

COMPANY REGISTRATION NUMBER 04853546

Travel Republic Ltd

Amending Annual Report and Financial Statements

31 March 2020



Travel Republic Ltd

Annual Report and Financial Statements

Year ended 31 March 2020

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Travel Republic Ltd

Officers and Professional Advisers

The Board of Directors

Mr I Andrew (resigned 30 March 2020)
Mr A H Parkar
Mr J W Gubbay
Mr J C Bevan
Mr F Rejwan (resigned 20 December 2019)

Registered Office

Clarendon House
147 London Road
Kingston Upon Thames
Surrey
KT2 6NH

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants
& Statutory Auditors
No 1 Spinningfields
1 Hardman Square
Manchester
M3 3EB

Bankers

Barclays Bank PLC
1st Floor
3 Hardman Street
Spinningfields
Manchester
M3 3HF

Registered Number

04853546

Travel Republic Ltd

Strategic Report

The directors present their strategic report for the year ended 31 March 2020.

Review of the business

The principal activity of the Company during the year was that of an online travel agent.

Travel Republic Ltd is owned wholly by dnata Travel Holdings UK Limited and the principal activity of this Company is that of a holding Company. The ultimate parent Company is the Investment Corporation of Dubai, a Company incorporated in the United Arab Emirates under an Emiri decree.

The results for the Company show a loss for the financial year of £20.1m (2019: loss £4.0m). Revenues decreased to £70.1m (2019: £73.9m) and costs increased to £90.2m (2019: £77.9m) as the online travel market continued to be challenging, with competitor activity driving an increase in the cost of driving customers to the Company's website through paid search. During the year, a number of airline failures, including Thomas Cook and Flybe led to significant operational upheaval coupled with material margin impact as the business had to cancel down in excess of 15k bookings. In addition, continued lack of confidence in the home economic environment caused by Brexit uncertainty, together with the broader global macroeconomic instability through Covid-19 has led to additional pressure on margins. However, management continues to invest in the future with product and technology enhancements at the forefront of its strategy. The Company has net liabilities at 31 March 2020 of £7m (2019: Net assets £12.7m).

Business Environment

There are two distinct segments in the UK leisure and travel market: direct suppliers and travel intermediaries. Direct suppliers are the airlines, hotels and cruise companies that sell directly to the customer. The Company operates in the travel intermediary segment, made up of travel agents and tour operators.

International tourism has enjoyed strong and sustained growth for most periods since the 1970's. While external disruptions including terrorism, currency and fuel volatility have restrained growth, and Covid-19 will undoubtedly cause a contraction in both the short and medium term in the travel sector, the long term outlook for the industry remains positive.

Management are looking at strategies to run a more commercially lean operating model to reduce costs, whilst at the same time focussing on the customer and delivering memorable travel experiences in order to maximise sales through the brand's loyal customer base when the market recovers.

Strategy and future outlook

Our strategy is focused on the following key drivers;

- Robust product innovation and selection
- Operational and administrative cost control to drive bottom line growth
- Customer service transformation

Travel Republic Ltd

Strategic Report *(continued)*

Strategy and future outlook *(continued)*

- Data driven decision making
- Optimisation of marketing investment to drive traffic growth
- Development of website to enhance customer experience and improve user journey
- Continuous improvement in website conversion levels

The above drivers will assist in delivering improved market share, product development and efficiencies to deliver improvements in overall profitability.

Principal Risks and Uncertainties

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

- Fall in demand and customer confidence due to the Covid-19 pandemic
- Any significant damage to the UK group's reputation or brands, including but not limited to experiences in delayed refunds within the travel industry as a whole
- Downturn in the UK economy following Britain's exit from the EU leading to a reduction in demand for the Company's products and services
- Fall in demand due to customers going directly to suppliers and bypassing travel intermediary companies
- Pace of technological advancement brings new entrants into the market with state of the art technology further enhancing the online travel agent customer offering
- Environmental risks and regulations
- Loss of, or difficulty in, replacing senior talent
- Natural catastrophe including closure of airspace or a global pandemic
- Disruption to information technology systems or infrastructure, premises or business processes
- Performance failure by outsourced partners and third party suppliers
- Changes to the current regulatory environment
- Political unrest or terrorism in different areas of the world

To mitigate the principal risks and uncertainties the Company will:

- Continually monitor destinations that are sold and where necessary, take advice from both regulators and the government in regard to risk assessment
- Keep a tight control on operating costs to enable flexibility on future decision making
- Maintain its people and culture programme including succession planning, professional development and robust recruitment process
- Ensure it delivers competitively-priced products to the market through its brand and is at the forefront of adopting developments in selling and fulfilment technology
- Continue to hedge forward requirements to protect the business from future currency risks
- Conserve its cash position to maintain liquidity, drawing down lines of credit from its parent company to navigate the short and medium term disruption from Covid-19.
- Ensure it operates fairly and equitably to both its customers and suppliers

Travel Republic Ltd

Strategic Report *(continued)*

Key Performance Indicators ("KPIs")

The travel market is dynamic and the directors track and monitor business performance through the use of a range of KPIs.

