

Registered No. 1990682

Hays Travel Limited

Report and Group Financial Statements

31 October 2017

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COMPANIES HOUSE

Directors

John Hays
Jane Schumm
Marta Fernandez Varona
Jonathan Hays
Irene Hays (Non-executive)

Auditor

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

Barclays Bank PLC
53 Fawcett Street
Sunderland
Tyne and Wear
SR1 1SD

Solicitors

Muckle LLP
Time Central
32 Gallowgate
Newcastle upon Tyne
NE1 4BF

Registered Office

25 Vine Place
Sunderland
Tyne and Wear
SR1 3NA

Managing Director's Statement

I am pleased to present the report and consolidated financial statements for Hays Travel Limited ('the Company') and its subsidiary undertakings, together known as the Hays Group of Companies ('the Group'), for the year ended 31 October 2017.

A strong performance saw profit before tax rise 34% to £10.1m (2016 - £7.5m). The balance sheet strengthened with net current assets at year-end of £15.6m (2016 - £11.0m).

During the year we opened 6 new retail branches, and this expansion is scheduled to continue during 2017/18. As part of this strategy, we signed an exclusive deal to open concessions in WHSmith shops. We have opened four outlets after the financial year-end, and one more is expected to open across the country in the next few weeks.

We acquired four companies during the financial year. One, Christine Nugent Business Travel, is a corporate travel business based in Gateshead, and I am excited with the opportunity that this acquisition will bring for developing business travel sales throughout the Group.

Prospects for the forthcoming year are encouraging with strong like for like trading in the first quarter.

The Group continues to support local communities where it has retail shops. This, alongside our successful apprenticeship programme, is part of our commitment to contributing socially as well as economically to the towns and cities where we operate. Additionally, the Hays Travel Foundation continues to fund organisations to help young people to achieve and be the best they can be, in their health, sport, art and education.

In a service industry staff motivation is very important and we are proud that we are in the Top 100 Apprenticeship Employers List and continue to be recognised by the Sunday Times as a Top 100 Company to work for in the United Kingdom.

I am confident that the strong governance provided by the Board, the quality, culture and commitment of our staff, and the strength of the brand will enable us to continue to provide a valued, relevant service to our customers whilst creating profit.

Strategic Report

Principal activity and review of the business

The Group's principal activity during the year continued to be that of a travel agent, operating 130 retail outlets and 3 call centres in England. In addition, the Group operates the Independence Group (IG). The IG consists of independent travel agents throughout the UK who operate under licence. The IG operates across 214 branches.

The Directors believe that market conditions will continue to be favourable and therefore remain confident that trading prospects moving forward are positive and that the business is well placed for the future.

The Group's key financial and other performance indicators during the year were as follows:

	2017 £'000	2016 £'000
Gross value of sales	943,192	834,492
Turnover	337,785	333,427
Profit after tax	7,915	5,906
Shareholders' funds	32,550	24,561
Current assets as % of current liabilities	115%	114%
Average number of employees	1,201	1,080

As at 31 October 2017 there were commissions totalling £28,676,000 (2016 - £21,490,000) which related to holidays booked in the year but, in line with the Group accounting policy, the commissions have not yet been brought into the Group income statement.

Principal risks and uncertainties

The Board meets regularly and evaluates the Group's risk position. The principal risks and uncertainties facing the Group are detailed below.

The Group's principal financial investments comprise cash and loans. Other financial assets and liabilities, such as trade creditors and trade debtors, arise directly from the Group's operating activities.

The main risks associated with the Group's financial assets and liabilities are set out below.

Interest rate risk

The Group invests surplus cash in a floating rate interest yielding bank deposit account. The Group's interest income is therefore affected by movements in interest rates.

Credit risk

The Group has external debtors; however, the Group undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default.

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generated by its operations.

Foreign currency risk

The Group reviews its foreign currency exposure on an ongoing basis. Foreign currency purchases are made the following day after sale in order to eliminate foreign currency exposure.

Market demand

Demand for holidays is vulnerable to general economic conditions. The Board seeks to manage capacity and the cost base to suit the prevailing market demand and identify new efficient routes to market to grow market share and maintain margins.

Strategic Report

Principal risks and uncertainties (continued)

The Board has confidence in the market opportunities for its core businesses, which is supported by the significant growth in both the Group's tour operating and retail businesses in 2017, and despite geopolitical challenges that the sector faces and expected online travel growth in forthcoming years.

Regulation changes and competition

The sale of travel and holiday arrangements is a competitive and highly regulated industry. The Group seeks to manage the associated risks by constantly monitoring changes and adapting its business model and terms of trade as necessary.

Other general factors

The Group is also exposed to other factors common to the majority of businesses such as the need to recruit and retain suitable staff, an increasing reliance on computer systems and technology, and the protection of the reputation and good name of the business. Significant adverse experience or events in relation to any of these factors could impact upon the Group's trading performance and financial position.

On behalf of the Board



Marta Fernandez Varona
Director
22 January 2018

Directors' Report

The Directors present their report and Group financial statements for the year ended 31 October 2017.

Results and dividends

The Group profit for the year, after taxation, amounted to £7,915,000 (2016 - £5,906,000). No dividends were paid during the year (2016 - £nil).

