TEN

Annual Report and Accounts 2018

Trusted Service

Ten Lifestyle Group Plc

To become the world’s most trusted service business

Our mission is to be the world’s most trusted service business. Since 1998, we’ve combined personalised, premium and specialist knowledge – with world class expert-led customer service – and continuous innovation in technology.

Today, we serve millions of members, working with more than 50 corporate partners, from 20 operational offices located in the most important wealth centres.

In this report

Highlights

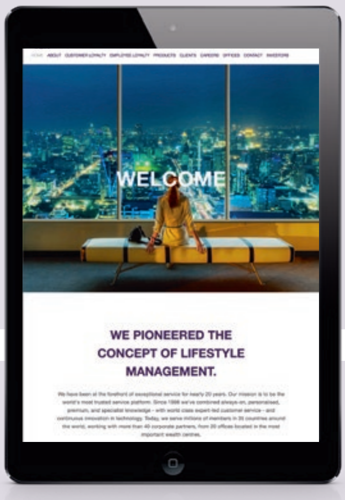
Operational

- Large contracts increased from four to six and Medium contracts[1] increased from eleven to 18 in the year
- Seven new Medium or Large contracts won and launched in the year, including Visa International, HSBC and OCBC Bank
- Two Small contracts have grown into Medium contracts in the year
- Ten's enhanced proprietary digital platform launched during the year in all three global regions
- £10.5m spent on proprietary digital platform, communications and technologies
- Member satisfaction improved in all three global regions
- Admitted to AIM in November 2017

Financial

- Net Revenue[2] up 13% to £37.4m (2017: £33.2m)
  - Growth in the first half of the Year followed by a marked increase in the growth rate as the Year progressed
  - Especially strong growth in APAC[3] (43%) and good growth in the Americas (16%)
  - Net Revenue flat in EMEA[4]
- Adjusted EBITA[5]: £(3.9)m (2017: +£1.7m) reflects significant investment in technology, investment in new markets and international roll out
- Adjusted EBITA margin: (10.4)% (2017: +5.1%)
- Strong cash position of £20.7m, following £25.1m raised at IPO

Find out more about us at **tengroup.com**



Net Revenue
£m
£37.4m
2017: £33.2m

Adjusted EBITA
£m
£(3.9)m
2017: £1.7m

Operating loss before interest and tax
£m
£(8.0)m
2017: £(1.7)m

Loss for the year
£m
£(8.1)m
2017: £(1.6)m

Adjusted EBITA
%
(10.4)%
2017: 5.1%

1 Ten categorises its corporate client contracts based on the annualised value paid, or expected to be paid, by the corporate client for the provision of concierge and related services by Ten as: Small contracts (below £0.25m); Medium contracts (between £0.25m and £2m); Large contracts (over £2m); and Extra Large contracts (over £5m). This does not include the revenue generated from suppliers through the provision of concierge services.

2 Net Revenue excludes the direct cost of sales relating to certain member transactions managed by the Group.

3 The Asia-Pacific region.

4 The Europe, the Middle East and Africa region.

5 Adjusted EBITA is operating (loss)/profit before interest, taxation, amortisation, share-based payments and exceptional costs.