An important KPIs used to monitor performance is gross margin as a % of revenue. Gross margin as a % of revenue was -4.9% for 2020 (2019: 15.9%).

Directors' Section 172(1) Statement

The Directors of the Company attend the wider dnata Travel UK Board. The Board acknowledges its responsibility under section 172(1) of the Companies Act 2006 and below sets out the key processes and considerations that demonstrate how the Directors promote the success of the Company.

The below statements sets out the requirements of the Act, section 172(1), and note how the Directors discharge their duties.

The Board meet monthly with papers circulated in advance to allow the Directors to fully understand the performance and position of the Group, alongside matters arising for decision. Each decision made by the Directors is supported by papers which analyse the possible outcomes so that an educated decision can be made based upon the likely impact on the Group.

Factors (a) to (f) below, are all taken into account during the decision making process.

a) Long term consequences

Decisions required to be made by the Board are presented in the form of business cases, which show the cost/benefit analysis, cash flows and any non-financial considerations of each proposal.

The group has a 3-year Medium Term Plan (MTP), which is reviewed regularly to benchmark performance and achievements against. Strategy is reviewed in detail each year at multiple Board Strategy Away Days. Any decisions signed off by the Board are added into the MTP/budget targets, and monitored accordingly.

b) Employees

The Company sees its employees as its greatest assets, and engages consistently with them through a variety of mediums. More details of how the Company informs and interacts with its employees can be seen in the Directors Report on page 7.

Travel Republic Ltd

Strategic Report *(continued)*

Directors' Section 172(1) Statement *(continued)*

c) Suppliers, customers and others

The customer is central to the operations of the Company. Customer Net Promoter Scores (NPS) and repeat customer percentages are key performance indicator that are monitored continually. Feedback is collected and actions undertaken to improve these at all times. Each website development is carried out with a view to improving the user experience.

A good relationship with our suppliers is also key to the ongoing success of our Company. The Company benefits from dnata Travel's wider air and ground product purchasing and procurement teams, who maintain very high levels of engagement with suppliers via face-to-face meetings, phone calls, and Trade shows.

d) Community and the environment

The Company is keen to align its business strategy with broader sustainability issues. This means that the business works with its supply chain partners and customers to achieve tangible and long-lasting benefits to the environment and communities within the Company operates.

The Company has a relatively low carbon footprint, but acknowledges improvements can always be made, and the Directors encourage video calling rather than air travel. The Company also engages with local communities and charities.

e) Maintaining a reputation for high standards of business conduct

The Directors are committed to high standards of business governance and conduct. Where there is a need to seek advice on particular issues, the Board will seek advice from is legal and business advisors, to ensure the consideration of business conduct, and its reputation maintained.

f) Fairness between members of the company

The Company is owned by a sole shareholder, dnata Travel Holdings Ltd, which is in turn owned by dnata. The Directors of the Company are ultimately employees of dnata, and as such the Board feels that the executive Directors are fully aligned with the shareholders.

Approved by the Board on 30th September 2020 and signed on its behalf by:



Mr J W Gubbay
Director

Travel Republic Ltd

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 March 2020.

Directors of the Company

The directors who were in office during the year and up to the date of signing the financial statements were as follows:

Mr I Andrew (resigned 30 March 2020)

Mr A H Parkar

Mr J W Gubbay

Mr J C Bevan

Mr F Rejwan (resigned 20 December 2019)

Qualifying third party indemnity provisions

During the year and up to the date of approving the financial statements, the Directors had a qualifying third party indemnity provision in place.

Dividends

No dividends were declared in the year ended 31 March 2020 (2019: £nil).

Donations

During the year the Company made £nil donations (2019 £nil).

Financial risk management objectives and policies

Objectives and policies

As detailed in the notes to the financial statements, the Company seeks to manage its risk in relation to currency movements by forward buying the currency to match the known future foreign exchange requirements as the relevant customer bookings are received.

Price risk, credit risk, liquidity risk and cash flow risk

There is minimal liquidity, cash flow and credit risk to the Company as customers pay in advance of their holidays. The risks in relation to price variance are minimised by having a wide range of providers and products on offer.

Employment of disabled persons

The Company 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 Company'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 wherever appropriate.

Travel Republic Ltd

Directors' Report *(continued)*

Employee involvement

Communication

It is the Company's policy to ensure that its employees are kept fully informed on matters which affect them in order to provide the necessary understanding of the Company's business aims and performance. The Company's personnel policies ensure its employees are communicated with on a regular basis and on a wide range of issues. Employees' views are sought via Town Halls, open question sessions, so that these can be taken into account in making decisions that affect their interests.

Training and Development

The importance of staff training and development as a key to business success is recognised at all levels. The Company provides training both internally and externally related to specific business requirements in order to improve business efficiency and to enable the Company to comply fully with legislation and local regulations.