Going concern

The Directors have considered the Group's current and future prospects and its availability of financing, and are satisfied that the Group can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. For this reason the Directors continue to adopt the going concern basis of preparation for these financial statements.

Directors

The Directors who served the Company during the year and those appointed subsequently were as follows:

John Hays
Jane Schumm
Irene Hays
Marta Fernandez Varona
Jonathan Hays

Mrs I Hays served as a non-executive Director.

Future developments

The Group will continue looking for opportunities in the market to grow in addition to the opening of new shops in locations where the market potential is attractive.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

Employee involvement

During the year, the policy of providing employees with information about the Group has been continued. Regular meetings are held to allow a free flow of information and ideas.

The Company is proud to be in The Sunday Times list of the 100 best companies to work for in 2017.

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Group's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' Report

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

On behalf of the Board



Marta Fernandez Varona
Director
22 January 2018

Statement of Directors' responsibilities

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 the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of Hays Travel Limited

Opinion

We have audited the financial statements of Hays Travel Limited ('the parent company') and its subsidiaries (the 'Group') for the year ended 31 October 2017 which comprise the Group income statement, the Group and parent company Statements of changes in equity, the Group balance sheet, the Company balance sheet, the Group statement of cash flows and the related notes 1 to 24, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Group's and of the parent company's affairs as at 31 October 2017 and of the Group's profit for the year 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.

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 below. We are independent of the Group and parent 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report

to the members of Hays Travel Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 parent company 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.

Independent auditor's report

to the members of Hays Travel Limited

Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities set out on page 7, 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.

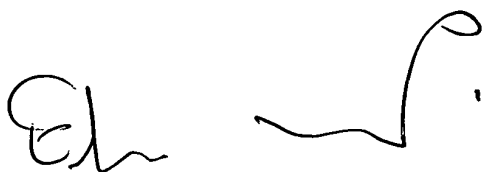
In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend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

Auditor's responsibilities for the audit of the financial statements

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

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.

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



Darren Rutherford (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
22 January 2018

Group income statement

for the year ended 31 October 2017

	Notes	2017 £'000	2016 £'000
Gross value of sales	1	943,192	834,492
Turnover	2	337,785	333,427
Operating expenses	3	(328,435)	(327,390)
Other operating income (expense)– amortisation of goodwill	9	(719)	(232)
– rental and other income		351	321
Share of operating profit in associate	11	296	247
Operating profit	4	9,278	6,373
Bank and other interest receivable		846	911
Other finance (expense)/income - pension scheme	20	(10)	6
(Loss)/profit on disposal of fixed assets		(29)	13
Surplus on revaluation of investment properties	10	-	211
Profit before taxation		10,085	7,514
Tax on profit, including share of tax in associate	7	(2,170)	(1,608)
Profit after taxation		7,915	5,906
Other comprehensive income			
Actuarial gain/(loss) related to pension scheme (note 20)		639	(786)
Deferred tax thereon		(206)	132
Movement on surplus cap applied to pension scheme asset (note 20)		(359)	-
Total comprehensive income for the year		7,989	5,252

All activities are continuing.

Statements of changes in equity

for the year ended 31 October 2017

Group

	<i>Called up share capital £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Investment property revaluation reserve £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 November 2015	100	33	-	19,176	19,309
Profit for the year	-	-	-	5,906	5,906
Other comprehensive losses	-	-	-	(654)	(654)
Transfer of unrealised revaluation gains	-	-	211	(211)	-
At 31 October 2016	100	33	211	24,217	24,561
Profit for the year	-	-	-	7,915	7,915
Other comprehensive gains	-	-	-	74	74
At 31 October 2017	100	33	211	32,206	32,550

Company

	<i>Called up share capital £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 November 2015	100	33	13,678	13,811
Profit for the year	-	-	2,043	2,043
Other comprehensive losses	-	-	(654)	(654)
At 31 October 2016	100	33	15,067	15,200
Profit for the year	-	-	4,300	4,300
Other comprehensive gains	-	-	74	74
At 31 October 2017	100	33	19,441	19,574

Group balance sheet

As at 31 October 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	9	3,241	1,383
Tangible assets	10	13,361	12,513
Investment in associate	11	394	141
		<u>16,996</u>	<u>14,037</u>
Current assets			
Debtors	12	26,330	19,561
Cash at bank and in hand	18	92,307	72,437
		<u>118,637</u>	<u>91,998</u>
Creditors: amounts falling due within one year	13	(103,066)	(80,949)
		<u>15,571</u>	<u>11,049</u>
Net current assets			
		<u>32,567</u>	<u>25,086</u>
Total assets less current liabilities			
Provision for liabilities and charges			
Deferred taxation	15	(17)	-
		<u>32,550</u>	<u>25,086</u>
Net assets excluding pension liability			
Pension liability	20	-	(525)
		<u>32,550</u>	<u>24,561</u>
Net assets			
		<u>32,550</u>	<u>24,561</u>
Capital and reserves			
Called up share capital	16	100	100
Capital redemption reserve	16	33	33
Investment property revaluation reserve	16	211	211
Profit and loss account	16	32,206	24,217
		<u>32,550</u>	<u>24,561</u>
Total equity shareholders' funds			
		<u>32,550</u>	<u>24,561</u>

The financial statements were approved and authorised for issue by the Board of Directors on 22 January 2018 and signed on their behalf by:



