, relevant and reliable;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP

8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditor's report to the members of Clarity Travel Limited

Opinion

We have audited the financial statements of Clarity Travel Limited ("the company") for the year ended 31 December 2019 which comprise the statement of profit and loss account and other comprehensive income, balance sheet, the statement of changes in equity, the cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.
In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Independent auditor's report to the members of Clarity Travel Limited *(continued)*

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Auditor's responsibilities *(continued)*

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Clarity Travel Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

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.

Will Baker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
8 Princes Parade
Liverpool
L3 1QH

30 October 2020

Statement of profit and loss account and other comprehensive income

for the year ended 31 December 2019

	Note	**For the ended 31 December 2019**	For the year ended 31 December 2018
		£'000	£'000
Revenue	*2*	**28,107**	24,614
Operating expense	*3*	**(27,411)**	(21,874)
Operating profit		**696**	2,740
Financial income	*7*	**-**	1
Financial expense	*8*	**(290)**	(83)
Profit before taxation	*5*	**406**	2,658
Tax on profit	*9*	**(84)**	(302)
Total profit for the period		**322**	2,356
Other comprehensive income/(cost)			
Remeasurement losses defined pension benefit scheme		**(527)**	-
Movement on deferred tax relating to defined pension benefit scheme		**367**	-
Total comprehensive income for the period		**162**	2,356

The revenue and results arose from continuing operations.

The notes on pages 13 to 37 form part of the financial statements.

Balance sheet
at 31 December 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Non-current assets					
Tangible assets	*10*	2,393		934	
Intangible assets	*11*	1,056		845	
Investment	*12*	7,669		2,868	
Total non-current assets			11,118		4,647
Current assets					
Debtors amounts due after more than one year £564,000 (2018: £68,000)	*13*	36,966		38,072	
Cash and cash equivalents		3,591		4,615	
Total current assets			40,557		42,687
Total assets			51,675		47,334
Creditors: amounts falling due within one year					
Creditors	*15*	(32,433)		(31,591)	
Provisions	*16*	(1,460)		(246)	
Current liabilities		(33,893)		(31,837)	
Non-current liabilities					
Provisions	*16*	(75)		(78)	
Pension liability	*19*	(2,341)		-	
Total liabilities			(36,309)		(31,915)
Net assets			15,366		15,419
Equity					
Called up share capital	*17*		124		117
Capital contribution	*17*		645		587
Retained earnings			14,597		14,715
Total equity			15,366		15,419

The notes on pages 13 to 37 form part of the financial statements.

These financial statements were approved by the board of directors on 31 July 2020 and were signed on its behalf by:

M Nevin
Director

Company registered number: 07413801

Statement of changes in equity

	Called up share capital £000	Retained earnings £000	Capital Contribution £000	Total equity £000
At 31 December 2017	114	12,359	452	12,925
Shares issued	5	-	-	5
Equity settled share based payment transactions	-	-	135	135
Profit for period and total comprehensive income for the period	-	2,356	-	2,356
Balance at 31 December 2018	119	14,715	587	15,421
Effect on initial application of IFRS 16	-	(280)	-	(280)
Adjusted balance at 1 January 2019	119	14,435	587	15,141
Profit for period	-	322	-	322
Other comprehensive income	-	(160)	-	(160)
Total comprehensive income for the period	-	162	-	162
Transactions with owners recorded directly in equity				
Shares issued	5	-	-	5
Equity settled share based payment transaction	-	-	58	58
Balance at 31 December 2019	124	14,597	645	15,366

The notes on pages 13 to 37 form part of the financial statements.

Notes to the financial statements

1 Significant accounting policies

Accounting date

The financial statements for the Company are made up for the year to 31 December 2019 with comparative to the previous year to 31 December 2018.

Reporting entity

Clarity Travel Limited is a company limited by shares domiciled in England and Wales. The address of the Company's registered office is 5 Hargreaves Court, Dyson Way, Staffordshire Technology Park, Beaconside, Stafford ST18 OWN. The nature of the Company's operations and its principal activities are set out in the strategic report. The Company is a subsidiary company and is included within the audited consolidated financial statements of The Portman Travel Group Limited, a company incorporated in England and Wales, which will be prepared in accordance with International Financial Reporting Standards and filed with the Registrar of Companies.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").*

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101 from Adopted IFRS, the Company has made no measurement and recognition adjustments. The transition to FRS 101 has not affected financial position and financial performance of the Company.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures

Cash Flow Statement and related notes;

Certain disclosures regarding revenue;

- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- Disclosures in respect of the compensation of Key Management Personnel.
- Disclosures of transactions with a management entity that provides key management personnel services to the Company. Therefore no related party note has been included in the financial statements for this period.