5m+

Over 5m requests actioned to date

26+

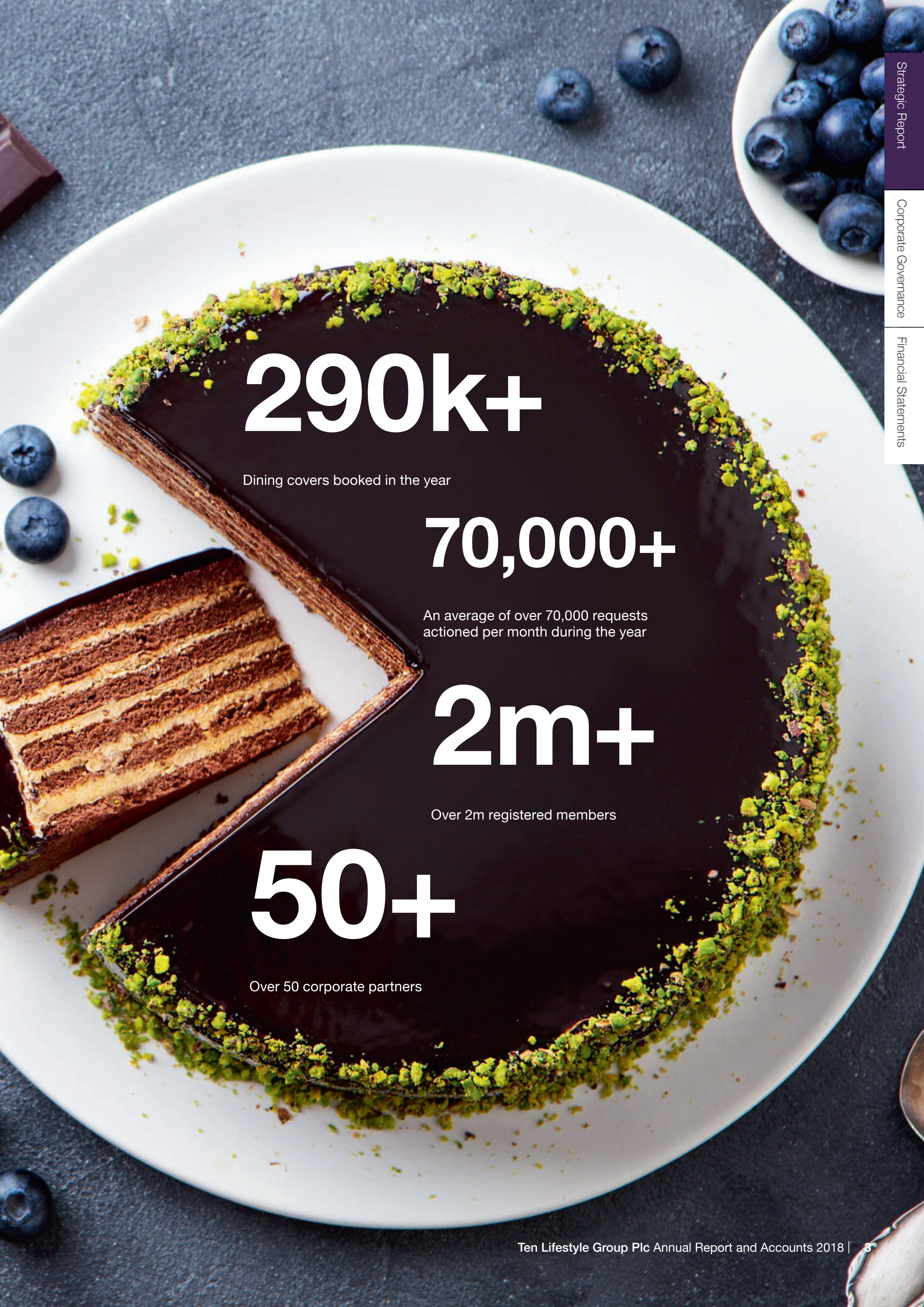
Over 26+ languages spoken by Lifestyle Managers

52

Digital platform in 52 countries

100k+

Partnerships with over 100k travel & lifestyle suppliers



290k+

Dining covers booked in the year

70,000+

An average of over 70,000 requests actioned per month during the year

2m+

Over 2m registered members

50+

Over 50 corporate partners

At a Glance

24 Large or Medium contracts[1]

	2018	2017	Increase
Large	**6**	4	+2
Medium	**18**	11	+7
	24	15	+9

	2018	2017	Increase
EMEA	**9**	9	—
Americas	**10**	4	+6
APAC	**4**	2	+2
Global	**1**	—	+1
	24	15	+9

Net Revenue

	2018 £m	2017 £m	% Change
EMEA	**17.4**	17.4	0%
Americas	**11.4**	9.8	16%
APAC	**8.6**	6.0	43%
	37.4	33.2	13%

Adjusted EBITA[2]

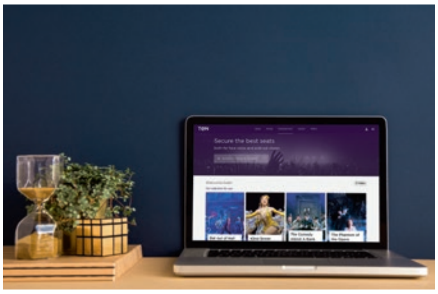
	2018 £m	2017 £m
EMEA	**3.1**	3.9
Americas	**(6.8)**	(1.5)
APAC	**(0.2)**	(0.7)
Adjusted EBITA	**(3.9)**	1.7
margin	**(10.4%)**	5%

1 Large contracts (over £2m), Medium contracts (between £0.25m and £2.0m).

2 Adjusted EBITA is operating (loss)/profit before interest, taxation, amortisation, share-based payments and exceptional costs.

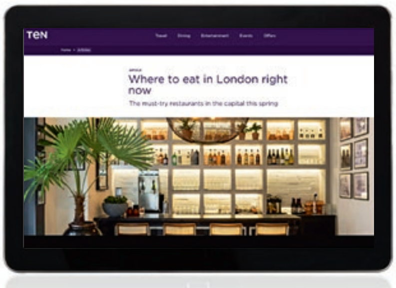
20 operational offices

San Francisco | Las Vegas | Mexico City | Miami | Toronto | New York | Sao Paulo | Bogota | Buenos Aires | London | Brussels | Zurich | Cape Town | Dubai | Mumbai | Singapore | Hong Kong | Shanghai | Melbourne | Tokyo |



TEN | Platform

Ten's enhanced proprietary platform for travel and concierge. Allows members to access up to five core modules: Travel, Dining, Entertainment, Events and Benefits on a self-serve basis.



TEN | Content

The editorial and personalised communications power behind Ten used to leverage editorial and insights for its members.

