Registered number: 05425421

VIVID SKIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2017

COMPANY INFORMATION

Directors	M G Collins Ms J Collins D A Hennessy B D Sargent A P Stafford Ms M A J Longstaff C Hawkins Ms C W Mehmood
Company secretary	Ms J Collins
Registered number	05425421
Registered office	East House 109 South Worple Way London SW14 8TN
Independent auditors	White Hart Associates (London) Limited Chartered Accountants and Statutory Auditors East House 109 South Worple Way London SW14 8TN
Solicitors	Irwin Mitchell LLP Belmont House Station Way Crawley RH10 1JA

VIVID SKIES LIMITED

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 OCTOBER 2017

Introduction

The directors present their strategic report of the Company and the Group for the year ended 31 October 2017.

Business review

The Company is required by the Companies Act to set out in this report, a fair review of the business of the Company and Group during the financial year ended 31 October 2017, and its position at the end of the year along with a description of the principal risks and uncertainties facing the Group. This review is prepared solely to provide additional information to shareholders to asses the Group's strategies and the potential for those strategies to succeed, and the business review should not be relied upon by any other party or for any other purpose.

The results and the financial position at the year end were considered to be satisfactory by the directors in line with the general economy and the extremely competitive environment in which the Group has and continues to operate.

The results and key performance indicators for the Group for the year are as follows:

	2017	2016
	£	£
Turnover	**41,952,290**	**41,419,993**
Profit/(Loss) on ordinary activities before taxation	**294,007**	**439,108**
Profit/(Loss) on ordinary activities as a percentage of turnover	**0.70%**	**1.06%**
Net cash inflow from operating activities	**659,688**	**664,019**
Net assets	**2,352,160**	**2,136,292**

Principal risks and uncertainties

The following risk factors may affect the Group's operating results and its financial position. The risk factors described below are those which the directors believe are potentially significant but should not be regarded as a complete and comprehensive statement of all potential risk and uncertainties facing the Group.

The Group is exposed to various regulators, including the Civil Aviation Authority ("CAA") and Commission for Aviation Regulation ("CAR"), which issue an Air Travel Organisers Licence ("ATOL") and a CAR Travel Agent Licence respectively. These are required in order for the Group to operate. The ATOL licence is renewed in March each year, whilst the CAR Travel Agent Licence is renewed in November each year. Both licences are subject to assessments of fitness and financial criteria, the frameworks of which are available on the CAA website (www.caa.co.uk) and the CAR website (www.aviationreg.ie).

The Group operates in a highly competitive market featuring innovation in the travel products and the methods by which they are marketed, as well as price pressures. The Group seeks to constantly invest in its brand to increase public awareness as well as offer a wide selection of products from a wide range of suppliers at competitive prices to maintain its market position. The Group also monitors competitor activity closely.

The Group faces transactional exposure primarily relating to the cost of acquiring accommodation. This risk is managed by forward buying foreign exchange to match requirements as they are generated by customer bookings.

The Group has well established and close relationships with customers and suppliers and risk is spread by not placing over-reliance on any one supplier in any particular area. However, if a relationship were lost or damaged with a major supplier this could have a detrimental effect on the business. The management team meets regularly with suppliers to maintain good working relationships and to understand the supplier's financial position.

The Group is heavily reliant on the uninterrupted operation of its IT systems and website. These systems are vulnerable to power loss, fire, computer viruses and other events. Loss of these systems would impair the ability of the Group to carry on its business effectively. The Group has made arrangements to mitigate this risk.

The Group finances its operations through retained profits.

The nature of the business exposes the Group to various commercial risks which may affect the trading performance of the Group. These include:

- acts of terrorism, particularly in key tourist destinations

- epidemics in key tourist destinations which threaten the health of tourists

- wars or other international uncertainty which affects air travel

- natural disasters in key tourist destinations

- weather conditions, both in the UK and key tourist destinations

- changes in customer behaviour and preferences

- increase in government taxes

These factors may affect the Group by causing potential customers to cancel or postpone travel plans, reducing the earnings potential of the Group. The Group seeks to minimise such risks by operating a flexible non-commitment business model with the ability to shift capacity amongst a variety of destinations where necessary.