As the consolidated financial statements of Portman Group Travel Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

IFRS 2 *Share Based Payments* in respect of group settled share based payments

Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;

Disclosures required by *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations;

Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill and certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

Notes to the financial statements *(continued)*

1 Significant accounting policies *(continued)*

Basis of preparation

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about the group.

The financial statements have been prepared under the historical cost convention.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

The principal accounting policies adopted are set out below:

1.1 Changes in accounting policies

In these financial statements the Company has changed its accounting policies in the following areas:

The Company has adopted the following IFRSs in these financial statements:

- IFRS 16: Leases (see note 18). This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17.

1.2 Going concern

The financial statements have been prepared on the going concern basis which the directors consider to be appropriate for the following reasons.

The Covid-19 pandemic has adversely impacted on the travel industry, effecting the demand for local and worldwide travel and this may have a material adverse effect on the Company's financial results and business operations. In addition to the travel restrictions affecting demand, the implications for the wider economy and political environment may also have an adverse effect on demand.

At 31 December 2019, the Company had cash of £3.6m, a £4.4m advance on an invoice discounting facility and no further external borrowings. Net working capital amounted to £6.7m.

As set out in more detail in the Director's Report on page 4, the Company has been impacted by a significant loss of revenue to date, which has been mitigated by utilising the UK government Coronavirus Job Retention Scheme. Therefore, at the date of approval of these financial statements, the Company has not seen a significant reduction in its available cash.

The directors have reviewed cash flow forecasts for the Company for the period to 31 July 2021. In preparing those forecasts they have considered the impacts of Covid-19. Specifically, they have considered:

- A base case which assumes that the business will have depressed trading throughout 2020 and gradual return to pre-Covid levels through the remainder of 2021; and
- A severe but plausible downside scenario which is consistent with the base case but then also include a potential second wave of the virus and a further lockdown during January and February 2021 during which time no revenues are earned and no government support schemes as assumed to be available, followed by a gradual return of business through March and April 2021.

The Company holds balances due to fellow group companies of The Portman Travel Group Limited ("PTGL") which is the immediate parent undertaking of the Company, as well as a balance due to the ultimate parent, Seera Holding Group ("SHG"). At 31 December 2019, £3.6m was owed to PTGL and its subsidiaries and £2.2m was owed to SHG. The forecasts indicate that Company is reliant on PTGL providing financial support by agreeing not to require repayment of the Company's intercompany borrowings from PTGL, as well as providing additional funding in a reasonably plausible downside scenario.

SHG has indicated its intention not to recall the borrowings due from the Company for the period covered by the forecasts. Furthermore, PTGL has indicated its intention to continue to make available such funds as are required, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Tangible assets and depreciation

Fixed assets are stated at historical cost, net of accumulated depreciation and any provision for impairment. Where costs are incurred as part of the start-up or commissioning of an item of property, plant or equipment, and that item is available for use but incapable of operating in the manner intended by management without such a start-up or commissioning period, then such costs are included within the cost of the item. Costs that are not directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by the management are charged to the Statement of Profit and Loss as incurred. The adoption of IFRS16 on leases has meant that right of use assets are now included as tangible assets and as from January 2019 will be depreciated.

Depreciation is calculated on a straight line basis and aims to write down their cost to their estimated residual value over their expected useful lives as follows:

Land & buildings	over the term of the lease
Furniture, fittings and computer hardware	3 – 5 years
Short-term leasehold improvements	over the term of the lease

The residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is calculated as the difference between the proceeds received and the net book value of the asset on disposal, and is recognised on the date of disposal in operating profit.

1.4 Intangible assets and amortisation

Intangible assets are carried at cost less accumulated amortisation and are tested for impairment where there is an indication that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs and value in use.
Amortisation is charged over the assets useful life as follows:

Computer software 3 years

The gain or loss on disposal of computer software is calculated as the difference between the proceeds received and the net book value of the asset on disposal and is recognised on the date of disposal in operating profit.

Notes to the financial statements *(continued)*

1 Significant accounting policies *(continued)*

1.5 Revenue

Revenue, which is stated net of value added tax, predominantly represents amounts invoiced to third parties for the rendering of travel management services including; service fees earned from clients, management fees, revenue and commissions from suppliers. Under IFRS 15 revenue for the rendering of travel management services is recognised when the underlying transaction is contracted with the supplier. Revenue relating to commission is recognised at the point of the underlying transaction, unless the commission covers multiple transactions, at which point revenue is recognised at completion of the contract. The directors have concluded that the balance of risks and rewards in respect of travel management services is such that the company is acting as agent and consequently revenue recognised in the Income Statement from such transactions is the relevant agent remuneration.