TEN | Data & CRM[1]

A dedicated team focused on leveraging technology and data to better serve members and corporate clients by delivering personalised reporting, analytics, insights and predictive modelling.

1 Customer-relationship management (CRM).

TEN | MAID

Ten's proprietary knowledge base which encompasses a booking system, workflow, performance management and management information reporting infrastructure.

TEN | Product Team

A team of In-House Developers, Product Managers, User Experience Designers, User Interface Designers, Quality Assurance Testers and Database Administrators working on an integrated and collaborative basis to deliver enhancements to Ten Platform and Ten MAID.

TEN | Lifestyle Managers

Ten's Lifestyle Managers work from 20 global locations and between them speak more than 26 languages, delivering specialist travel and lifestyle and concierge services to our members.

Chairman's Statement

A year of investment into our core services, global growth and launch of our enhanced digital platform

Bruce Weatherill
Chairman

Introduction

I am pleased to deliver my first Chairman's Statement since joining the Board in October 2017 to update shareholders on what has been a transformational year for the business.

In the year in which we celebrate our 20th anniversary, the Group now operates from 20 offices worldwide and serves over 2m registered users, working with over 50 corporate partners. To achieve our objective of becoming the world's most trusted service platform, we have combined investment in technology innovation with expert travel and lifestyle knowledge. The strength of this proposition was reflected in our IPO on the AIM market of the London Stock Exchange in November 2017, which raised £25.1m to finance the next phase of our growth.

Strategy

Ten provides concierge services to its corporate customers using a combination of its market-leading lifestyle and travel proprietary digital platform and the expertise of its Lifestyle Managers. Ten's corporate clients include private banks, retail banks, premium payment card providers and luxury brands who offer Ten's services to segments of their premium customers.

Ten assists its members to discover, organise and book travel, dining, and live entertainment, seeking to save them both time and money. Through Ten's service proposition, members can achieve superior access, experiences, and outcomes, more cost-effectively and conveniently, than they could have achieved on their own. As a result of making arrangements on behalf of its combined membership base of wealthy individuals, Ten has access to better rates and/or enhanced benefits from its suppliers compared to other existing service providers, both online and offline.

Our ambitious objective is to become the most trusted service platform globally. Our strategic goals to achieve this ambition are: to continuously improve service levels to our members; to deliver value to our corporate partners; to continue to invest in our proprietary technology; and to grow Net Revenue from enhancing existing corporate partnerships and entering new geographic and vertical markets.

Results

I can report that we have made good progress during the year towards each of these goals and while Net Revenue has come in below expectations set at IPO, at 13% growth, we saw several important new client wins, including a Large contract with Visa International and our first contracts, with HSBC, OCBC Bank and Japanese MI Card. During the Year we continued to invest – both in people and technology – to underpin our growth plans. We maintained excellent client retention levels and 2018 saw the much-anticipated launch of our significantly enhanced proprietary member-facing platform. We enter 2019 with our strongest ever service levels, a larger client base, new hires in place and our enhanced technology offering, which will help achieve our future growth goals.

Lower Net Revenue than expected by the Board at IPO was caused by several factors, but principally reflected slower revenue growth from new and existing territories, slower roll out into new verticals and slower roll out of larger, more integrated contracts.

We ended the year with a strong cash position of £20.7m (2017: £8.2m), reflecting the proceeds from the IPO and improved working capital performance in the year, offset by significant investment in infrastructure and people during the year. While we remain in an investment phase, the focus is on future business growth which clearly impacts profitability in the short term.

We run our business based on three regions: EMEA, the Americas and APAC. Our most mature region is EMEA which continued to perform strongly although Adjusted EBITA was held back by the investment in our proprietary technology platform and enhancement of content. The effects of the investment programme were more pronounced in the two higher-growth regions of the Americas and APAC. In the Americas, we set up two new offices, made a number of significant senior hires and committed resource to support the contracts won to date, and to build the platform to allow for further growth. We have now built the scale required to support operations for our existing and future corporate partners in the region.

In APAC, we saw strong Net Revenue growth and Adjusted EBITA again close to break even but reflecting investment to support recent and expected contract wins.

People

The Board is committed to a strict corporate governance and, as Chairman, I am the custodian of the corporate governance approach adopted by the Board to ensure that the Group has the right people, strategy, and culture to deliver success. The Board comprises four Executive Directors and three independent Non-Executive Directors, of which I am one. At the same time as my appointment, two other Non-Executive Directors were appointed: Julian ("Jules") Pancholi and Gillian Davies, further details about whom are included in the Board of Directors' biographies included on pages 22 and 23.

In addition to these Board appointments, the Group has invested in quality Lifestyle Managers around the world as well as a number of senior hires globally. We were pleased to appoint a global Chief Technology Officer (CTO) and a Global Head of IT Infrastructure. Both of these appointments reflect the importance of the growth and development of our technology offering.