Human Resources

The Company is committed to equality of opportunity and does not discriminate between employees or potential employees on any grounds and the requirements of all relevant employment legislation are fully recognised. Due consideration is given to recruitment, promotion, training and working conditions of all staff.

Research and development

The Company continues to develop innovative software to enable the bookings and marketing analysis systems to maintain and enhance the Company's position in the market place. Attributable costs of £3,635k (2019: £1,779k) were capitalised as intangible assets in the year.

Disclosure on going concern

The Company meets its day-to-day working capital requirements through its cash reserves and intercompany borrowings. Despite its net liabilities position, a letter of support has been obtained from dnata who have confirmed their support for the company for a period of 12 months from the date of approval of the financial statements.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which the auditors are unaware.

Matters disclosed elsewhere within the financial statements

Required disclosures in relation to the Company's KPIs, business review, principal risks and uncertainties, Section 172(1) stakeholder engagement and future developments have been included within the Company's Strategic Report on pages 2 to 5 of the financial statements.

Travel Republic Ltd

Directors' Report *(continued)*

Covid-19

The business was and continues to be materially impacted by the Covid-19 pandemic and as a result, management made specific provisions and adjustments against core revenue streams to mitigate the risks around future booking/hotel cancellations. Critical accounting assumptions regarding the provisions taken can be found in note 3. The key impacts of Covid-19 on the financial statements are referenced in the relevant notes, and finally summarised in note 27.

Independent auditors

The auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under Company law 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 the financial statements, the directors are required to:

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

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

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Directors' Report *(continued)*

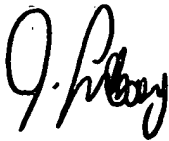
Statement of directors' responsibilities *(continued)*

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

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

Approved by the Board on 30th September 2020 and signed on its behalf by:



Mr J W Gubbay
Director

Travel Republic Ltd

Independent auditors' report to the members of Travel Republic Ltd

Year ended 31 March 2020

Report on the audit of the financial statements

Opinion

In our opinion, Travel Republic Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2020; the income statement, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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 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.

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

Travel Republic Ltd

Independent auditors' report to the members of Travel Republic Ltd *(continued)*

Year ended 31 March 2020

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Travel Republic Ltd

Independent auditors' report to the members of Travel Republic Ltd *(continued)*

Year ended 31 March 2020

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

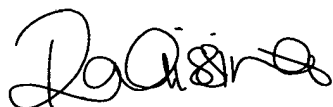
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Rebecca Gissing (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
30 September 2020

Travel Republic Ltd

Income Statement

Year ended 31 March 2020

		2020	2019
	Note	£000	£000
Revenue	4	70,174	73,852
Cost of Sales	5	(73,600)	(62,084)
Gross Profit		(3,426)	11,768
Distribution costs		(8)	(30)
Administrative expenses		(17,121)	(16,414)
Other operating income	6	382	-
Operating (Loss)	7	(20,173)	(4,676)
Finance income	11	69	44
Finance costs	12	(303)	(310)
(Loss) before taxation		(20,407)	(4,942)
Income tax credit	13	292	928
(Loss) for the financial year		(20,115)	(4,014)

All of the activities of the Company are classed as continuing.

There is no other comprehensive income or expenses other than those included above therefore no separate statement of comprehensive income has been presented (2019: nil).

The notes on pages 16 to 37 are an integral part of these financial statements.

Travel Republic Ltd

Balance Sheet

Year ended 31 March 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	14	5,644	3,921
Property, plant and equipment	15	1,778	1,638
Right of use assets	16	3,635	-
		<u>11,057</u>	<u>5,559</u>
Current assets			
Inventories	17	190	353
Trade and other receivables	18	41,153	65,499
Cash and cash equivalents		-	16,203
		<u>41,343</u>	<u>82,055</u>
Creditors: amounts falling due within one year	19	<u>(51,860)</u>	<u>(74,086)</u>
Net current (liabilities)/assets		<u>(10,517)</u>	<u>7,969</u>
Total assets less current liabilities		<u>540</u>	<u>13,528</u>
Provisions for liabilities	20	<u>(7,512)</u>	<u>(832)</u>
Net (liabilities)/assets		<u><u>(6,972)</u></u>	<u><u>12,696</u></u>
Equity			
Called up share capital	21	41	41
Share premium account		59	59
(Accumulated losses)/Retained earnings		(7,072)	12,596
Total shareholders' (deficit)/funds		<u><u>(6,972)</u></u>	<u><u>12,696</u></u>

Approved by the Board on 30th September 2020 and signed on its behalf by:



Mr J W Gubbay

Director

The financial statements on pages 13 to 37 were approved by the board of directors.

The notes on pages 16 to 37 are an integral part of these financial statements.