This report was approved by the board on 18 January 2018 and signed on its behalf.

M G Collins

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2017

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

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 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 for the Group's financial statements and then apply them consistently;
- make judgments 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group 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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

Principal activity

The principal activity of the Company in the year under review was that of a holding company. The Company's two 100% owned trading subsidiaries, Tropical Sky Limited (UK) and Tropical Sky Limited (Ireland), are both travel companies, acting as tour operators and travel agents.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2017

Results and dividends

The profit for the year, after taxation, amounted to £291,199 *(2016 - £461,792)*.

An interim dividend of 50p per share on all Ordinary £1 each shares was paid on 30 June 2017. The directors recommend that no final dividend be paid on these shares.

The total distribution of dividends for the year ended 31 October 2017 will be £63,750 (2016 - Nil).

Directors

The directors who served during the year were:

M G Collins
Ms J Collins
D A Hennessy
B D Sargent
A P Stafford
Ms M A J Longstaff
C Hawkins
Ms C W Mehmood

Future developments

During 2018 the Group will continue to focus on providing overseas holidays to a variety of long haul destinations.

Research and development activities

The Group's growth requires investment in cutting edge technology and the ability to deliver fast, innovative and effective search results for consumers in a market that has seen significant technological advances in recent years. During the year the Group continued to make significant investment into software development as well as working on bridging software to improve the efficiency of its internal booking reservation and other systems.

Matters covered in the strategic report

The directors have chosen, in line with the Companies Act 2006, to show the review of the business (including

events since the date of the statement of financial position) and the principal risks and uncertainties in the

Strategic Report to the financial statements.

Disclosure of information to auditors

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

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

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

The auditors, White Hart Associates (London) Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 18 January 2018 and signed on its behalf.

M G Collins
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VIVID SKIES LIMITED

Opinion

We have audited the financial statements of Vivid Skies Limited for the year ended 31 October 2017, set out on pages 9 to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 Auditors' 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.

In our opinion the financial statements:

- give a true and fair view of the state 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Other information

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

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

We have nothing to report in this regard.

Opinion 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 Group 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 Group Strategic Report and the 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 Group Strategic Report and the Directors' Report.

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

- adequate accounting records have not been kept by the parent Company, 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, 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.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditors' Report.

Ms N A Spoor ACA FCCA (Senior Statutory Auditor)

for and on behalf of
White Hart Associates (London) Limited

Chartered Accountants and Statutory Auditors

East House
109 South Worple Way
London
SW14 8TN

18 January 2018

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2017

	Note	2017 £	*2016 £*
Turnover	4	**41,952,290**	*41,419,993*
Cost of sales		**(35,707,074)**	*(35,757,906)*
Gross profit		**6,245,216**	*5,662,087*
Distribution costs		**(1,417,175)**	*(1,095,602)*
Administrative expenses		**(4,608,011)**	*(4,324,740)*
Other operating income	5	**70,103**	*197,196*
Operating profit	6	**290,133**	*438,941*
Interest receivable and similar income	10	**3,944**	*167*
Interest payable and similar expenses	11	**(70)**	-
Profit before tax		**294,007**	*439,108*
Tax on profit	12	**(2,808)**	*22,684*
Profit for the financial year		**291,199**	*461,792*
Profit for the year attributable to:			
Owners of the parent		**291,199**	*461,792*
		291,199	*461,792*

The notes on pages 16 to 34 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2017

	Note	2017 £	*2016* *£*
Profit for the financial year		**291,199**	*461,792*
Other comprehensive income			
Currency translation differences on revaluation of reserves		**(21,906)**	-
Movement in unrealised foreign exchange reserve		**10,325**	-
Other comprehensive income for the year		**(11,581)**	-
Total comprehensive income for the year		**279,618**	*461,792*
Profit for the year attributable to:			
Owners of the parent Company		**291,199**	*461,792*
		291,199	*461,792*
Total comprehensive income attributable to:			
Owners of the parent Company		**279,618**	*461,792*
		279,618	*461,792*

The notes on pages 16 to 34 form part of these financial statements.