1.6 Separately disclosed items

Separately disclosed items, namely items that are material either because of their size or their nature, and which are non-recurring, are presented within their relevant income statement category, but highlighted through separate disclosure. The separate reporting of exceptional items helps provide a full understanding of the Company's underlying performance.

Items which are included within the exceptional category may include:

- profit/(losses) on disposal of assets or businesses and cost of acquisition;
- costs of integration of significant acquisitions and other major restructuring programmes;
- significant goodwill or other asset impairments;
- material write-down of assets/reassessment of accruals, reflecting a more cautious evaluation in the light of current trading and economic conditions (excluding errors or prior year items);
- other individually material items that are unusual because of their size, nature or incidence.

Notes to the financial statements *(continued)*

1 Significant accounting policies *(continued)*

1.7 Taxation

Tax represents the sum of tax currently payable and deferred tax. Tax is recognised in the statement of profit and loss unless in relates to an items recognised directly in equity, in which case the associated tax is also recognised directly in equity.

Tax currently payable is provided on taxable profits based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Provision is made for deferred tax so as to recognise all temporary differences which have originated but not reversed at the balance sheet date that result in an obligation to pay more tax, or a right to pay less tax, in the future, except as set out below. This is calculated on a non-discounted basis by reference to the average tax rates that are expected to apply in the relevant jurisdictions and for the periods in which the temporary differences are expected to reverse.

Deferred tax assets are assessed at each balance sheet date and are only recognised to the extent that their recovery against future taxable profits is probable. Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax abilities and when the deferred income taxes relate to the same fiscal authority.

1.8 **Share-based payment transactions**

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.9 Foreign currency

Transactions in currencies other than the functional currency of the Company are translated at the exchange rate at the date of transaction. Foreign currency monetary assets and liabilities held at the period end are translated at period end exchange rates. The resulting exchange gain or loss is recognised in other comprehensive income.

1.10 Financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes to the financial statements *(continued)*

1 Significant accounting policies *(continued)*

1.10 Financial instruments *(continued)*

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.
A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are derecognised when the company transfers the financial asset or when the contractual rights expire. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Financial liabilities at amortised cost
Financial liabilities are classified as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Impairment
The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month expected credit losses.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses.
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

1.11 Employee benefits

Pension benefits for employees are met by payments to a defined contribution pension fund. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the financial statements *(continued)*

1 Significant accounting policies *(continued*

1.11 Employee benefits *(continued)*

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

The Company also operates a defined benefit pension scheme, which was transferred to the Company on 1 April 2019. The Company have used the actuarial assumptions in the Trustee report dated 31st December 2018 as the opening position for assets and liabilities when the scheme was transferred from Portman Travel Limited, a fellow group member. On the advice of an independent qualified actuary, contribution payments are made to the scheme to ensure that the scheme's assets are sufficient to cover future liabilities. Pension scheme assets are measured using market values. Pension scheme liabilities are measured, using the projected unit method and discounted at the rate of return on an AA rated corporate bond of equivalent term. Any increase in the present value of the liabilities of the fund expected to arise from employee service is charged against operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income/expense. Actuarial gains and losses are recognised in the statement of comprehensive income.

Pension costs charged against profits in respect of the company's defined contribution scheme represent the amount of the contributions payable to the schemes in respect of the accounting period.

1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present, legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.13 Leases (policy applicable from 1 January 2019)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components. The Company accounts for only the lease component. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

Notes to the financial statements *(continued)*

1 Significant accounting policies *(continued)*

1.13 Leases (policy applicable from 1 January 2019) *(continued)*

The Company recognises a right-of-use asset at the lease commencement date and the lease liability at the transition date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the transition date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.14 Leases (policy applicable before 1 January 2019)

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

Notes to the financial statements *(continued)*

2 Revenue

Revenue represents service fees earned from clients, management fees, revenue and commissions from suppliers. The revenue is stated net of value added tax and is generated from the rendering of travel management services whilst acting as an agent for business customers.
In the following table, revenue is disaggregated by major product service lines, primary geographical market and timing of revenue recognition.

	2019	2018
	£000	£000
Service fees and commission	22,331	18,909
Overrides	2,125	2,730
Credit card income	1,695	1,389
GDS income	1,956	1,586
Rendering of services	28,107	24,614

Timing of transfer of goods or services	2019	2018
	£000	£000
Products and services transferred at a point in time	28,107	24,614

Primary Geographical markets	2019	2018
	£000	£000
Europe	18,704	16,243
Worldwide	9,403	8,371
	28.107	24,614

Notes to the financial statements *(continued)*

2 Revenue *(continued)*

The Company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated

The following table provides information about opening and closing receivables with customers.