Corporate Governance

With effect from 28 September 2018, all AIM companies are required to adopt a recognised corporate governance code and to make additional corporate governance related disclosures on their websites. I am pleased to announce that the Company has adopted the Quoted Companies Alliance's Corporate Governance Code (the "QCA Code").

Summary

When I was approached to become Chairman, I was attracted by the Company's market-leading service proposition, the potential to accelerate its international expansion and the opportunity to leverage technology to drive service levels, and profitability. I write today, one year on, with just as much excitement as I did when I joined.

Ten is a business in growth mode with a unique technology service offering, which sets it apart from its peer group and offers a unique consumer value proposition which provides an excellent platform for the business to achieve its goals.

I would like to extend a huge thanks to my fellow Board members and to Ten employees worldwide, who have worked tirelessly to enhance our proposition and build the required technology platform to enable us to grow in the future. This was Ten's 20th year, and its first as a listed business and I look forward to updating shareholders further in 2019 as the business develops.

Bruce Weatherill
Chairman
27 November 2018

Chief Executive's Statement

Our objective is to become the world's most trusted service business

Alex Cheatle
Group Chief Executive Officer and Co-Founder

Introduction

In my first Chief Executive's Statement for Ten as a listed business, I can report a year of improving service levels, Net Revenue growth and continued development of our digital technologies that will help drive future increases in revenues and margin, as well as improvements in competitive advantage and service levels.

Our objective is to become the world's most trusted service business. In each quarter of the year we have: grown the number of affluent and wealthy members who we help; improved member experience of our service in each global region; grown our global reach and developed technologies that underpin our future success. All these achievements build on our competitive advantage, take us closer to our objective and provide a solid foundation for the future.

Net Revenue grew at a slower rate than initially expected, developing at an increased rate as the year progressed. Other key financial metrics – notably cash and Adjusted EBITA – have been at, or better than, the levels the Board anticipated at IPO.

How did we do in 2017/2018?

We secured the capital for the next phase of Ten's development.
We believed at the start of 2017 that we should raise capital to be able to execute on two strategies. Firstly, to increase our investment into technology to improve service levels, reduce costs of service delivery, improve scalability and develop a winning competitive position. Secondly, to continue to expand regionally into our key growth markets. To achieve this, we listed on the AIM market of the London Stock Exchange in November 2017. The resulting £25.1m of net cash to the Group is allowing us to finance planned growth into immature or new markets as well as continue investment into our technology platform, which we believe will drive increased member satisfaction, maintain our competitive advantage and drive further major contract wins globally.

We improved service quality.
This underpins our success. The higher our service levels, the more our members trust our service, the more they use our service, the more they advocate our service and justify our corporate partners spending more with us.

We are delighted to have achieved record member satisfaction levels, measured by both Net Promoter Score (NPS) and our internal quality assurance. We have had positive client feedback on our service on both existing programmes and new launches. We believe this grows our reputation and credibility in the market.

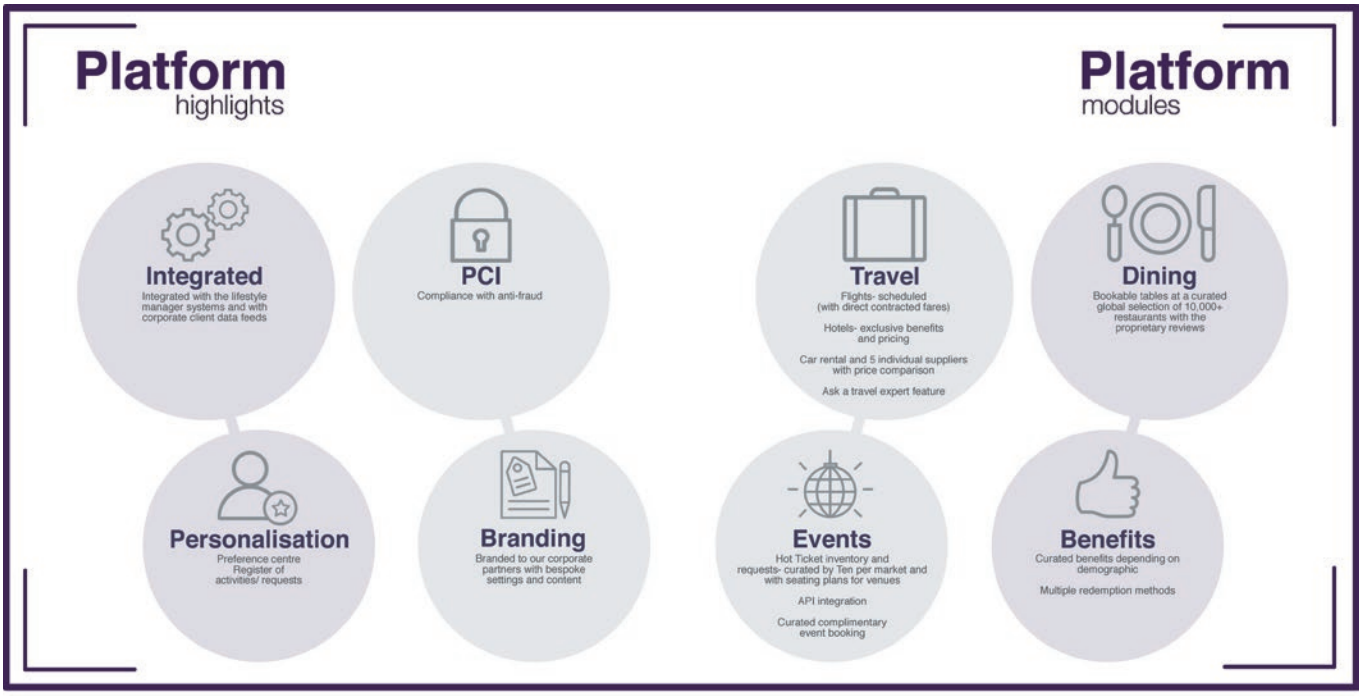
We have developed and launched a competitive digital platform into multiple global markets.
Ten's proprietary digital platform is now available in nine languages and 36 currencies. The enhanced platform went live in June 2018 behind HSBC's High-Net-Worth 'Jade' proposition into all three global regions and has now been launched by multiple other client brands into a total of 52 countries.