VIVID SKIES LIMITED
REGISTERED NUMBER: 05425421

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2017

	Note		2017 £		*2016 £*
Fixed assets					
Intangible assets	15		**83,071**		*97,734*
Tangible assets	16		**572,751**		*688,228*
			655,822		*785,962*
Current assets					
Debtors: amounts falling due within one year	18	**10,527,183**		*10,976,434*	
Cash at bank and in hand	19	**6,676,049**		*6,214,772*	
		17,203,232		*17,191,206*	
Creditors: amounts falling due within one year	20	**(15,506,894)**		*(15,840,876)*	
Net current assets			**1,696,338**		*1,350,330*
Total assets less current liabilities			**2,352,160**		*2,136,292*
Provisions for liabilities					
Net assets excluding pension asset			**2,352,160**		*2,136,292*
Net assets			**2,352,160**		*2,136,292*
Capital and reserves					
Called up share capital	24		**127,500**		*127,500*
Share premium account	25		**5,000**		*5,000*
Foreign exchange reserve	25		**10,325**		-
Profit and loss account	25		**2,209,335**		*2,003,792*
Equity attributable to owners of the parent Company			**2,352,160**		*2,136,292*
			2,352,160		*2,136,292*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 January 2018.

M G Collins
Director

Ms J Collins
Director

The notes on pages 16 to 34 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2017

	Note		2017 £		*2016* *£*
Fixed assets					
Investments	17		**244,827**		*244,827*
			244,827		*244,827*
Current assets					
Debtors: amounts falling due within one year	18	**13,903**		*13,903*	
		13,903		*13,903*	
Creditors: amounts falling due within one year	20	**(94,827)**		*(94,827)*	
Net current liabilities			**(80,924)**		*(80,924)*
Total assets less current liabilities			**163,903**		*163,903*
Net assets excluding pension asset			**163,903**		*163,903*
Net assets			**163,903**		*163,903*
Capital and reserves					
Called up share capital	24		**127,500**		*127,500*
Share premium account	25		**5,000**		*5,000*
Profit and loss account brought forward		**31,403**		*31,403*	
Profit for the year		**63,750**		-	
Other changes in the profit and loss account		**(63,750)**		-	
Profit and loss account carried forward			**31,403**		*31,403*
			163,903		*163,903*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 January 2018.

M G Collins
Director

Ms J Collins
Director

The notes on pages 16 to 34 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2017

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 November 2015	127,500	5,000	-	1,542,000	1,674,500
Comprehensive income for the year					
Profit for the year	-	-	-	461,792	461,792
Total comprehensive income for the year	-	-	-	461,792	461,792
At 1 November 2016	127,500	5,000	-	2,003,792	2,136,292
Comprehensive income for the year					
Profit for the year	-	-	-	291,199	291,199
Currency translation differences on revaluation of reserves	-	-	-	(21,906)	(21,906)
Movement in unrealised foreign exchange reserve	-	-	10,325	-	10,325
Other comprehensive income for the year	-	-	10,325	(21,906)	(11,581)
Total comprehensive income for the year	-	-	10,325	269,293	279,618
Dividends: Equity capital	-	-	-	(63,750)	(63,750)
Total transactions with owners	-	-	-	(63,750)	(63,750)
At 31 October 2017	127,500	5,000	10,325	2,209,335	2,352,160

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 November 2015	127,500	5,000	31,403	163,903
Total comprehensive income for the year	-	-	-	-
At 1 November 2016	127,500	5,000	31,403	163,903
Comprehensive income for the year				
Profit for the year	-	-	63,750	63,750
Total comprehensive income for the year	-	-	63,750	63,750
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(63,750)	(63,750)
Total transactions with owners	-	-	(63,750)	(63,750)
At 31 October 2017	127,500	5,000	31,403	163,903