Marta Fernandez Varona
Director

Company balance sheet

As at 31 October 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	9	1,014	451
Tangible assets	10	4,090	3,390
Investments	11	12,436	8,758
		<u>17,540</u>	<u>12,599</u>
Current assets			
Debtors	12	13,161	9,553
Cash at bank and in hand		60,673	50,732
		<u>73,834</u>	<u>60,285</u>
Creditors: amounts falling due within one year	13	(71,785)	(57,159)
		<u>2,049</u>	<u>3,126</u>
Net current assets			
		<u>19,589</u>	<u>15,725</u>
Total assets less current liabilities			
Provision for liabilities and charges			
Deferred taxation	15	(15)	-
		<u>19,574</u>	<u>15,725</u>
Net assets excluding pension liability			
Pension liability	20	-	(525)
		<u>19,574</u>	<u>15,200</u>
Net assets			
		<u><u>19,574</u></u>	<u><u>15,200</u></u>
Capital and reserves			
Called up share capital	16	100	100
Capital redemption reserve	16	33	33
Profit and loss account	16	19,441	15,067
		<u>19,574</u>	<u>15,200</u>
Total equity shareholders' funds		<u><u>19,574</u></u>	<u><u>15,200</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 22 January 2018 and signed on their behalf by:



Marta Fernandez Varona
Director

Group statement of cash flows

for the year ended 31 October 2017

	<i>Notes</i>	<i>2017</i> <i>£'000</i>	<i>2016</i> <i>£'000</i>
<i>Net cash inflow from operating activities</i>	18(a)	23,743	2,268
<i>Returns on investment and servicing of finance</i>	18(b)	846	953
<i>Capital expenditure and financial investment</i>	18(b)	(4,719)	(1,568)
<i>Increase in cash</i>	18(c)	<u>19,870</u>	<u>1,653</u>

Notes to the financial statements

at 31 October 2017

1. Accounting policies

Statement of compliance

Hays Travel Limited is a private limited liability company, limited by shares, incorporated in England.

The Registered Office is:

25 Vine Place
Sunderland
Tyne and Wear
SR1 3NA

The company's financial statements have been prepared in accordance with FRS102 as it applies to the financial statements of the company for the year ended 31 October 2017.

In these financial statements, the company has applied the exemptions available under FRS 102 in respect of the following disclosures:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)
- the requirements of Section 11 Basic Financial Instruments paragraphs 11.39 to 11.48A
- the requirements of Sections 33.1A Related Party Disclosures

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards.

The financial statements have been prepared using accounting principles based on historical cost, except for the modification to a fair value basis for investment properties.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

The Group financial statements consolidate the financial statements of Hays Travel Limited and all of its subsidiary undertakings drawn up to 31 October 2017. No income statement is presented for Hays Travel Limited as permitted by Section 408 of the Companies Act 2006.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The principal accounting policies and significant judgements and estimates applied in the preparation of these financial statements are set out below. These policies, estimates and judgements have been consistently applied to all years presented unless otherwise stated.

Notes to the financial statements

at 31 October 2017

1. Accounting policies (continued)

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Pipeline commissions are recognised on acquisition and amortised as income relating to these pipeline holidays is recognised.

Goodwill, being the excess of acquisition consideration over the fair value of assets and liabilities acquired, is capitalised on the balance sheet. This is amortised through the income statement over its useful economic life (5 years) using the straight-line method.

Investments in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, using the acquisition accounting method. The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Investments in associates

Investments in associates are accounted for at cost less any accumulated impairment losses in the parent undertaking while in the Group financial statements the equity method is used. Goodwill arising on the acquisition of associates is disclosed separately in the Group financial statements. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method.

Dividend income from associates is recognised when the shareholder's right to receive payment has been established and is shown as other income in the parent undertaking.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

The exception is Investment property where fair value has been followed at the date of the revaluation. Fair values are determined from market evidence normally undertaken by a professionally qualified valuer.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, as follows:

Freehold buildings excluding Investment Property	–	over 25 years
Leasehold properties and buildings improvements	–	over the shorter of the lease term and 5 years
Computer equipment and software	–	over 5 years
Fixtures, fittings and office equipment	–	over 5 years
Motor vehicles	–	over 3 years
Freehold property improvements	–	over 5 years

The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 31 October 2017

1. Accounting policies (continued)

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Revaluation of investment properties

The Group carries its investment property at fair value, with changes in fair value being recognised in the income statement. The company engaged independent valuation specialists to determine fair value at 31 October 2016. The Directors consider that there has been no material change to these valuations as at 31 October 2017. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 10.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less.

Debtors

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

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Current taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the exception of deferred tax assets. Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is measured on an basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 October 2017

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities are denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. In line with industry practice, foreign currencies held by the Group are included as cash.

Leases

Assets held under finance leases are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful economic lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding. Rental costs under operating leases are charged to the income statement in equal annual amounts over the lease term.

Assets owned by the Company which are sub-let to other parties under operating leases, where the Company is the lessor, are included in fixed assets at cost or valuation and are depreciated over their estimated useful economic lives. Rental income from operating leases is recognised in the income statement on a straight line basis over the term of the lease.

Pensions

For defined contribution pension schemes operated by the Group, the amounts charged to the income statement are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown in the balance sheet as either accruals or prepayments.