	Note	31December 2019 £000	31December 2018 £000
Receivables	*13*	**32,693**	35,099

3 Operating expenses and auditors remuneration

Included in profit is the following:

	2019 £000	2018 £000
Administrative expense	**7,300**	6,747
Distribution expense	**18,116**	14,761
Restructuring costs	**624**	272
Audit fee	**171**	94
Other	**1,200**	-
	27,411	21,874

A provision for an uninsured tour operator liability claim realised by the failure of Thomas Cook, has been charged to operating expenses for £1,200,000.

Notes to the financial statements (continued)

4 Staff numbers and costs

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**14,310**	11,897
Social security costs	**1,449**	1,079
Other pension costs	**567**	462
Share based payments	**58**	135
	16,384	13,573

The Company operates defined contribution pension plans for employees. Contributions amounting to £59,536 were outstanding at 31 December 2019 *(2018: £45,628).*

The Company now operates a defined benefit scheme which was transferred from Portman Travel Limited a fellow subsidiary entity during 2019. The total amount of contributions to the defined benefit scheme paid during the year amounted to £354,000

The average number of employees during the year is shown below:

	2019	2018
	No.	No.
Management and administration	**559**	485

5. Directors' remuneration

	2019	2018
	£000	£000
Remuneration	**169**	190
Pension contributions	**15**	16
	184	206

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £169,000 *(2018: £190,000)* and Company defined pension contribution of £15,000 (2018: £16,000) were made to a money purchase scheme on his behalf.

One other director was paid by a fellow subsidiary company for qualifying services to the group. It is not possible to apportion those emoluments which total £285,000*(2018: £294,000)* specifically in respect of services to the Company.

There are two other Directors who are paid by the ultimate parent company and it is not possible to apportion those emoluments specifically in respect of services to the Company.

Notes to the financial statements *(continued)*

6 Employee benefits

Share based payment transactions

25,000 class B ordinary shares were granted on 24 May 2017 to the operational directors of the Company. The B shares are economically similar to share options. These shares shall vest 50% on the date of issue and the remaining balance in three equal tranches on the first, second, and third anniversaries from the date of issue. The weighted average exercise price of the shares is £26.38.

Each B ordinary shareholding is entitled to 5% of the total voting rights of the Company. On return of capital, the B ordinary shares receive the subscription price paid first then in respect of the balance, participants will be entitled to receive the following equity value of the Company being:

- Up to £24m - zero
- Between £24m - £40m = 20% of returns over £24m a maximum of £3.2m if £40m is reached.
- Above £40m - 25% of returns in excess of this hurdle

The Monte Carlo model was used to carry out the valuation and the inputs applied to the model were:

- Risk free rate - to arrive at the risk free rate the UK nominal spot curve was used.
- Exercise price was valued at £nil as the participants paid a nominal value for the shares
- Share price valuation – as the company is unlisted a desktop valuation was required. A high level multiples based valuation was performed.
- Dividend yield – was assumed as £nil as the Company does not expect to pay a dividend over the expected life of the B shares.
- Expected volatility rates were applied to the share price in line with IFRS 2. As the Company is not listed the volatility estimate has been calculated by reference to comparable listed companies. The historical volatilities for the same group of companies has been calculated using our multiples analysis, measured over 4.4 years historical period ended on the valuation date. Overall the volatility figure of 30% was selected.
- Based on these assumptions and inputs the share based expense for the period amounted to £58,287 *(2018: £134,928)*

7 Finance income

	2019	2018
	£000	£000
Bank interest receivable	-	1
Total	-	1

8 Finance expense

	2019	2018
	£000	£000
Interest on pension scheme liabilities	**383**	-
Expected return on pension scheme assets	**(343)**	-
Pension interest	**40**	-
Debt factor interest payable	**157**	63
Loan interest payable	-	20
Interest expense on leased liabilities	**93**	-
Total	**290**	83

Notes to the financial statements *(continued)*

9 Taxation

Total tax expense recognised in the profit and loss account.

	2019 £000	2018 £000
Analysis of charge in period		
UK corporation tax	**75**	372
Prior year adjustment	**(18)**	(246)
Group relief payable	**156**	-
Total current tax	**213**	126
Deferred tax (see note 14)		
Deferred tax – current period items	**44**	148
Adjustments in respect of prior periods	**(142)**	28
Movement on deferred tax relating to pension liability	**(31)**	-
Total taxation on ordinary activities	**84**	302

The tax charge for the period is lower *(2018: lower)* than the standard rate or corporation tax in the UK 19% *(2018: 19.%)*. The differences are explained below.