Travel Republic Ltd

Statement of changes in equity

Year ended 31 March 2020

	Called up share capital	Share premium account	Retained earnings	Total shareholders' funds
	£000	£000	£000	£000
Balance as at 1 April 2019	41	59	12,596	12,696
Effects of adoption of IFRS 16 : Leases policy	-	-	447	447
Loss for the financial year	-	-	(20,115)	(20,115)
Balance as at 31 March 2020	41	59	(7,072)	(6,972)

	Called up share capital	Share premium account	Retained earnings	Total shareholders' funds
	£000	£000	£000	£000
Balance as at 1 April 2018	41	59	16,610	16,710
Loss for the financial year	-	-	(4,014)	(4,014)
Balance as at 31 March 2019	41	59	12,596	12,696

The notes on pages 16 to 37 are an integral part of these financial statements.

Travel Republic Ltd

Notes to the Annual Report and Financial Statements

Year ended 31 March 2020

1. General information

The Company is a private company limited by share capital incorporated in England and domiciled in the United Kingdom.

The address of its registered office is:

Clarendon House
147 London Road
Kingston Upon Thames
Surrey
KT2 6NH

2. Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101).

The financial statements were prepared under the historical cost convention, and in accordance with the Companies Act 2006, except for the following:

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Summary of disclosure exemptions

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

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the year)

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 March 2020

2. Summary of significant accounting policies and key accounting estimates *(continued)*

Summary of disclosure exemptions *(continued)*

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - (i) 10(d), (statement of cash flows)
 - (ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applied an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassified items in its financial statements),
 - (iii) 16 (statement of compliance with all IFRS),
 - (iv) 38A (requirement for minimum of two primary statements, including cash flow statements),
 - (v) 38B-D (additional comparative information),
 - (vi) 40A-D (requirements for a third statements of financial position)
 - (vii) 111 (cash flow statement information), and
 - (viii) 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of VAT, cancellations and other associated taxes.

Commission

Where the Company's role in a transaction is that of agent and the company does not take ownership of the products being sold, revenue is recognised on a net basis, with revenue representing commissions earned. Such revenue comprises agency commission earned on the sale of single travel components (including accommodation, car hire, airport parking and insurance) and multi-contract packages and is recognised on the date of booking basis.

Single package sales

Where the Company's role in a transaction is that of principal (purchasing products from different suppliers and putting them together to offer a 'holiday package' for a single price to the customer), revenue is stated at the contractual value of services provided and is recognised on fulfilment of services on a gross basis.

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 March 2020

2. Summary of significant accounting policies and key accounting estimates *(continued)*

Product sales

Where the Company's role in a transaction is that of retailer and the company purchases products for re-sale, revenue is recognised on a gross basis. Such revenue comprises attraction ticket sales and is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, which is on the date of sale.

Incentive income

Where the Company acts as an agent and receives additional commission based on the achievement of certain gross sales values over a specified period, this additional commission is recognised when the company becomes entitled to receive it, which is when the relevant targets are achieved. It is shown as part of revenue.

Interest income

Interest income is recognised on a time proportion basis at the effective interest rate applicable.

Other operating income

Partnership marketing income is recognised as and when it is earned.

Monetary assets and liabilities

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

The functional and presentational currency is GBP and the financial statements have been rounded to the nearest thousand pound.

Tax

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.

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 March 2020

2. Summary of significant accounting policies and key accounting estimates *(continued)*

Tax *(continued)*

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Going concern

The company meets its day-to-day working capital requirements through its cash reserves and intercompany borrowings. The current economic conditions continue to create uncertainty particularly over the level of demand for the company's products. The company has embarked upon a post Covid-19 reforecasting exercise, which has identified shortfalls in working capital, and addressed them via further intercompany borrowing. Dnata Travel Holdings UK Limited and all of its subsidiaries have received post year end intercompany funding of £104m. This will be utilised to address any potential shortfalls in working capital across all entities. The latest forecasts and projections, taking account of reasonably possible changes in trading performance across all entities. The forecasts and projections for the company have been sensitised taking account of the current unpredictability within the travel industry. These do not suggest that the company will return to its previous levels of performance in the short term. A letter of support has been obtained from dnata who have confirmed they will continue to support the company and provide any further intercompany financing, if required, for a period of 12 months from the date of approval of the financial statements. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approving these financial statements. The company therefore, continues to adopt the going concern basis in preparing its financial statements.

New standards, amendments and IFRIC interpretations

IFRS 16 is a new accounting standard that is effective from 1 April 2019 and has not had a material impact on the company. It is an international Accounting standard providing guidance on accounting for leases, enabling business comparability between those companies that lease and those that borrow to buy.

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 March 2020

2. Summary of significant accounting policies and key accounting estimates *(continued)*

New standards, amendments and IFRIC interpretations *(continued)*

Under IFRS16, a lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2020 and have had a material impact on the company.