The defined benefit pension scheme is funded, with the assets of the scheme held separately from those of the Group in separate trustee administered funds. Pension scheme assets are measured at fair value and scheme liabilities are measured on an actuarial basis using the projected unit method, in accordance with FRS102, and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of related deferred tax, is presented separately on the face of the balance sheet after other net assets.

Turnover

Gross value of sales represents the total amount receivable by the Company from the sale of holidays, foreign exchange and other services supplied. Turnover represents (a) commission earned as a travel agent (all of which is stated net of value added tax), (b) the gross value of sales earned as a tour operator through Hays Tour Operating Limited and (c) the sale of currency (which is exempt from value added tax), all of which arises from continuing operations (d) rebates and overrides received from suppliers. Commission earned on the sale of holidays, insurance and currency is credited to the income statement broadly in line with receipt of full payment from the customer and in accordance with the nature of the services provided. Override commission is credited on an accruals basis. All turnover arises wholly within the UK.

Turnover is stated gross of the value of discretionary discounts given to customers. These discounts are shown as a cost of sale.

Notes to the financial statements

at 31 October 2017

2. Turnover

Turnover, analysed by category, was as follows:

	2017 £'000	2016 £'000
Rendering of services – tour operator	118,013	148,759
Rendering of services – agent	85,816	74,897
Sale of currency	133,956	109,771
	<u>337,785</u>	<u>333,427</u>

All turnover arose within the United Kingdom

A reclassification of turnover and other operating expenses of £1,386,000 was made to the 2016 comparative figures to enable a more meaningful comparison with 2017 figures following changes to classifications. There is no impact on operating profit or the result for the year.

3. Operating expenses

	2017 £'000	2016 £'000
Cost of sales	294,948	296,470
Distribution costs	1,837	2,254
Administrative expenses	31,650	28,666
	<u>328,435</u>	<u>327,390</u>

4. Operating profit

This is stated after charging/(crediting):

	2017 £'000	2016 £'000
Auditor's remuneration – audit services		
– Ernst & Young LLP	78	86
Auditor's remuneration – non-audit services		
– Ernst & Young LLP – regulatory compliance work	5	11
Foreign exchange gains	(107)	(537)
Depreciation of owned tangible and intangible fixed assets	1,463	1,133
Amortisation of goodwill	719	232
Operating lease rentals – land and buildings	2,178	1,974
	<u>2,178</u>	<u>1,974</u>

Notes to the financial statements

at 31 October 2017

5. Directors' emoluments

	<i>2017</i> <i>£'000</i>	<i>2016</i> <i>£'000</i>
Emoluments	572	556
Company contributions paid to money purchase schemes	1	1
Members of money purchase pension schemes	<i>No.</i> -	<i>No.</i> -
The amount in respect of the highest paid Director is as follows:		
	<i>2017</i> <i>£'000</i>	<i>2016</i> <i>£'000</i>
Emoluments	191	177
Company contributions paid to money purchase pension schemes	1	1

The directors are considered to be the only key management personnel of the Group.

Notes to the financial statements

at 31 October 2017

6. Staff costs

	2017 £'000	2016 £'000
Wages and salaries	20,491	18,315
Social security costs	1,336	1,208
Defined contribution pension scheme costs	161	100
Defined benefit pension scheme current service cost (note 20)	27	56
	<u>22,015</u>	<u>19,679</u>

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

	2017 No.	2016 No.
Sales, trading, processing and administration	<u>1,201</u>	<u>1,080</u>

7. Tax on profit

(a) Tax on profit

The tax charge is made up as follows:

	2017 £'000	2016 £'000
<i>Current tax:</i>		
UK corporation tax on profit for the year	2,123	1,514
Adjustments in respect of previous years	42	(4)
Share of tax in associate	43	48
Total current tax	<u>2,208</u>	<u>1,558</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(39)	13
Adjustments in respect of previous years	1	37
Total deferred tax	<u>(38)</u>	<u>50</u>
Total tax on profit (note 7(b))	<u>2,170</u>	<u>1,608</u>

Notes to the financial statements

at 31 October 2017

7. Tax on profit (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19.42% (2016 – 20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit before tax	10,085	7,514
Profit multiplied by standard rate of corporation tax in the UK of 19.42% (2016 – 20%)	1,959	1,503
<i>Effects of:</i>		
Disallowed expenses/non-taxable income	162	74
Adjustments to tax charge in respect of previous years	43	33
Other differences	6	(2)
Total tax for year including share of tax in associate (note 7(a))	2,170	1,608

(c) Factors that may affect future tax charges

Reductions in the rate of corporation tax from 20% to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted on 26 October 2016. A further rate reduction to 17% from 1 April 2020 was enacted on 6 September 2016.

8. Profit attributable to members of the parent undertaking

The profit after taxation dealt with in the financial statements of the parent undertaking was £4,300,000 (2016 - £2,043,000).