The launch of our enhanced digital platform was delayed with new and existing corporate partners. This was to help ensure optimal impact by launching the platform with a more complete offering. The consequence of this was that some new client launches have been pushed back, and some existing contracts have delayed marketing of the service, which grows usage and hence revenues, until the platform is in market. The platform is now live in market in all global regions and we believe this will unlock revenue growth on existing contracts. The high hurdles that we have successfully overcome in developing the platform have resulted in a more robust and more valuable platform. We are now in a strong position with what we believe to be the only multi-category transactional lifestyle and travel platform in market and available to our corporate partners and prospects. Most new contract tenders mandate a strong digital platform as part of their desired specification.

We have made great progress in globalising our service.
Our global reach has grown, we have won new contracts in each of our three regions and we have opened two new offices in the Americas in the year. We have seen efficiency improvements to our high-touch service in maturing markets. In the Americas, we grew from 195 staff at 31 August 2017 to 326 staff at 31 August 2018 to support contract

growth and have now achieved scale in Spanish, Portuguese and French Canadian as well as English-speaking staff. In APAC, the HSBC win has allowed us to start to benefit from scale in the key High-Net-Worth centres of Hong Kong and Singapore, which is further supported by a contract launch in September 2018 with the Bank of Singapore/OCBC. Most of the growth in 2019 is expected to come in markets where we already have a presence, which should allow us to be more efficient, so we expect to see improving revenues per employee across 2019.

Investing in Technology



Chief Executive's Statement continued

How did we do in 2017/2018? continued

New hires have strengthened the leadership team and the operational and technology teams
We have grown the business from 570 to 823 people globally, which is indicative of our investment strategy. In addition, we have made senior hires in the first half of the year including a Global Head of IT Infrastructure, and a Business Development Leader in each of the US and Europe. New hires in the second half of the year included a new Managing Director of Employee Loyalty, senior finance hires and a Head of Legal and Compliance.

In summer 2018, we also hired a leader specifically responsible for developing the customer acquisition strategy in the region of North America, with a focus on financial services.

In addition, we made the important hire in August 2018 of a new, highly experienced CTO who has, since joining, further strengthened our technology teams, processes and output. We are benefiting from his twenty plus years of experience of developing complex consumer facing enterprise platforms and personalisation.

We have benefited from a Board that includes three Non-Executive Directors, including our Chairman who joined us shortly before the IPO. I have very much appreciated their experience and guidance this year.

Corporate Governance

With effect from 28 September 2018, all AIM companies are required to adopt a recognised corporate governance code and to make additional corporate governance related disclosures on their websites. I am pleased to announce that the Company has adopted the Quoted Companies Alliance's Corporate Governance Code ("QCA Code").

Summary

We believe our competitive position is stronger than ever driven by our enhanced proprietary technology platform, our market-leading service levels, our integrated global infrastructure and the strength of our management team. We have won multiple contracts from competitors in the last year and are targeting more wins from competitors and new contracts in 2019.

Continued improvements in service levels increase engagement, repeat use and justify higher levels of investment from our corporate partners. We have seen this in recent weeks as one Large contract has grown to become an Extra Large contract in the current financial year. We then believe that increasing scale can drive increasing service levels and the efficiency that drives profitability, helping us progress towards our objective of becoming the most trusted service business in the world.

2018 has been a year of significant investment and Product Development and we enter 2019 with a unique platform to meet the needs of our members and global corporate clients. I would like to extend thanks to the Ten team worldwide, for their hard work and immense contribution this year.

Alex Cheatle
Group Chief Executive Officer and Co-Founder
27 November 2018

Market leading

Ten Lifestyle Group ("Ten") provides concierge services to its customers which include large corporates and High-Net-Worth Individuals (HNWIs)[1], using a combination of its market-leading lifestyle and travel proprietary digital platform and the expertise of its Lifestyle Managers. Ten's corporate clients include private banks, retail banks, premium payment card providers and luxury brands who offer Ten's services to segments of their premium customers.