	2019 £000	2018 £000
Current tax reconciliation		
Profit before tax	**406**	2,657
Current tax at 19% *(2018: 19%)*	77	505
Effects of:		
Expenses not deductible for tax purposes	**45**	30
Deferred tax effect of change in tax rate	**(11)**	(12)
Adjustments to tax charge in respect of previous periods	**(160)**	(218)
Payment for group relief	**156**	-
Movement on deferred tax relating to pension liability	**(31)**	-
Permanent differences	**8**	(3)
Tax charge for the period	**84**	302

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. On 17th March 2020 the rate applicable was substantively enacted and would remain at 19% from 1 April 2020 rather than the previously enacted reduction to 17%. The deferred tax liability at balance sheet date has been calculated based on these rates. This will reduce the company's future current tax charge accordingly. The deferred tax asset has been calculated based on these rates.

Notes to the financial statements *(continued)*

10 Tangible assets

	Land and buildings £000	Short term leasehold £000	Motor vehicles £000	Furniture, fittings and equipment £000	Assets under construction £000	Total £000
Cost						
Balance at 31 December 2018	-	62	-	1,158	180	1,400
Recognition of right of use assets on initial application IFRS	1,725	-	136	4	-	1,865
Adjusted balance at 1 January 2019	1,725	62	136	1,162	180	3,265
Additions	-	-	-	164	209	373
Disposals	-	-	-	(211)	-	(211)
Transfers	-	-	-	-	(187)	(187)
Balance at 31 December 2019	**1,725**	**62**	**136**	**1,115**	**202**	**3,240**
Accumulated depreciation						
Balance at 31 December 2018	-	(24)	-	(442)	-	(466)
Charge for the period	(340)	(6)	(45)	(200)	-	(591)
Disposals	-	-	-	210	-	210
Balance at 31 December 2019	**(340)**	**(30)**	**(45)**	**(432)**	**-**	**(847)**
Carrying amount						
At 31 December 2018		38		716	180	934
At 31 December 2019	**1,385**	**32**	**91**	**683**	**202**	**2,393**

At 31 December 2019, Tangible assets includes right of use assets as follows:

Right of use assets	**1,385**	**-**	**91**	**2**	**-**	**1,478**

Notes to the financial statements *(continued)*

11 Intangible assets

	Computer software £000
Cost	
Balance at 31 December 2018	1,247
Additions	312
Disposals	(223)
Transfers	187
Balance at 31 December 2019	1,523
Amortisation	
Balance at 31 December 2018	(402)
Amortisation charge for the period	(288)
Disposals	223
Balance at 31 December 2019	(467)
Carrying amount	
At 31 December 2018	845
At 31 December 2019	**1,056**

12 Fixed asset investments

	Loans to group undertakings £000	Shares in group undertakings £000	Total £000
Cost			
At 31 December 2018	2,868	-	2,868
Additions	-	4,801	4,801
At 31 December 2019	2,868	4,801	7,669
Provisions			
At 31 December 2019	-	-	-
Net book value			
At 31 December 2019	2,868	-	2,868
At 31 December 2019	2,868	4,801	7,669

Notes to the financial statements *(continued)*

12 Fixed asset investments *(continued)*

Clarity Travel Limited acquired 100% of the share capital of Portman Group Holdings Limited on 1 November 2016. The amount paid for the share capital was £1. As part of the acquisition, Clarity Travel Limited provided consideration of £2.9m in respect of a loan to Portman Group Holdings Limited.

At the period end, Clarity Travel Limited has provided an undertaking to not recall the loan within one year. The loan has no fixed repayment term. No interest is charged on the loan but management is satisfied that impact of this is not material.

Clarity Travel Limited acquired 100% of the share capital of Ian Allan Travel Limited on 3 May 2019. The amount paid for the share capital was £4,801,000.

The investments are made up as follows:

	2019 **£000**	2018 £000
Portman Group Holdings Limited	**2,868**	2,868
Ian Allan Travel Limited	**4,801**	-

Name of company	**Registered office address**	**Country of incorporation**	**% ownership of ordinary shares £000**	**Principal activity £000**
Portman Group Holdings Limited	5 Hargreaves Court, Dyson Way, Staffordshire Technology Park, Stafford, England, ST18 0WN	England	100%	Business Travel Management
Ian Allan Travel Limited	4th Floor Churchgate House, 56 Oxford Street, Manchester M1 6EU	England	100%	Business Travel Management

The investment in Portman Group Holdings Limited, which is held at cost, is £2,868,000 *(2018: £2,868,000)*. The most recent period for which financial statements have been prepared for Portman Group Holdings Limited is the year ended 31 December 2018. Its aggregate capital and reserves at that date was £ 2,088,000 *(2017: £6,727,000)*.