Notes to the financial statements

at 31 October 2017

9. Intangible fixed assets

<i>Group</i>	<i>Pipeline commissions £'000</i>	<i>Goodwill arising on acquisition £'000</i>	<i>Purchased goodwill £'000</i>	<i>Software licences £'000</i>	<i>Total £'000</i>
Cost:					
At 1 November 2016	-	1,395	196	953	2,544
Additions	199	2,499	193	52	2,943
Disposals	-	-	-	(206)	(206)
At 31 October 2017	199	3,894	389	799	5,281
Amortisation:					
At 1 November 2016	-	465	196	500	1,161
Charge in the year	199	709	10	167	1,085
Disposals	-	-	-	(206)	(206)
At 31 October 2017	199	1,174	206	461	2,040
Net book value:					
At 31 October 2017	-	2,720	183	338	3,241
At 1 November 2016	-	930	-	453	1,383

Goodwill arising from the purchase of 40% of Just Go Travel Limited and 100% of 3D Travel Limited, Holiday Travel & Booking Agency Limited, Christine Nugent Business Travel Limited is being amortised over 5 years. Purchased goodwill arising from the purchase of CAS Travel Limited is also being amortised over 5 years.

<i>Company</i>	<i>Pipeline commissions £'000</i>	<i>Goodwill arising on trade transfer £'000</i>	<i>Purchased goodwill £'000</i>	<i>Software licences £'000</i>	<i>Total £'000</i>
Cost:					
At 1 November 2016	-	-	196	934	1,130
Additions	199	596	193	49	1,037
Disposals	-	-	-	(200)	(200)
At 31 October 2017	199	596	389	783	1,967
Amortisation:					
At 1 November 2016	-	-	196	483	679
Charge in the year	199	99	10	166	474
Disposals	-	-	-	(200)	(200)
At 31 October 2017	199	99	206	449	953
Net book value:					
At 31 October 2017	-	497	183	334	1,014
At 1 November 2016	-	-	-	451	451

Notes to the financial statements

at 31 October 2017

10. Tangible fixed assets

An independent professional revaluation of all the company's UK freehold and long-term leasehold properties was carried out as at 31 October 2016 and the results thereof were incorporated into the financial statements. The revaluation was carried out by Cliffe-Roberts Limited, Chartered Surveyors. Properties were valued in accordance with the RICS Valuation at either Existing Use Value under UKVS1.3, or Market Value defined in RICS Valuation – Professional Standards Global, January 2014, VPS4 para 1.2. Revaluation gains and losses arising from the interim revaluation were dealt with in accordance with the accounting policy set out in note 1 to the financial statements. The Directors consider that no significant change to these valuations has taken place in the period since the independent professional revaluation was carried out at 31 October 2016. The overall impact of this revaluation was to increase the carrying value by an aggregate amount of £211,000. Investment properties had an original purchase cost of £1,607,000 (2016: £1,607,000).

Group

	Short leasehold improvements	Investment property	Long term leasehold property	Freehold land and buildings	Fixtures & fittings/ office equipment	Motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:								
At 1 November 2016	2,465	2,963	255	7,676	2,325	498	170	16,352
Transfer from assets under construction	170	-	-	-	-	-	(170)	-
Additions	478	-	-	255	860	104	262	1,959
Disposals	(15)	-	-	(14)	(211)	(51)	-	(291)
At 31 October 2017	3,098	2,963	255	7,917	2,974	551	262	18,020
Depreciation:								
At 1 November 2016	881	-	11	1,079	1,483	385	-	3,839
Charged in the year	506	-	3	136	375	77	-	1,097
Disposals	(15)	-	-	(14)	(202)	(46)	-	(277)
At 31 October 2017	1,372	-	14	1,201	1,656	416	-	4,659
Net book value:								
At 31 October 2017	1,726	2,963	241	6,716	1,318	135	262	13,361
At 1 November 2016	1,584	2,963	244	6,597	842	113	170	12,513

Notes to the financial statements

at 31 October 2017

10. Tangible fixed assets (continued)

Company

	Short leasehold improvements £'000	Freehold land and improvements £'000	Fixtures & fittings/ office equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost:						
At 1 November 2016	1,957	1,649	1,720	471	170	5,967
Transfer from assets under construction	170	-	-	-	(170)	-
Additions	478	-	832	104	262	1,676
Disposals	(15)	(14)	(207)	(51)	-	(287)
At 31 October 2017	2,590	1,635	2,345	524	262	7,356
Depreciation:						
At 1 November 2016	444	825	936	372	-	2,577
Charged in the year	490	51	351	71	-	963
Disposals	(15)	(14)	(199)	(46)	-	(274)
At 31 October 2017	919	862	1,088	397	-	3,266
Net book value:						
At 31 October 2017	1,671	773	1,257	127	262	4,090
At 1 November 2016	1,513	824	784	99	170	3,390

Notes to the financial statements

at 31 October 2017

11. Investments

Group

	£'000
At 1 November 2016	141
Share of profit after tax retained by associate	253
At 31 October 2017	394

Company

	Investments £'000
Cost or valuation:	
At 1 November 2016	8,756
Additions	5,772
Write down of investments relating to receipt of dividends out of pre-acquisition profits	(1,205)
Transferred to goodwill	(598)
Included within intangible assets – pipeline commissions	(199)
Amounts written-off	(90)
At 31 October 2017	12,436

Included in costs of investments above is £1,164,000 relating to associated undertakings. Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Subsidiary undertakings

Name of company	Holding	Proportion of shares held	Nature of business
Hays Foreign Exchange Limited	Ordinary shares	100%	Sale of foreign currency
Hays Tour Operating Limited	Ordinary shares	100%	Tour operator
Hays Beds Limited	Ordinary shares	100%	Accommodation provider
Hays Transfers Limited	Ordinary shares	100%	Transfers provider
Hays Transport Limited	Ordinary shares	100%	HMRC transport scheme
Christine Nugent Business Travel Limited	Ordinary shares	100%	Corporate Travel agent
Holiday Travel & Booking Agency Limited	Ordinary shares	100%	Dormant
Hays Property Services Limited	Ordinary shares	100%	Investment property

All subsidiary undertakings are companies registered in England and Wales.