Property, Plant and equipment

Property, Plant and equipment are stated in the Balance Sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of tangible fixed assets includes directly attributable incremental costs incurred in their acquisition and installation.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation

Depreciation is charged so as to write off the cost of assets, less its estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over their estimated useful lives, as follows:

<i>Asset class</i>	<i>Depreciation method and rate</i>
Leasehold improvements	Over lease term
Equipment	20% - 33% straight line

Right of Use Assets (under IFRS16)

Operating leases previously carried, which met the IFRS16 criteria, were converted into finance lease with effect from 1 April 19 and capitalised under IFRS16. An impairment against the residual value is charged to the income statement in the period to which it relates. The impact to Retained reserves is shown in the Statement of Changes in Equity.

Depreciation

Depreciation is charged so as to write off the cost of assets, less its estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over their estimated useful lives, as follows:

<i>Asset class</i>	<i>Depreciation method and rate</i>
Leasehold improvements	Over lease term
Equipment	20% - 33% straight line

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 March 2020

2. Summary of significant accounting policies and key accounting estimates *(continued)*

Intangible assets

Goodwill

Goodwill arising on acquisition is capitalised in the Balance Sheet and is assessed for impairment on an annual basis in accordance with IAS 36 'impairment of assets'. Any impairment against carrying value is charged to the income statement (within administrative expenses) in the period in which it arises.

Research and development

Capitalised development costs are recorded as intangible assets and amortised from the point of capitalisation. See note 14.

Impairment of intangible Assets

A provision for the impairment of intangible assets is established when there is objective evidence that based on technological advancement or economic utilisation, there is a material risk to the carrying value of those assets.

Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade and other 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.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method. Client money received at the balance sheet date and not yet due to suppliers is included within payments on account.

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 March 2020

2. Summary of significant accounting policies and key accounting estimates *(continued)*

Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor, and which don't meet the criteria of IFRS16, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Employee benefits

Defined contribution pension obligation

For defined contribution plans, the company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and charged to the income statement. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The assets of the scheme are held separately from those of the Company.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial instruments *(continued)*

The company's financial assets compromise trade and other receivables, cash at bank and derivative instruments. Financial liabilities compromise trade and other creditors and derivative instruments.

Derivatives and hedging

The Company uses derivative financial instruments of forward foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at each year end. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any movement in derivatives is included within the income statement as administrative expenses.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Dividends

Dividends are recognised in the financial statements once they have been declared and approved by the Directors and are treated as a deduction from shareholders equity.

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 March 2020

2. Summary of significant accounting policies and key accounting estimates *(continued)*

Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investment, economic utilisation and the physical condition of the assets. See note 15 for the carrying amount of the property, plant and equipment and note 2 for the useful economic lives of each class of assets.

Impairment of trade and other receivables

A provision for the impairment of trade and other 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.

3. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

Provisions / Adjustments for Covid-19

Provisions and adjustments have been established to take account of the impact of Covid-19.

Where the business has cancelled agency bookings made for future periods, the relevant margin previously recognised has been reversed out. These are termed as adjustments. The total amount of adjustments included is £4,888k (refer to note 27).

Where bookings have not yet been cancelled, but management has deemed it highly probable that they will be in the future, a provision for the relevant margin has been made. For this, critical assumptions have been used which take into account:

- the likelihood of any destinations remaining on the "Red" FCO list (i.e. quarantine upon return) beyond 30th August 2020
- the time period until which the "Red" FCO advice will remain in place
- the materiality of forward bookings in question

The total amount of provisions relating to future cancellations is £1,941k (refer to note 27). A 1% change would equate to a movement of £19.4k in this provision.

The additional supplier revenues associated with these bookings have also been either reduced or provided against. These total £442k and are made up of virtual credit card income, global distribution partner income, airline/ground overrides (refer to note 27).

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 March 2020

3. Critical accounting estimates and assumptions *(continued)*

Provisions / Adjustments for Covid-19 *(continued)*

Where bookings have been cancelled outside the period for which the Company is able to benefit from free cancellations with our hotel suppliers, additional irrecoverable hotel cancellation costs have been provided for. These total £383k (refer to note 27).

Where the business has reviewed its receivables aging reports, and deemed recovery of certain balances to be increasingly unlikely post Covid-19, enhanced bad debt provisions have been placed against these balances. These total £81k (refer to note 27).

4. Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

Analysis by Geography:	2020 £000	2019 £000
United Kingdom	70,174	73,852
	<u>70,174</u>	<u>73,852</u>

	2020 £000	2019 £000
Commissions	12,402	32,978
Single package sales earned as principal	52,469	34,117
Sale of attraction tickets	909	2,590
Merchant charges/incentive income	4,394	4,167
	<u>70,174</u>	<u>73,852</u>

Included within revenue are Covid-19 specific items, namely an adverse £4,888k adjustment for bookings cancelled post year end, a £1,941k provision for future cancellations, a £383k provision for irrecoverable hotel costs (refer to note 27).