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 OCTOBER 2017

	2017 £	*2016* *£*
Cash flows from operating activities		
Profit for the financial year	**291,199**	*461,792*
Adjustments for:		
Amortisation of intangible assets	**14,663**	*14,663*
Depreciation of tangible assets	**254,621**	*266,161*
Interest paid	**70**	-
Interest received	**(3,944)**	*(167)*
Taxation charge	**2,808**	*(22,684)*
Decrease in stocks	**-**	*30,695*
(Increase)/decrease in debtors	**(252,432)**	*505,319*
(Decrease) in creditors	**(537,605)**	*(48,335)*
Net fair value losses/(gains) recognised in P&L	**907,664**	*(580,425)*
Corporation tax (paid)/received	**(17,356)**	*37,000*
Net cash generated from operating activities	**659,688**	*664,019*
Cash flows from investing activities		
Purchase of tangible fixed assets	**(138,535)**	*(167,453)*
Interest received	**3,944**	*167*
Net cash from investing activities	**(134,591)**	*(167,286)*
Cash flows from financing activities		
Dividends paid	**(63,750)**	-
Interest paid	**(70)**	-
Net cash used in financing activities	**(63,820)**	-
Net increase in cash and cash equivalents	**461,277**	*496,733*
Cash and cash equivalents at beginning of year	**6,214,772**	*5,718,039*
Cash and cash equivalents at the end of year	**6,676,049**	*6,214,772*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**6,676,049**	*6,214,772*
	6,676,049	*6,214,772*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2017

1. General information

As disclosed in the Directors' Report, the principal activity of the Company in the year under review was that of a holding company. The Company's two 100% owned trading subsidiaries, Tropical Sky Limited (UK) and Tropical Sky Limited (Ireland), are both travel companies, acting as tour operators and travel agents.

The Company is a private company limited by shares and is incorporated in England.

The address of the Company's and Group's principal place of business, being different to the registered office stated on the Company Information page, is:

Tropical House

Garland Road

East Grinstead

RH19 1NJ

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. All of the Company's subsidiaries have been included within the consolidation.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Income Statement from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 November 2015.

2.3 Turnover

Turnover represents the value, net of value added tax, trade discounts or any other sales taxes, of

travel arrangements provided to customers in the ordinary course of business, and is recognised on

the date of booking basis.

2. Accounting policies (continued)

2.4 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Income Statement over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	Straight line over 10 years

2.5 Tangible fixed assets

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

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

The estimated useful lives range as follows:

Short-term leasehold property	- Straight line over the lifetime of the lease
Computer and IT equipment	- Straight line over 5 years
Fixtures and fittings	- Straight line over 10 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Income Statement.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2. Accounting policies (continued)

2.7 Debtors

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

2.8 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.9 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Accounting policies (continued)

2.9 Financial instruments (continued)

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised immediately in profit or loss in finance costs or income as appropriate, to match the related gain or loss on trade creditors payable in foreign currencies. The total gain or loss on trading derivatives is classified as a current asset or liability respectively. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.10 Creditors

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

2.11 Foreign currency translation

Functional and presentation currency

The Group's functional and presentational currency is GBP.

Transactions and balances

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Income Statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Income Statement within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2. Accounting policies (continued)

2.12 Finance costs

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

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.14 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Income Statement on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 November 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.15 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.16 Interest income

Interest income is recognised in the Consolidated Income Statement using the effective interest method.

2.17 Borrowing costs

All borrowing costs are recognised in the Consolidated Income Statement in the year in which they are incurred.

2. Accounting policies (continued)

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Income Statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.19 Current and deferred taxation

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

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

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

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

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

2.20 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2. Accounting policies (continued)

2.21 Website development

Website development costs are capitalised and included within tangible fixed assets. In the directors' opinion, the website will generate revenue directly and the present value of the future cash flows generated by the website will exceed the amounts capitalised.

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Critical judgements in applying the Group's accounting policies

The directors believe that there are no critical judgements involved in applying the Group's accounting policies that warrant disclosure.

b) Key accounting estimates and assumptions

The directors believe that there are no key accounting estimates and assumptions involved in applying the Group's accounting policies that warrant disclosure.