Member Benefits

Our wealthy and mass affluent demographic allows us to negotiate far better services than we could negotiate for the general public, from the free loan of a premium brand car for a weekend, to a luxury brand shopper evening with champagne and canapés.

Many suppliers – from hotel groups and airlines to entertainment venues and retailers – are willing to consider better prices and/or value-add benefits for our valuable customer segments.

1 High-Net-Worth-Individuals with $1m in liquid financial asset (HNWIs).

Business Model continued

Our world view

We believe that for individuals and their families to thrive, they want to be supported by people, technologies and services that they can genuinely trust to have their best interests at heart and deliver to their needs.

We believe that there is huge market potential for a service that can be trusted to meet people's needs better than any other service provider – notably in travel, eating out, entertainment, and retail. We have identified these four categories as important for our members and where we can add value at scale. This is the travel and lifestyle service that we are building at Ten and towards which we made many significant steps forward this year. From the early days of Ten, twenty years ago, we have been guided by our insight that the most trusted service business in the world would need to have four characteristics.

1. **Subscription-led.** The commercial incentive in our business model is to please our members, not to create value for our third-party supplies. Our subscription revenue stream allows us to be on the members' side with no conflict of interest. Furthermore, not being reliant on commissions or mark-ups enables material differentiation both in terms of value and access.

2. **Multi-category.** To provide enough frequency of contact to become central to our members' lives. We support our members across multiple areas – notably eating out, all types of travel, entertainment, and retail. In these areas we can organise and negotiate better prices, access or benefits for our members than they can typically achieve on their own.

3. **Focused on the wealthy and mass affluent.** Our members benefit from having access to an exclusive service closed to non-members (a closed user-group) that is available to the wealthy or affluent. By having these people as our members, we can demand better service and benefits from our suppliers than if we were mass market.

4. **Technology driven.** The most trusted service business in the world would need to offer the member a choice of channels (e.g. live interaction with an expert Lifestyle Manager for complex matters or an easy-to-use self-service platform for transactional requests) to access the service. In addition, the most trusted service business would want to use technology to drive up the scalability of the service and drive down the cost of service delivery. We would also want to leverage technology to drive personalisation of the service to each individual member.

The revenue model

Ten's services are generally made available to members through Ten's corporate clients who pay for Ten's services on their individual customers' behalf. The majority of Ten's corporate clients are financial services institutions who offer Ten's services as part of their ancillary benefits package, which are complementary to their products such as premium credit cards or premium banking services. By offering Ten's services, the corporate client expects to see resulting improvements to their customer metrics that drive their profitability, including customer retention, value, and advocacy.

Ten typically charges its corporate clients on a "per request" basis – whether high touch (which involve a Lifestyle Manager) or low touch (which are completely or largely fulfilled through the Ten Platform). A request is typically an instruction received from a member to research, advise or arrange something on their behalf. Requests principally relate to travel, dining, and live entertainment, but can extend to more general lifestyle support services. Other service-related revenue-generating activities paid for by Ten's corporate clients include negotiating special offers or benefits with suppliers and creating bespoke editorial content. We are also beginning to see additional revenue from delivering and licensing our digital platform to clients.

Ten also earns revenue from its supplier base, such as hotels, airlines, and event promoters who sometimes pay commission to Ten. This constituted 13% of Net Revenue for the year.

Digital

The Ten Platform is an end-to-end fully-transactional platform for concierge services and is Ten's digital interface with members. Members can use desktop computers, tablets, and smartphones to access the Ten Platform on a self-serve basis, at all times. Members can choose from five core modules: Travel, Dining, Entertainment, Events, and Benefits. These modules feature content, Ten-procured inventory and – varying by market – API[1] integrations with suppliers and providers (airlines in Travel, or ticketing providers in Entertainment, for example). The result is a data-rich, end-to-end transactional platform that mirrors the service level, access, and proposition of the Lifestyle Manager-led service.

The underlying technology is bespoke and proprietary, having been created by Ten's internal technology development team, and we believe this proposition provides a unique point of differentiation for the Group. The development team responsible for ongoing product innovation comprises Product Managers, User Experience Designers, User Interface Designers, Front-End Developers, Back-End Developers, and Quality Assurance Managers.

1 Application programming interface (API).

Markets

A growing global market

Ten's objective is to become the most trusted service business in the world by being the pre-eminent provider of global travel, lifestyle and concierge services to the world's wealthy and mass affluent, fulfilling its members' travel, dining, live entertainment, and retail requirements. We believe that this represents a substantial market opportunity with significant growth potential.

We believe that there is significant potential to increase its position internationally, where the provision of concierge services is at varying stages of development. Outside of the UK, Ten has been awarded 21 of the last 26 international financial contracts for which it has tendered or re-tendered since 2015, including elsewhere in EMEA, the Americas and APAC.