The investment in Ian Allan Travel Limited, which is held at cost, is £4,801,000 *(2018: £nil)*. The most recent period for which financial statements have been prepared for Ian Allan Travel Limited is the year ended 30 November 2018. Its aggregate capital and reserves at that date was £ 6,496,000 *(2017: £5,985,000)*

In the opinion of the directors the investments in the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

Notes to the financial statements *(continued)*

13 Trade and other debtors

	2019 £000	2018 £000
Current assets:		
Trade debtors	**33,986**	36,370
Other debtors	**912**	552
Deferred tax asset (see note 13)	**564**	68
Amounts owed by group undertakings and related parties	**686**	545
Prepayments	**818**	537
	36,966	38,072

Included within trade and other receivables is £564,000 (2018 : £68,000) expected to be recovered in more than 12 months.

14 Deferred tax assets

There are no offset deferred tax assets or liabilities in these financial statements.

The gross movement on the deferred income tax account is as follows:

	2019 £000	2018 £000
Beginning of period	**68**	244
Adjustment in respect to prior year	**142**	(28)
Taxation (charge)/credit	**(13)**	(148)
Defined pension credit - SOCIE	**367**	-
End of period	**564**	68

Movements on the deferred taxation assets and liabilities are as follows:

	Accelerated tax depreciation £000	Other £000	Losses £000	Total £000
As at 31 December 2018	115	78	(125)	68
Prior year adjustment	1	16	125	142
Tax rate adjustments	13	(49)	-	(36)
Timing differences	(121)	667	(156)	390
Balance at 31 December 2019	**8**	**712**	**(156)**	**564**

Notes to the financial statements *(continued)*

15 Trade and other creditors

	2019 £000	2018 £000
Current liabilities:		
Trade creditors	**17,488**	15,607
Social security and other taxes	**453**	289
Accruals	**2,272**	1,427
Other payables	**4,675**	5,171
Lease liabilities (see note 18)	**1,711**	-
Corporation tax payable	**12**	372
Amounts owed to group undertakings and related parties	**5,822**	8,725
	32,433	31,591

The amounts owed to Group undertakings are unsecured, payable on demand and interest free.

Other payables includes amounts advanced under an invoice discounting facility of £4,363,000 (2018: £4,836,054) is secured against trade debtors.

16 Provisions

	Dilapidation Provision £000	VAT Provision £000	Redundancy Provision £000	Other Provision £000	Total £000
Balance at 31 December 2018	147	125	27	25	324
Provisions made during the year	-	-	70	1,198	1,268
Provisions used during the year	-	-	(27)	(14)	(41)
Provisions reversed during the year	(5)	-	-	(11)	(16)
Balance at 31 December 2019	**142**	**125**	**70**	**1,198**	**1,535**
Current	67	125	70	1,198	1,460
Non-current	75	-	-	-	75
Balance at 31 December 2019	**142**	**125**	**70**	**1,198**	**1,535**

The dilapidation provision has been provided for leased properties where the leases are expected to expire over the next five years. The VAT provision is a specific provision for the Tour operators margin scheme liability expected to be finalised in 2020. The Redundancy provision relate to redundancies announced prior to the year-end and settled in the first six months in 2020. There is also a provision for an uninsured tour operator liability realised by the failure of Thomas Cook, this is expected to be settled within the next five years.

Notes to the financial statements *(continued)*

17 Called up share capital

Authorised share capital	*No.*	*2019 £000*	*No.*	*2018 £000*
A Ordinary shares of £1 each	**100,000**	**100**	100,000	100
B1 Ordinary shares of £1 each	**12,500**	**12**	12,500	12
B2 Ordinary shares of £1 each	**8,750**	**9**	8,750	9
B3 Ordinary shares of £2 each	**3,750**	**4**	3,750	4
	125,000	**125**	125,000	125

Allotted, called up and fully paid	*No.*	*Issued £000*	*ESOP £000*	*2019 Total £000*	*No.*	*2018 £000*
A Ordinary shares of £1 each	**100,000**	**100**	**-**	**100**	100,000	100
B1 Ordinary shares of £1 each	**10,416**	**11**	**279**	**290**	8,334	8
B2 Ordinary shares of £1 each	**7,291**	**7**	**183**	**190**	5,833	6
B3 Ordinary shares of £2 each	**3,125**	**6**	**183**	**189**	2,500	5
	120,832	**124**	**645**	**769**	116,667	119

On 24th May 2017, the Company increased the Authorised share capital by issuing new B shares and on that date half of those shares were allotted and vested to the operational directors of the Company.