4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £	*2016* *£*
Tour operator holiday sales	**41,952,290**	*41,419,993*
	41,952,290	*41,419,993*

Analysis of turnover by source market:

	2017 £	*2016* *£*
United Kingdom	**30,548,328**	*31,498,482*
Republic of Ireland	**11,403,962**	*9,921,510*
	41,952,290	*41,419,992*

5. Other operating income

	2017	2016
	£	£
Bank and credit card charge income	**70,103**	*120,142*
Foreign exchange difference - gain	**-**	*77,054*
	70,103	*197,196*

6. Operating profit

The operating profit is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets	**254,621**	*266,161*
Amortisation of intangible assets, including goodwill	**14,663**	*14,663*
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**25,261**	*24,728*
Fair value (gains)/losses (recognised within cost of sales)	**907,664**	*(580,425)*
Other operating lease rentals	**186,002**	*182,768*
Defined contribution pension cost	**29,439**	*48,368*

7. Auditors' remuneration

	2017	2016
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**25,261**	*24,728*
Fees payable to the Group's auditor and its associates in respect of:		
Taxation compliance services	**-**	*4,027*
Regulatory renewal services	**3,625**	*2,100*
All other services	**6,400**	*6,468*
	10,025	*12,595*

8. Employees

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

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Wages and salaries	**2,870,314**	*2,702,025*	**-**	*-*
Social security costs	**284,352**	*269,065*	**-**	*-*
Cost of defined contribution scheme	**29,439**	*48,368*	**-**	*-*
	3,184,105	*3,019,458*	**-**	*-*

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

	2017 No.	*2016 No.*
Administration	**24**	*23*
Marketing	**8**	*9*
Sales	**69**	*64*
	101	*96*

The Company has no employees other than the directors, all of whom received remuneration through other companies within the group.

9. Directors' remuneration

	2017 £	*2016 £*
Directors' emoluments	**566,444**	*640,789*
Company contributions to defined contribution pension schemes	**17,892**	*35,547*
	584,336	*676,336*

During the year retirement benefits were accruing to 6 directors *(2016 - 7)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £94,221 *(2016 - £118,001)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £383 *(2016 - £369)*.

10. Interest receivable

	2017	2016
	£	£
Other interest receivable	3,944	167
	3,944	167

11. Interest payable and similar charges

	2017	2016
	£	£
Bank interest payable	70	-
	70	-

12. Taxation

	2017	2016
	£	£
Corporation tax		
Current tax on profits for the year	12,104	17,245
Adjustments in respect of previous periods	(2,118)	7,837
	9,986	25,082
Total current tax	9,986	25,082
Deferred tax		
Origination and reversal of timing differences	(7,178)	(47,766)
Total deferred tax	(7,178)	(47,766)
Taxation on profit/(loss) on ordinary activities	2,808	(22,684)

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2016 - lower than)* the standard rate of corporation tax in the UK of 19% *(2016 - 20%)*. The differences are explained below:

	2017 £	*2016* *£*
Profit on ordinary activities before tax	**294,007**	*439,108*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016 - 20%)	**55,861**	*87,822*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**(3,782)**	*(2,628)*
Capital allowances for year in excess of depreciation	**15,262**	*2,535*
Utilisation of tax losses	**-**	*(45,206)*
Profits taxed outside the UK	**(6,041)**	*(12,209)*
Adjustments to tax charge in respect of prior periods	**-**	*7,837*
Movement in deferred tax	**(7,178)**	*(47,766)*
Research and development relief	**(51,314)**	*(13,069)*
Total tax charge for the year	**2,808**	*(22,684)*

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the Statement of Financial Position date have been measured using these enacted tax rates and reflected in these financial statements.

Additionally, the group has unused tax losses to carry forward and set against future profits totalling £347,268.

13. Dividends

	2017	*2016*
	£	*£*
A Ordinary Shares - Interim dividends	**51,250**	-
B Ordinary Shares - Interim dividends	**7,500**	-
C Ordinary Shares - Interim dividends	**5,000**	-
	63,750	-

14. Individual income statement

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

The parent company received dividends of £63,750 from subsidiary companies but otherwise had no income or expenditure for the financial year (2016 - £Nil).