Tappers Travel Service Limited was a 100% owned subsidiary of Hays Property Services Limited. In May 2017 the company was dissolved. 3D Travel Limited was acquired in November 2016 and dissolved in May 2017.

Notes to the financial statements

at 31 October 2017

11. Investments (continued)

Associate Investments

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of shares held</i>	<i>Nature of business</i>
Just Go Travel Limited	Ordinary shares	40%	Travel agency

Just Go Travel Limited changed its accounting period-end date in October 2016 from 30 September to 31 October thus the profit after tax recognised within these Group financial statements of £199,000 relates to a 13 month period in 2016. The Group has accounted for its share of the associate's profit after tax amounting to £253,000 and net assets as at 31 October 2017 amounting to £394,000. Just Go Travel Limited transitioned from the previously extant UK GAAP to FRS102 as at 1 October 2015.

Just Go Travel Limited's financial statements have been prepared in accordance with FRS102, for the first time, as it applies to the financial statements for the year ended 31 October 2017. The Group has not restated the 2016 results with the FRS 102 adjustment but have instead reported it within 2017 results.

Additional disclosures in respect of share of Just Go Travel Limited:

	<i>2017</i> <i>£'000</i>	<i>2016</i> <i>£'000</i>
Tangible fixed assets	282	139
Intangible fixed assets	17	22
Current assets	926	475
Share of gross assets	1,225	636
Liabilities due within one year	(831)	(495)
Share of gross liabilities	(831)	(495)
Share of net assets	394	141
Share of turnover	1,651	1,408
Share of profit before tax	303	247
Share of taxation	(43)	(48)
FRS 102 adjustment	(7)	-
Share of profit after tax	253	199

12. Debtors

	<i>2017</i> <i>£'000</i>	<i>Group</i> <i>2016</i> <i>£'000</i>	<i>2017</i> <i>£'000</i>	<i>Company</i> <i>2016</i> <i>£'000</i>
Trade debtors	16,687	11,141	1,662	1,587
Amounts due from subsidiary undertakings	-	-	3,590	917
Other debtors	7,410	6,188	5,959	4,995
Prepayments and accrued income	2,233	2,155	1,950	1,759
Corporation tax recoverable	-	-	-	216
Deferred tax (note 15)	-	77	-	79
	26,330	19,561	13,161	9,553

Notes to the financial statements

at 31 October 2017

13. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade creditors	69,699	55,367	27,146	22,635
Amounts due to associate undertakings	1,089	829	520	352
Amounts due to subsidiary undertakings	-	-	17,080	13,477
Corporation tax	1,256	743	288	-
Other taxes and social security costs	533	662	672	824
Other creditors	644	141	611	138
Accruals and deferred income	29,845	23,207	25,468	19,733
	<u>103,066</u>	<u>80,949</u>	<u>71,785</u>	<u>57,159</u>

14. Acquisitions

On 1 November 2016 the company acquired 100% of the share capital of 3D Travel Limited for an agreed net consideration of £523,487 (including transaction expenses).

The net book value and fair value of the assets and liabilities at that date were as follows:

	<i>Book value</i>	<i>Fair value adjustments</i>	<i>Fair value</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Tangible fixed assets	3,358	(3,358)	-
Debtors	-	-	-
Cash at bank and in hand	254,643	-	254,643
Creditors	(33,226)	-	(33,226)
Intangible assets - pipeline commissions	-	52,308	52,308
Net assets acquired	<u>224,775</u>	<u>48,950</u>	<u>273,725</u>
Cash consideration (including transaction expenses) for 100%			<u>523,487</u>
Goodwill arising			<u>249,762</u>

On the same day that the acquisition took place, the business was transferred to Hays Travel Limited, and 3D Travel Limited stopped trading as a consequence. In February 2017 the shareholders of 3D Travel Limited approved the distribution of a dividend to Hays Travel Limited of £221,400 which has been fully paid at 31 October 2017. 3D Travel Limited was dissolved in July 2017.

Notes to the financial statements

at 31 October 2017

14. Acquisitions (continued)

On 7 March 2017 the company acquired 100% of the share capital of Holiday Travel & Booking Agency Limited (HTBAL) for an agreed consideration of £1,598,900 (including transaction expenses).