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 March 2020

5. Cost of Sales

	Underlying Cost of Sales £000	Covid-19 Impact £000	Total Cost of Sales £000
Cost of Sales Breakdown	73,158	442	73,600
	<u>73,158</u>	<u>442</u>	<u>73,600</u>

Included in cost of sales are reductions in / provisions for additional supplier income of £442k, which include virtual credit card income, airline/ground override income and global distribution partner income (refer to note 27).

6. Other operating income

	2020 £000	2019 £000
Other operating income	382	-
	<u>382</u>	<u>-</u>

Other operating income contains of marketing income £382k (2019: £nil),

7. Operating loss

Arrived at after charging

	2020 £000	2019 £000
Amortisation expense	1,912	1,429
Depreciation expense on Property, plant and equipment	711	703
Depreciation expense on ROU assets	501	-
PY Operating lease charges	-	629
Covid19 bad debt	81	-
Foreign exchange loss	(1,414)	23

Administrative expenses charged after Gross profit but before Operating profit include £81k related to enhanced debt provisions made as a result of Covid-19 (refer to note 27).

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 March 2020

8. Employees and Directors Costs and Numbers

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020	2019
	£000	£000
Wages and salaries	12,387	14,506
Social security costs	1,247	1,348
Other pension costs	299	355
	<u>13,933</u>	<u>16,209</u>

The average monthly number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020	2019
	No.	No.
Administration and support	238	298
Directors	2	2
	<u>240</u>	<u>300</u>

9. Directors' remuneration

The directors' remuneration for the year was as follows:

	2020	2019
	£000	£000
Remuneration	288	409
Contributions paid to money purchase schemes	15	56
	<u>303</u>	<u>465</u>

During the year the number of directors who were receiving pension benefits was as follows:

	2020	2019
	No.	No.
Accruing benefits under money purchase pension scheme	2	2

The highest paid directors' remuneration was as follows:

	2020	2019
	£000	£000
Remuneration	163	119
Company contributions to money purchase pension schemes	8	30
	<u>171</u>	<u>149</u>

The remuneration of 3 directors was paid for by sister companies, Gold Medal Travel Group and dnata. No recharge has been made.

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 March 2020

10. Auditors' remuneration

	2020 £000	2019 £000
Audit of the financial statements	114	46
Non audit fee	3	-
	<u>117</u>	<u>46</u>

11. Finance income

	2020 £000	2019 £000
Bank interest received	<u>69</u>	<u>44</u>

12. Finance costs

	2020 £000	2019 £000
Finance costs		
Lease liability interest	118	-
Other similar interest	185	310
	<u>303</u>	<u>310</u>

13. Income tax (credit)

Tax (credited) in the income statement

	2020 £000	2019 £000
Current taxation		
UK corporation tax on (loss) before taxation	-	-
Adjustments in respect of prior periods	(292)	(928)
Total current tax (credit)	<u>(292)</u>	<u>(928)</u>
Deferred tax		
- Original and reversal of temporary differences	-	-
- Prior year adjustment	-	(928)
- Effect of change in tax rate	-	-
Total deferred tax credit	<u>-</u>	<u>(928)</u>
Total tax credit	<u>(292)</u>	<u>(928)</u>

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 March 2020

13. Income tax (credit) *(continued)*

The tax (credit) for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2020 of 19% (2019 - 19%).

The differences are explained below:

	2020 £000	2019 £000
(Loss) before taxation	<u>(20,407)</u>	<u>(4,942)</u>
Corporation tax at standard rate	(3,877)	(939)
Effects of:		
Adjustments in respect of prior periods	(292)	(928)
Fixed Asset differences	10	-
Losses carried back	-	582
Expenses not deductible for tax	99	80
Remeasurement of deferred tax for changes in tax rates	39	-
Deferred tax not recognized	3,729	242
Other tax adjustments	-	35
Total tax (credit)	<u>(292)</u>	<u>(928)</u>

Future tax changes

The tax rate for the current year is in line with the prior year charges at 19%. A further reduction in the corporation tax rate to 17%, effective from 1 April 2020, was substantively enacted in a prior period, so its effect was reflected in financial statements for prior periods. However, a change to the corporation tax rate, so that it remains at 19% rather than reducing to 17% from 1 April 2020, was announced in the 2020 Budget on 11 March 2020, and was substantively enacted on 17 March 2020. Therefore this rate change including its impact on deferred taxes at the balance sheet date has been reflected in these financial statements.

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 March 2020

14. Intangible assets

	Research & Development	Goodwill	Total Intangible Assets
	£000	£000	£000
Cost			
At 1 April 2019	6,411	555	6,966
Additions	3,635	-	3,635
Disposals	(519)	-	(519)
At 31 March 2020	9,527	555	10,082
Accumulated amortisation			
At 1 April 2019	2,490	555	3,045
Charge for the year	1,912	-	1,912
Disposals	(519)	-	(519)
At 31 March 2020	3,883	555	4,438
Net Book Value			
At 31 March 2019	3,921	-	3,921
At 31 March 2020	5,644	-	5,644

Research & development costs relate to internal system development and capitalised salary costs. These are written down over a period of 5 years.