15. Intangible assets

Group and Company

	Goodwill
	£
Cost	
At 1 November 2016	**151,132**
At 31 October 2017	**151,132**
Amortisation	
At 1 November 2016	**53,398**
Charge for the year	**14,663**
At 31 October 2017	**68,061**
Net book value	
At 31 October 2017	**83,071**
At 31 October 2016	*97,734*

16. Tangible fixed assets

Group

	Short-term leasehold property	Plant and machinery	Fixtures and fittings	Total
	£	£	£	£
Cost or valuation				
At 1 November 2016	**217,592**	**1,737,916**	**6,973**	**1,962,481**
Additions	**-**	**130,806**	**7,729**	**138,535**
Exchange adjustments	**-**	**30,077**	**686**	**30,763**
At 31 October 2017	**217,592**	**1,898,799**	**15,388**	**2,131,779**
Depreciation				
At 1 November 2016	**65,278**	**1,206,449**	**2,526**	**1,274,253**
Charge for the year on owned assets	**21,759**	**231,229**	**1,633**	**254,621**
Exchange adjustments	**-**	**29,881**	**273**	**30,154**
At 31 October 2017	**87,037**	**1,467,559**	**4,432**	**1,559,028**
Net book value				
At 31 October 2017	**130,555**	**431,240**	**10,956**	**572,751**
At 31 October 2016	*152,314*	*531,467*	*4,447*	*688,228*

The net book value of land and buildings may be further analysed as follows:

	2017	*2016*
	£	*£*
Short leasehold	**130,555**	*152,314*
	130,555	*152,314*

17. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Tropical Sky Limited (UK)	Ordinary	100 %	Tour operator
Tropical Sky Limited (Ireland)	Ordinary	100 %	Travel agent
Tropical Sky Hotels Limited (UK)	Ordinary	100 %	Dormant
Tropical Skies Limited (UK)	Ordinary	100 %	Dormant
Africa Sky Limited (UK)	Ordinary	100 %	Dormant
American Sky Limited (UK)	Ordinary	100 %	Dormant
Australian Sky Limited (UK)	Ordinary	100 %	Dormant
Canadian Sky Limited (Ireland)	Ordinary	100 %	Dormant
New Zealand Sky Limited (Ireland)	Ordinary	100 %	Dormant
Africa Sky Limited (Ireland)	Ordinary	100 %	Dormant
American Sky Limited (Ireland)	Ordinary	100 %	Dormant
Australia Sky Limited (Ireland)	Ordinary	100 %	Dormant

The aggregate of the share capital and reserves as at 31 October 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Total capital & reserves	Profit/(loss)
	£	£
Tropical Sky Limited (UK)	**1,600,743**	**161,576**
Tropical Sky Limited (Ireland)	**748,094**	**78,029**
	2,348,837	**239,605**

Tropical Sky Limited (UK) has its registered office situated at East House, 109 South Worple Way, London, SW14 8TN.

Tropical Sky Limited (Ireland) has its registered office situated at Pembroke Hall, 38/39 Fitzwilliam Square West, Dublin 2, Ireland.

17. Fixed asset investments (continued)

Company

	Investments in subsidiaries
	£
Cost or valuation	
At 1 November 2016	**244,827**
At 31 October 2017	**244,827**
Net book value	
At 31 October 2017	**244,827**
At 31 October 2016	*244,827*

18. Debtors

	Group 2017	*Group 2016*	Company 2017	*Company 2016*
	£	*£*	£	*£*
Trade debtors	**10,259,997**	*10,130,025*	**-**	*-*
Amounts owed by group undertakings	**-**	*-*	**13,903**	*13,903*
Other debtors	**23,728**	*33,104*	**-**	*-*
Prepayments and accrued income	**208,352**	*88,278*	**-**	*-*
Deferred taxation	**35,106**	*28,356*	**-**	*-*
Financial instruments	**-**	*696,671*	**-**	*-*
	10,527,183	*10,976,434*	**13,903**	*13,903*

19. Cash and cash equivalents

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Cash at bank and in hand	**6,676,049**	*6,214,772*	**-**	*-*
	6,676,049	*6,214,772*	**-**	*-*

20. Creditors: Amounts falling due within one year

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Other loans	**-**	*100,000*	**-**	*-*
Trade creditors	**15,186,984**	*15,611,984*	**-**	*-*
Amounts owed to group undertakings	**-**	*-*	**94,827**	*94,827*
Corporation tax	**12,186**	*19,556*	**-**	*-*
Other taxation and social security	**69,446**	*82,414*	**-**	*-*
Other creditors	**1,969**	*2,138*	**-**	*-*
Accruals and deferred income	**25,316**	*24,784*	**-**	*-*
Financial instruments	**210,993**	*-*	**-**	*-*
	15,506,894	*15,840,876*	**94,827**	*94,827*