The net book value and fair value of the assets and liabilities at that date were as follows:

	<i>Book value</i>	<i>Fair value adjustments</i>	<i>Fair value</i>
	£	£	£
Tangible fixed assets	282,700	-	282,700
Debtors	11,842	-	11,842
Cash at bank and in hand	1,435,045	-	1,435,045
Creditors	(625,665)	-	(625,665)
Intangible assets - pipeline commissions	-	146,900	146,900
Net assets acquired	1,103,922	146,900	1,250,822
Cash consideration (including transaction expenses)			1,581,035
Deferred consideration			9,850
Other acquisition expenses			8,015
Goodwill arising (note 9)			348,078

On 1 April 2017 the travel business was transferred from HTBAL to Hays Travel Limited, and HTBAL stopped trading as a consequence. On 1 August 2017 the premises were sold to Hays Property Services Limited. In October 2017 the shareholders of HTBAL approved the distribution of a dividend to Hays Travel Limited of £984,000 which has been fully paid at 31 October 2017.

On 7 November 2016 the company acquired 100% of the share capital of Christine Nugent Business Travel Limited (CNBT) for an agreed consideration of £3,649,191 (including transaction expenses).

The net book value and fair value of the assets and liabilities at that date were as follows:

	<i>Book value</i>	<i>Fair value adjustments</i>	<i>Fair value</i>
	£	£	£
Tangible fixed assets	270,000	-	270,000
Debtors	2,170,115	-	2,170,115
Cash at bank and in hand	516,513	-	516,513
Creditors	(1,214,179)	-	(1,214,179)
Net assets acquired	1,742,449	-	1,742,449
Cash consideration (including transaction expenses)			2,630,442
Deferred consideration			1,014,724
Other acquisition expenses			4,025
Goodwill arising			1,906,742

Notes to the financial statements

at 31 October 2017

14. Acquisitions (continued)

The deferred consideration includes mainly future payments based on estimated profits to be generated by the company in 2016 and 2017 financial years. The deferred consideration already paid for 2016 profits was in line with the estimated value so no adjustment has been made to the investment value.

On 1 January 2016 Hays Travel Limited transferred its corporate travel business to Christine Nugent Business Travel Limited for nil consideration in order to generate synergies and improve customer service. On 1 January 2018 it is planned to transfer back the whole corporate travel business to Hays Travel Limited in order to reduce the Group administrative burden.

On 7 July 2017 the company acquired the trade and certain assets of CAS Travel Limited for £200,000, creating goodwill of £192,500.

15. Deferred taxation

The provision for deferred taxation is made up as follows:

	2017	Group	2017	Company
	£'000	£'000	£'000	£'000
Accelerated capital allowances	17	12	15	10
Other timing differences – pension liability (note 20)	-	(89)	-	(89)
Total liability/(asset)	17	(77)	15	(79)

The deferred tax liability relating to the defined benefit pension scheme at 31 October 2017 has been set against the scheme surplus (see note 20).

16. Issued share capital and reserves

	2017	2016
	£'000	£'000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	100	100
<i>Investment property revaluation reserve</i>		

This reserve records the excess of the carrying value of fixed asset held at valuation, against the original historic cost.

Profit and loss account reserve

This reserve records the cumulative amount of realised profits and losses less any distributions of dividends.

Capital redemption reserve

This reserve records the cumulative nominal value of shares repurchased.

Notes to the financial statements

at 31 October 2017

17. Financial instruments

<i>Group</i>	2017 £'000	2016 £'000
Financial assets measured at amortised cost:		
Trade and other debtors	24,097	17,329
Financial liabilities recorded at amortised cost:		
Trade and other creditors	70,343	55,508
<i>Company</i>	2017 £'000	2016 £'000
Financial assets measured at amortised cost:		
Trade and other debtors	7,621	6,582
Financial liabilities recorded at amortised cost:		
Trade and other creditors	27,757	22,773

18. Notes to the Group statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2017 £'000	2016 £'000
Operating profit (before share of associate)	8,988	6,126
Depreciation of tangible and intangible fixed assets	1,264	1,133
Amortisation of goodwill	719	232
Decrease in stocks	-	2
(Increase)/decrease in debtors	(6,846)	25,696
Increase/(decrease) in creditors	21,604	(29,304)
Difference between current service pension costs and cash paid	(336)	(246)
Corporation tax paid	(1,650)	(1,371)
Net cash inflow from operating activities	23,743	2,268

Notes to the financial statements

at 31 October 2017

18. Notes to the Group statement of cash flows (continued)

(b) Analysis of cash flows for headings in the statement of cash flows

	2017 £'000	2016 £'000
Returns on investment and servicing of finance		
Interest received	846	911
Dividend received from associated undertaking	-	42
	<u>846</u>	<u>953</u>
	2017 £'000	2016 £'000
Capital expenditure and financial investment		
Payments to acquire investments in subsidiary undertakings	(4,927)	-
Cash acquired with subsidiary undertakings	2,206	-
Payments to acquire intangible fixed assets	(52)	(189)
Payment to acquire tangible fixed assets	(1,959)	(1,415)
Receipts from sales of tangible fixed assets	13	36
	<u>(4,719)</u>	<u>(1,568)</u>

(c) Analysis of changes in net funds

	At 1 November 2016 £'000	Cash flow £'000	At 31 October 2017 £'000
Cash at bank and in hand	72,437	19,870	92,307

19. Capital commitments

At 31 October 2017 there were no capital commitments contracted for but not provided in the financial statements (2016 - £nil).

20. Pension commitments

The Group operates a number of defined contribution schemes. The assets of the scheme are held separately from those of the Group in an independently administered fund. At 31 October 2017 there were no unpaid contributions outstanding (2016 - £Nil).