We believe that the global financial services industry is currently the largest procurer of concierge services. Customer satisfaction and brand affinity, however, are common objectives for other verticals, such as luxury brands and premium automobile manufacturers, and the Directors believe that these will provide further opportunities for the provision of concierge services.

As the market for concierge services evolves, we believe that HNWIs and the mass affluent will increasingly recognise the benefits of fulfilling their requirements through concierge services enhanced by technology. The buying power afforded by fulfilling these requirements at scale should allow the provider of concierge services to deliver superior rates and enhanced benefits compared with those that an individual could achieve directly through traditional providers of travel, live entertainment, dining solutions and premium retail both online and offline. We believe that this will further increase the attractiveness of concierge services. In addition, current concierge services are primarily fulfilled through individuals responding to requests typically made by telephone or email. We believe that the rate of adoption of concierge services will be significantly increased by the ability to self-serve via technology enabled platforms offering a higher level of personalisation and convenience.

Strategy

A strategy for growth

The Group had identified four main strategic goals in 2018:

Improve service levels
Improving service levels means that members increasingly benefit from the service, helping to drive corporate partner investment from new and existing clients as we deliver improvements to their customer's value metrics.

Grow Net Revenue
This is both through organic growth and through new contract wins in both existing and new geographic markets.

Invest in technology
This improves efficiency and service quality, driving operational profitability, and providing a clear and demonstrable point of differentiation for Ten.

New vertical markets
We aimed to widen the Group's reach with the world's wealthy and mass affluent from primarily supporting financial services clients. In the year we have increased activity to develop other vertical markets, notably to support employees of selected organisations and the most valuable customers of luxury brands.

These strategies were supported by the funding from the IPO in November 2017 and the development of our Senior Leadership Team.

Progress against strategy

1. Improve service levels
Service levels have improved in each of the global regions in 2018 (EMEA, the Americas and APAC). We measure this primarily by gathering NPS in each region. We also measure against our own internal quality assurance standards and use a basket of other measures to build an in-depth understanding of the drivers of member satisfaction. These include response times, tone of voice, the level of personalisation on a request and the relevant success criteria on different types of request (e.g. Were we able to buy face-value tickets for the popular show? Were we able to secure the desired table at the top restaurant? Did the member book the suggested hotel or flight through us?).

Where we have taken over concierge servicing from an incumbent competitor during the year, each of our corporate clients of the Medium or Large new contract launches have told us that they believe that we had improved on the service levels of the previous providers.

We believe that we deliver improved high-touch service levels though a mixture of ingredients that include well-developed hiring and training programmes, strong and positive performance management, improving technology and systems, improving leverage with our supplier base, a greater depth and range of pre-prepared content, faster response times and a focus on retaining a service culture.

In the year, we aimed to deliver improved digital service levels by improving the look, feel, speed and usability of the digital platform, the functionality of the platform and the depth and breadth of both the content and the supplier base.

We consider both our high-touch and digitally delivered services to be increasingly well engineered.

2. Grow Net Revenue

Ten categorises its key corporate client contracts based on the annualised value paid, or expected to be paid, by the corporate client for the provision of concierge and related services. This does not include the revenue generated from suppliers through the provision of concierge services. Since year-end, we announced that one Large contract is expected to grow to over £5.0m annual value, becoming Ten's first Extra Large contract; the impact of this will be felt from the commencement of its term on 1 October 2018. Ten's contract classifications are now: Extra Large contracts (over £5.0m), Large contracts (over £2.0m), Medium contracts (between £0.25m and £2.0m) and Small contracts (below £0.25m).

As at 31 August 2018, Ten had 50 (2017: 47) corporate clients across the Group. Large and Medium contracts represented 79% (2017: 77%) of its total Net Revenue.

Contracts	**2018**	2017	Increase change
Large	**6**	4	+2
Medium	**18**	11	+7
	24	15	+9
% of Net Revenue	**79%**	77%	+2%

Large and Medium contracts are typically of a multi-year duration of three years or more. Only one of the Group's corporate clients accounted for more than 10% of total Net Revenue in 2018 and this client is contracted until 31 December 2020. Two Small contract grew into Medium contracts in the year.

Ten's Net Revenue growth in the year has largely been delivered by signing additional long-term contracts with large global clients in financial services. The contracts are currently focused on defined groups of their premium customers. As Ten demonstrates the commercial impact of its high service levels and continues to build out its technology, having these blue-chip contracts ensures the Group is well placed to grow its concierge services with these clients and via new clients, and continue to grow its Net Revenue.

3. Invest in technology

Over the year we launched our enhanced digital, member-facing platform. The enhanced platform includes a new and improved user interface, more functionality, and the ability to scale globally across multiple brands, languages, currencies, and different content requirements. This investment was significant in the year with £5.4m spent on our platform development and associated editorial and content. The benefits will largely be felt in 2018/2019 because the enhanced platform went live with our first client, HSBC Jade, in seven markets across all three global regions in June 2018 and we believe that it will replace our existing platform in the UK and roll out with multiple new corporate partners in 2018/2019.