The A and B ordinary shareholders will rank pari passu for payment of dividends and the distribution of any surplus of assets after payment of liabilities on the winding up of the Company, once the Company reach an equity value of £24,000,000. A and B shareholders are entitled to one vote per ordinary share. All other rights, including dividend rights are determined by the Board of Directors at their discretion.

The B ordinary shares were valued in accordance with IFRS 2 (see note 6).

The share capital has increased by £4,791 due to the annual incremental vested value of B ordinary shares.

18 Leases

Right-of-use assets
Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 10):

	Land and buildings £000	**Motor Vehicles £000**	**Fixtures & Fittings and equipment £000**	**Total £000**
Balance at 1 January 2019	1,725	136	4	1,865
Depreciation charge for the year	(340)	(45)	(2)	(387)
Balance at 31 December 2019	1,385	91	2	1,478

Notes to the financial statements *(continued)*

18 Leases *(continued)*

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	£000
2019 - Leases under IFRS 16	
Interest expense on lease liabilities	94
Expenses relating to leases of low-value assets	14

	£000
2018 - Operating leases under IAS 17	
Lease expense	476
	476

Amounts recognised in statement of cash flows

	2019
	£000
Total cash outflow for leases	471

19 Pension commitments

The Company maintains pension plans for all eligible employees.
The Company operates defined contribution pension plans for certain employees. The assets of the plans are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £532,064 (2018 – £461,675).

As part of the restructure plans, the defined pension scheme previously managed by Portman Travel Limited was acquired by the Company in April 2019. No actuarial valuations were prepared at the date of transfer and the actuarial assumptions used at 31 December 2018 were used for 1 April 2019. Therefore, there was no reason to apportion the remeasurement movement between the Company and Portman Travel Limited. This final pensionable earnings plan, whose funds are administered by trustees and are independent of Company finances was closed to new entrants in January 2002.

The key characteristics of the Plan is to hold:

- 15% in UK equities
- 40% in overseas equities
- 10% in index linked gilts
- 35% in Corporate bonds

The Trustees of the Plan manage investment risks, including credit and market risk, within agreed risk limits which are set taking into account the Plan's strategic investment objectives.

The plan is subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rates of the employer's contributions which, together with the specified contributions
payable by the employees and proceeds from the plan's assets, are expected to fund the benefits payable under the plan.

Notes to the financial statements *(continued)*

19 Pension commitments *(continued)*

Net pension (liability)

	2019	2018
	£000	£000
Defined benefit obligation	(20,599)	-
Plan assets	18,258	-
Net pension liability	(2,341)	-

Movement in present value of defined benefit obligation

	2019	2018
	£000	£000
At 1 April 2019 - Pension liabilities transferred from subsidiary	17,924	
Current service cost	26	-
Interest expense	383	-
Remeasurement: actuarial (gain)/losses	2,656	-
Contributions by members	9	-
Benefit paid	(399)	-
At 31 December 2019	20,599	-

Movement in fair value of plan assets

	2019	2018
	£000	£000
At 1 April 2019 - Plan assets transferred from subsidiary	15,952	-
Interest income	343	-
Remeasurement: return on plan assets less interest income	2,129	-
Contributions by employer	344	-
Contributions by members	9	-
Benefits paid	(399)	-
Administrative expenses paid from plan assets	(120)	-
At 31 December 2019	18,258	-

Expense recognised in the profit and loss account	2019	2018
	£000	£000
Current service cost	26	-
Net interest on net defined benefit liability	40	-
Administrative expenses and/or taxes (not reserved with defined benefit obligations)	120	-
Total expense recognised in profit and loss	186	-

Notes to the financial statements *(continued)*

19 Pension commitments *(continued)*

The fair value of the plan assets and the return on those assets were as follows:

	2019	*2018*
	Fair value	*Fair value*
	£000	*£000*
Equities	10,227	-
Government debt	1,677	-
Corporate bonds	6,219	-
Other (cash and cash equivalents)	135	
	18,258	-
Actuarial return on plan assets for the period 1 April 2019 to 31 December 2019	2,472	-

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

Defined benefit obligations	*2019*	*2018*
	%	*%*
Discount rate	2.10%	-
Rate of price inflation (RPI)	2.70%	-
Rate of price inflation (CPI)	2.00%	-
Future salary increases	2.45%	-
Future pension increases	2.65%	-

Defined benefit cost	*2019*	*2018*
	%	*%*
Discount rate	2.90%	-
Rate of price inflation (RPI)	3.15%	-
Rate of price inflation (CPI)	2.15%	-
Future salary increases	3.15%	-
Future pension increases	3.00%	-

The latest finalised valuation of the plan was carried out at 5 April 2016.