The Group also operates a defined benefit pension scheme for certain employees. The last full actuarial valuation of the scheme was carried out as at 1 December 2015, and this has been updated to 31 October 2017 by the scheme actuary.

The pension scheme has not invested in any of the group companies.

Notes to the financial statements

at 31 October 2017

20. Pension commitments (continued)

There is no balance recognised in the balance sheet at 31 October 2017.

	2017 £'000	2016 £'000
Present value of funded obligations	(8,984)	(9,482)
Fair value of scheme assets	9,417	8,957
Surplus/(deficit) in scheme	433	(525)
Related deferred tax (liability)/asset	(74)	89
Surplus cap	(359)	-
Surplus/(deficit)	-	(436)

The Company decided to adopt a cautious approach by capping the defined benefit pension scheme asset which was calculated at 31 October 2017. A surplus cap of £359,000 was therefore accounted for at 31 October 2017.

The amounts recognised in the income statement are as follows:

	2017 £'000	2016 £'000
Current service cost	27	56
Past service cost	6	-
Net interest expense/(income)	10	(6)
Settlements or curtailments	(91)	-
	(48)	50

On 1 November 2016, the Company started a consultation process with eleven employees with the view to close to future accrual the defined benefit pension scheme. The Company closed to future accrual the Scheme on 28 February 2017.

The amounts recognised in other comprehensive income are as follows:

	2017 £'000	2016 £'000
Actuarial gains on assets	569	991
Actuarial gains/(losses) on liabilities	70	(1,777)
	639	(786)

Notes to the financial statements

at 31 October 2017

20. Pension commitments (continued)

Changes in the present value of the defined benefit obligation were as follows:

	2017 £'000	2016 £'000
Opening defined benefit obligation	9,482	7,927
Current service cost	27	56
Interest cost	239	298
Actuarial (gains)/losses	(70)	1,777
Settlements or curtailments	(91)	-
Past service cost	6	-
Benefits paid	(609)	(576)
Closing defined benefit obligation	8,984	9,482

Changes in the fair value of scheme assets were as follows:

	2017 £'000	2016 £'000
Opening fair value of scheme assets	8,957	7,936
Interest income	229	304
Actuarial gains	569	991
Contributions to the scheme	271	302
Benefits paid	(609)	(576)
Closing fair value of scheme assets	9,417	8,957

The Group is expected to contribute approximately £203,000 to the scheme in the year to 31 October 2018.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2017	2016
Equities	75%	76%
Bonds	9%	13%
Insured pensions	5%	5%
Cash	11%	6%

The principal actuarial assumptions adopted at the balance sheet date are as follows:

	2017	2016
Discount rate	2.6%	2.6%
Retail price inflation (RPI)	3.3%	3.3%
Consumer price inflation (CPI)	2.3%	2.3%
Pension increases – CPI maximum 5.0%	2.3%	2.3%
Pension increases – CPI maximum 2.5%	1.9%	1.9%
Deferred pension revaluation – CPI 5.0% cap	2.3%	2.3%
Deferred pension revaluation – CPI 2.5% cap	2.3%	2.3%

The overall expected long term return on scheme assets is a weighted average of the expected long term returns for equity securities, debt securities and other assets.

Mortality follows the standard table known as S2PA, using 115% of the base table with the CMI_2015 mortality projections with a long term rate of improvement of 1.25%. The mortality assumptions used at the previous year end followed the standard table known as S2PA, using 115% of the base table with the CMI-2015 mortality projections with a long term rate of improvement of 1.25%.

Notes to the financial statements

at 31 October 2017

20. Pension commitments (continued)

Assuming retirement at age 65, the life expectancies in years are as follows:

	2017	2016
For a male aged 65 now	21.1	21.1
At 65 for a male member aged 45 now	22.8	22.8
For a female aged 65 now	23.1	23.1
At 65 for a female member aged 45 now	25.0	25.0

21. Other financial commitments

At 31 October 2017 the Group had total commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Amounts payable:				
Within one year	1,832	1,552	-	-
In two to five years	3,766	3,010	-	-
In over five years	4,493	4,044	-	-
	<u>10,091</u>	<u>8,606</u>	<u>-</u>	<u>-</u>

22. Contingent liabilities

Bonds have been provided to RBS and BA Lime. The Group's bankers have provided the full amount of the bonds which are all held on a cash cover basis. The amounts and expiry dates of the bonds are set out below:

	2017	2016
	£'000	£'000
<i>Expiry date</i>		
31 December 2017	1,200	1,200
Ongoing	25	25

The RBS bond of £1,200,000 has been released and received on 29 December 2017.

23. Related party transactions

The company has taken advantage of the exemptions available under FRS102.33.1A to subsidiary undertakings of not disclosing transactions with wholly owned entities of the group qualifying as related parties.

During the current year, the Group made gross sales in retail of £39,731,000 (2016 - £31,500,000) to Just Go Travel Limited, a company in which the Group has a 40% shareholding. These transactions were on normal commercial terms. The balance owed at 31 October 2017 by the Group was £1,089,000 (2016 - £829,000) being commissions payable on gross sales, and £nil (2016 - £nil) owed to the Group and company.

24. Controlling party

In the Directors' opinion, the Company's controlling party is Mr J Hays, who owns 56.42% of the ordinary share capital of the Company (100% including related parties).