Amortisation is charged to administrative expenses within the income statement.

The directors are in agreement that the carrying value of the intangible assets be equal to their book value.

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

15. Property, plant and equipment

	Short term leasehold improvements £000	Equipment £000	Total £000
Cost or valuation			
At 1 April 2019	167	3,364	3,531
Additions	541	310	851
At 31 March 2020	708	3,674	4,382
Accumulated depreciation			
At 1 April 2019	110	1,783	1,893
Charge for the year	53	658	711
At 31 March 2020	163	2,441	2,604
Net book value			
At 31 March 2019	57	1,581	1,638
At 31 March 2020	545	1,233	1,778

Depreciation is charged to administrative expenses within the income statement.

16. Right of Use assets

The company has leases for property and motor vehicles. The amounts recognised in the financial statements in relation to leases are as follows:

(i) Amounts recognised in the Balance Sheet

The balance sheet shows the following amounts relating to leases:

	31 March 2020 £000	1 April 2019 £000
Right of use assets		
Property	3,635	-
	3,635	-
Lease Liabilities		
Current	542	-
Non current	3,068	-
	3,610	-

Additions during the year were £4,137k.

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

16. Right of Use assets *(continued)*

In the previous year, the company expensed lease costs to administration expenses in the Income Statement. For adjustments recognised on adoption of IFRS 16 on 1 April 2019, please refer to the Statement of Changes in Equity and Note 25.

(ii) Amounts recognised in the Income Statement

The income statement shows the following amounts in relation to leases:

	Note	31 March 2020 £000	1 April 2019 £000
Depreciation charge of Right of use assets			
Property		501	-
	6	<u>501</u>	<u>-</u>
Interest expense included in finance cost	12	118	-
Future minimum lease payments as at 31 March 2020 are as follows:			
Not later than one year		645	-
Later than one year and not later than five years		2,096	-
Greater than five years		1,290	-
Total gross payments		<u>4,031</u>	<u>-</u>
Impact of finance expenses		(421)	-
Carrying amount of liability		<u>3,610</u>	<u>-</u>

The company initially applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

The total cash outflow for leases in 2020 was £645k (2019: £629k).

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

17. Inventories

	2020	2019
	£000	£000
Goods for resale	190	353

The cost of inventories recognised as an expense in the year amounted to £903k (2019: £2,586k). This is included within cost of sales.

Inventory is stated after a provision of £nil (2019: £nil).

18. Trade and other receivables

	2020	2019
	£000	£000
Trade receivables	-	7,665
Amounts owed from group undertakings	25,079	42,410
Other receivables including prepayments and accrued income	14,704	12,890
VAT	243	2,074
Corporation tax	-	460
Derivative financial instruments	1,127	-
	<u>41,153</u>	<u>65,499</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Credit risk

The Company's principal financial assets are trade and other receivable, and amounts due from other Group and fellow subsidiary undertakings. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts and impairment. 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 receivables.

Trade receivables includes a general provision of £100k (2019: 5k), of which £81k is Covid-19 related (refer to note 27).

Additionally, trade receivables contain specific Covid-19 items, namely a £442k provision related to additional supplier income (including virtual credit card income, airline/ground override income and global distribution partner income).

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

19. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	12,543	11,467
Amounts owed to group undertakings	12,164	12,643
PAYE and social security	306	366
Derivative financial instruments	-	1,705
Accruals and deferred income	25,168	47,905
Bank overdraft	1,679	-
	<u>51,860</u>	<u>74,086</u>

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

Included in accruals and deferred income is £43k (2019: £50k) of outstanding defined contribution pension payments.

The directors consider the fair value of trade and other payables to be equal to the book value given their short term nature.

20. Provisions for liabilities

	Other £000	Sundry £000	Covid19 £000	Total £000
At 1 April 2019	-	832	-	832
Additions	163	-	7,212	7,375
Utilisation	-	(695)	-	(695)
At 31 March 2020	<u>163</u>	<u>137</u>	<u>7,212</u>	<u>7,512</u>

Other provisions relate to supplier failure (£75k), redundancy (£31k) and other provisions (£57k). Sundry provisions relates to dilapidations.

Covid19 provisions relate to booking cancellations for the 7 months to October (£6,829k) and irrecoverable hotel costs (£383k).

21. Called up share capital

Allotted and fully paid

	2020 No.	£000	2019 No.	£000
Ordinary shares of £0.01 each	<u>4,123,800</u>	<u>41</u>	<u>4,123,800</u>	<u>41</u>

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

22. Other commitments

Operating leases

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2020 £000	2019 £000
Not later than one year	-	645
Later than one year and not later than five years	-	2,159
After five years	-	2,096
	<u>-</u>	<u>4,900</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £nil (2019: £629,000). On 1 April 2019 the company transitioned to IFRS16. Refer to note 26 for details.