The benefit obligations at the reporting date have been based on a projection of the results of the latest valuation, carried out by a qualified independent actuary. This projection involves rolling forward the results at the earlier date allowing for interest on the liabilities, the accrual of further benefits by active members, the actual benefits paid out and an estimate of the effect of any changes in the actuarial assumptions. All other experience during the projection, apart from investment returns, contributions, benefit payments, administrative expenses and insurance premiums, was assumed to be in line with the assumptions

The COVID-19 pandemic has had a significant impact on asset markets and corporate bonds yields, which are key to the IAS19 assessment of the net pension asset or liability. In particular, global equity markets have seen significant falls in 2020. AA corporate bond yields, used to set the IAS19 discount rate, have been highly volatile. Long term inflation expectations, used to project future benefit payments, have also fallen. The net impact of the above is expected to have led to a deterioration in the Company's net pension liability since the balance sheet date, with the impact of unfavourable liability assumptions aggregating with the drop in value of the scheme assets.

Notes to the financial statements *(continued)*

19 Pension commitments *(continued)*

In valuing the liabilities of the pension fund at 31 December 2019, mortality assumptions have been made as indicated below:

- Current pensioner aged 65: 22.1 years
- Future retiree upon reaching 65: 23.8 years

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises what the defined benefit obligation at the end of the reporting period would have increased/decreased to as a result of the quoted change in the respective assumptions.

	2019	2018
	£000	£000
Discount rate - 25 basis points	**21,354**	-
Future inflation - 25 basis points	**19,861**	-
Post-retirement mortality assumption - 1 year age rating	**21,171**	-

Funding

The Company expects to pay £460k in contributions to its defined benefit plan in 2020 i.e. the next annual reporting period. The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 years.

20 Contingent liabilities

The Company does not have any contingent liabilities *(2018: £nil).*

21 Capital and other financial commitments

There were no contracts placed for future capital expenditure not provided in the financial statements *(2018: £nil)* The Company however provides a cross guarantees in respect of travel industry bonds to a group subsidiary, in the normal course of business. All guarantees are provided by means of an insurance policy, consistent with the prior period.

The Company is party to a cross guarantee with Portman Travel Ireland in respect of the invoice discounting facility held by the Company.

22 Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Judgments have to be made on an individual revenue stream as to whether it is most appropriate to recognise revenue at a gross cost to the consumer or on a net commission receivable basis. This judgement centres around the transfer of control within the transaction and as to whether the service is provided or to arrange the service based on the principal versus agent.

For leases applicable after 1 January 2019, the discount rate applied is based on IBR (Income Based Repayment) base for invoice discounting and risk free growth rate. With no implicit borrowing rate existing, an estimate of a company specific cost of borrowing has been calculated using the applicable rate in a fellow subsidiaries invoice discounting facility, adjusted by the variation in risk free gilt yields with respect to maturity dates. The estimated discount rate based on the above factors is 4.54%.

Notes to the financial statements *(continued)*

23 Change in significant accounting policies

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out below.

23 (a) Definition of a lease

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1. On transition to IFRS 16, the Company elected to apply the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

23 (b) As a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019 (see note 18).

Right-of-use assets were measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application:

The Company has used its assessment of whether leases are onerous applying IAS 37 at 31 December 2018 as an alternative to performing an impairment review of the recognised right-of-use assets on the date of transition. The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired. The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. printers and photocopiers);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and used hindsight when determining the lease term.

Notes to the financial statements *(continued)*

23 Change in significant accounting policies *(continued)*

The following table summarises the quantitative impact of adopting IFRS 16 on the Company's financial statements for the year ending 31 December 2019.

	Impact of adoption of IFRS 16		
	As reported	**Adjustments**	**Balances without adoption of IFRS 16**
	£000	**£000**	**£000**
Balance sheet			
Tangible assets	2,393	(1,478)	915
Intangible assets	1,041	-	1,041
Investment	7,684	-	7,684
Debtors	36,966	-	36,966
Cash and cash equivalents	3,591	-	3,591
Creditors	(32,433)	1,711	(30,722)
Provisions	(1,535)	-	(1,535)
Pension liability	(2,341)	-	(2,341)
Net assets	15,366	233	15,599
Retained earnings	14,597	233	14,830

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.54 %.

24 Ultimate controlling party

The Company is a subsidiary of The Portman Travel Group Limited which is incorporated in England and Wales.

Seera Group Holding is regarded by the directors as the Company's ultimate parent undertaking and ultimate controlling party.

The smallest group in which the results of the company are consolidated is that of Portman Travel Group Limited. The largest group in which the results of the Company are consolidated is that of which Seera Group Holding. The consolidated financial statements of Portman Travel Group Limited may be obtained from Elegant House, Sandpiper Way, Chester Business Park, CH4 9QE.