21. Loans

An analysis of the maturity of loans is given below:

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Amounts falling due within one year				
Other loans	**-**	*100,000*	**-**	*-*
	-	*100,000*	**-**	*-*

22. Financial instruments

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Financial assets				
Financial assets measured at fair value through profit or loss	**6,676,049**	*6,911,443*	**-**	*-*
Financial assets that are debt instruments measured at amortised cost	**10,283,725**	*10,163,129*	**13,903**	*13,903*
	16,959,774	*17,074,572*	**13,903**	*13,903*
Financial liabilities				
Derivative financial instruments measured at fair value through profit or loss	**(210,993)**	*-*	**-**	*-*
Financial liabilities measured at amortised cost	**(15,214,268)**	*(15,738,906)*	**(94,827)**	*(94,827)*
	(15,425,261)	*(15,738,906)*	**(94,827)**	*(94,827)*

Financial assets measured at fair value through profit or loss comprise foreign currency forward contract derivative assets along with bank and cash balances, which are revalued at 31 October 2017 in line with year-end spot rates .

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors arising in the normal course of business.

Derivative financial liabilities measured at fair value through profit or loss held as part of a trading portfolio comprise derivative liabilities from losses arising on year-end revaluation of foreign currency forward contracts.

Financial liabilities measured at amortised cost comprise trade creditors and accruals arising in the normal course of business.

At 31 October 2017, the Group had contractual commitments in relation to foreign currency forward contract derivatives totalling £9,289,779 (2016 - £5,438,709).

23. Deferred taxation

Group

	2017 £
At beginning of year	**28,356**
Charged to profit or loss	**7,178**
Currency translation differences	**(428)**
At end of year	**35,106**

The deferred tax asset is made up as follows:

	Group 2017 £
Accelerated capital allowances	**(30,875)**
Tax losses carried forward	**65,981**
	35,106

24. Share capital

	2017 £	*2016* *£*
Shares classified as equity		
Allotted, called up and fully paid		
102,500 A Ordinary Shares shares of £1 each	**102,500**	*102,500*
15,000 B Ordinary Shares shares of £1 each	**15,000**	*15,000*
10,000 C Ordinary Shares shares of £1 each	**10,000**	*10,000*
	127,500	*127,500*

All three classes of shares carry full voting rights and rank pari passu in all respects.

25. Reserves

Foreign exchange reserve

The foreign exchange reserve represents differences arising upon the revaluation of foreign subsidiary companies stated in Euros. The financial statements of these companies are revalued to match the presentation currency of the Group for consolidation purposes, to show the entirety of the Group's results in Pounds Sterling (GBP). See accounting policy 2.11 for details of how the individual balances within the foreign subsidiaries are translated.

Profit and loss account

The profit and loss account represents all current and prior period retained profits and losses, less any

dividends paid to shareholders of the parent company.

26. Contingent liabilities

At 31 October 2017, there were contingent liabilities outstanding in respect of counter indemnities given by the Group, in the normal course of business, to the Group's bond insurance obligors in respect of Commission for Aviation Regulation travel bonds amounting to £463,435 (2016 - £474,416).

27. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independent fund administered by Standard Life. The pension cost charge represents contributions payable by the Group to the fund and amounted to £29,439 (2016 - £48,368). Contributions totalling £1,968 (2016 - £2,137) were payable to the fund at the reporting date and are included in creditors.

28. Commitments under operating leases

At 31 October 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	*Group 2016* £
Not later than 1 year	**131,619**	*129,618*
Later than 1 year and not later than 5 years	**425,196**	*452,288*
Later than 5 years	**106,624**	*198,016*
	663,439	*779,922*

29. Controlling party

The Company's controlling parties are M G Collins and Ms J Collins, by virtue of their beneficial ownership of 62.75% of the issued and paid up share capital in the Company.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.