23. Commitments

Other financial commitments

The company enters into forward foreign currency contracts in order to manage its currency risks arising from its operations. At 31 March 2020, the company had committed to the following forward currency contracts: US Dollars: \$13,575,000 (agreed rate equates to £10,518,001) Euros: €48,185,000 (agreed rate equates to £42,020,405). United AED: 8,970,000 (agreed rate equates to £1,860,365) The fair value of these is recognised in the Balance Sheet with an asset of £1,127,508 as at 31 March 2020 (2019: liability of £1,705,068).

24. Hedging instruments

Fair value hedges

The Company carries foreign exchange forward contracts at fair value in the financial statements. These are classified as fair value through profit or loss for accounting purposes. They are used to hedge against currency risks.

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk as a result of transactions and outstanding balances with overseas customers and suppliers which are primarily denominated in US Dollar or Euro.

The Company regularly takes out matching forward exchange contracts to mitigate the Company's exposure to changes in foreign exchange rates and applies fair value hedge accounting to such transactions (see accounting policies). The fair value of forward exchange contract will change in response to fluctuations in the underlying currency of the contract. The fair value of forward exchange contracts at the end of each year is disclosed in note 23.

25. Parent and ultimate parent undertaking

The immediate parent company is dnata Travel Holdings UK Limited, a company incorporated in the United Kingdom.

The penultimate parent company is dnata, a company incorporated in Dubai. The ultimate parent undertaking and controlling company at the year-end was the Investment Corporation of Dubai, a company incorporated in the United Arab Emirates under an Emiri decree. Copies of dnata consolidated financial statements can be obtained from the company secretary at dnata Travel Centre, PO Box 1515, Dubai, UAE.

Investment Corporation of Dubai is the ultimate company to consolidate these financial statements.

26. Changes in accounting policies

The company has adopted IFRS 16 Leases retrospectively from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in note 2.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3%.

i. Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

26. Changes in accounting policies *(continued)*

ii. Measurement of lease liabilities

	£'000
Operating lease commitments disclosed as at 31 March 2019	4,900
Operating lease commitments commencing after 31 March 2019	(4,900)
Total operating lease commitments as at 31 March 2019	-
Discounted using the lessee's incremental borrowing rate of 3% at the date of initial application	-
Lease liability recognised as at 1 April 2019	-

	£'000
Of which are:	
Current lease liabilities	-
Non current lease liabilities	-
	-

iii. Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019.

iv. Adjustments recognised in the Balance Sheet on April 2019

The change in accounting policy affected the following items in the Balance Sheet position on 1 April 2019:

- Provisions – decrease by £447,000

The net impact on retained earnings on 1 April 2019 was an increase of £447,000.

The property lease recognised as an operating lease commitment in the prior financial year did not commence until the current financial year, therefore no transitional adjustment is required in the current financial year. The rent free period of the lease (£447k) incurred in the previous financial year has been adjusted as detailed above.

Travel Republic Ltd

Notes to the Annual Report and Financial Statements *(continued)*

27. Covid-19

The Travel Industry has been impacted heavily by Covid-19 from March 2020 onwards, and as a result, management have identified refunds and areas where material provisions were required to minimize the risks to future business operations.

- An adjustment of £4,888k relating to actual package and flight booking cancellations post year end but prior to signing off the accounts (refer to notes 4 and 20).
- Specific provisions relating to the 7 month period to October 2020 include package and flight booking cancellations of £1,941k (refer to notes 4 and 20).
- Provisions relating to the irrecoverable hotel costs where bookings have been cancelled outside of the Company's free cancellation periods with hotel suppliers of £383k (refer to notes 4 and 20).
- Reductions in accrued incentive income of £442k relating to virtual credit card income, global distribution partner income and airline/ground override income (refer to notes 5 and 18)
- Enhanced bad debt provisions of £81k linked to the increased risk of recovery post pandemic (refer to notes 6 and 18)

The business expects the impact to be lasting through a significant part of the 2020/2021 trading year and as a result has prepared a contingency forecast based on lower customer demand.

28. Contingent liabilities

As at 31 March 2020 the Company had issued bonds and guarantees for £1,565,000 (31 March 2019: £2,276,700) securing the Company's indebtedness to certain airlines and trade bodies arising from normal trading activities.

On 14 October 2014 dnata, a Dubai corporation established by Decree No.1 of 1987 (as amended) by the Government of Dubai, and dnata World Travel, a Dubai corporation established by Decree No.3 of 1989 (as amended) by the Government of Dubai both entered into a deed of guarantee with the Civil Aviation Authority in respect of the ATOL obligations of the Company.

29. Related Party Transactions

Transactions between the Company and Emirates are not disclosed as Emirates are also owned by the Investment Corporation of Dubai, the ultimate parent company of Travel Republic Limited.

The Company has taken advantage of the exemption in FRS101 not to disclose related party transactions with companies within the Investment Corporation of Dubai.