Coya Angel Court

We overhauled and upgraded of our IT and communications infrastructure. In the year our overall spend on our IT infrastructure was £5.1m. We expect these upgrades to improve servicing speed, allow more cost-effective global call routing, allow better member access to the service (e.g. live chat), and improve functionality in 2019. Again, we expect that much of the impact of this investment on efficiency and service quality will be felt in 2018/2019 and beyond.

We are pleased that we retained our PCI DSS Level 1 accreditation during the year, which provides comfort to our corporate clients around our data and payment security measures.

4. New vertical markets

In the year, we have invested to start to develop several new vertical markets.

Employee Loyalty market

We believe leading employers are interested in providing lifestyle management support to their valued employees to save time and increase staff productivity, retention, and morale. Ten hired a Managing Director for this new Employee Loyalty business in the second half of 2018, who has gone on to build a small sales and support team. The first phase of marketing and selling activity began at the end of the financial year. We are building a pipeline of appropriate employers.

Luxury brand market

Luxury brands have also begun to provide concierge services to their customers as they seek to enhance their general satisfaction levels and brand affinity with their top customers who provide an over-sized proportion of their revenues. Ten has already secured contracts with luxury brands including in the high-end retail and premium automobile manufacturers.

Private membership

Ten has a small private membership base. Historically private membership has not been a focus for the Group, however, we hired a new Head of Private Membership in August 2018 and we will make small investments into marketing during 2019 to test its potential behind the enhanced digital platform.

Financial and Operating Review

Well placed for growth

Net Revenue increased by 13% compared to the previous year. Our planned investment in technology and international expansion has, as expected, impacted profitability in 2018 but leaves the Group well placed for growth going forward.

Sean Hegarty
Chief Financial Officer

Net Revenue
£m

£37.4m

(2017: £33.2m)
+13%

Adjusted EBITA
£m

-£3.9m

(2017: £1.7m)

	2018 £m	2017 £m
Revenue	**40.1**	34.9
Net Revenue	**37.4**	33.2
Operating expenses and Other Income	**(41.3)**	(31.5)
Adjusted EBITA	**(3.9)**	1.7
Adjusted EBITA %	**(10.4%)**	5.1%
Amortisation	**(2.8)**	(2.3)
Share-based payments and exceptional Items charge	**(1.3)**	(1.1)
Operating loss before interest and tax	**(8.0)**	(1.7)
Net finance expense	**(0.5)**	(0.5)
Loss before taxation	**(8.5)**	(2.2)
Taxation credit	**0.4**	0.5
Loss for the year	**(8.1)**	(1.6)
Net Cash at 31 August	**20.7**	8.2

Revenue

Revenue for twelve months to 31 August 2018 was £40.1m, up 15% on the twelve months to 31 August 2017. Net Revenue, which excludes the direct cost of sales relating to member transactions managed by the Group (such as the cost of airline tickets sold under the Group's ATOL licences) is Ten's preferred measure of operating revenues. Net Revenue for twelve months to 31 August 2018 was £37.4m, up 13% compared to the prior year.

This revenue growth has been supported by new contract launches. In the year to 31 August 2018, we launched Large contracts across multiple countries with Visa and HSBC as well as a series of Medium contracts with Mastercard, amongst others. We have seen good organic growth with two Small contracts becoming Medium contracts in the year. We also benefited from additional revenues relating to the delivery and licensing of our digital platform launched this year.

Large and Medium Contracts

Contracts	2018	2017	Increase
Large	**6**	4	+2
Medium	**18**	11	+7
	24	15	+9

Almost all of the new contract wins have been in the Americas and APAC. HSBC is considered a global contract as it covers all regions.

Contracts by region

	2018	2017	Increase
EMEA	**9**	9	—
Americas	**10**	4	+6
APAC	**4**	2	+2
Global	**1**	—	+1
	24	15	+9

This pattern of contract growth is reflected in the regional segmentation of our Net Revenue. While there is a clear overlap between the geographic location of our clients and their members' requests, members use our concierge services across all the regions. Therefore, our segmental revenue reporting reflects our servicing location rather than the location of our corporate clients. This allows us to understand and track the efficiency and profitability of our operations around the world, so our segmental financial reporting is a more relevant measure on this basis.

Net Revenue	2018 £m	2017 £m	% change
EMEA	**17.4**	17.4	0%
Americas	**11.4**	9.8	16%
APAC	**8.6**	6.0	43%
	37.4	33.2	13%

EMEA revenue was flat compared to the same period of the prior year.

In the Americas, we have experienced 16% growth chiefly as a result of contract wins already noted.

In APAC, we have continued to grow existing contracts. Furthermore, contracts with Mastercard and the launch of HSBC concierge has benefited the APAC region in the second half of the year resulting in an annual growth rate in the region of over 40%.

Operating expenses

As the year to 31 August 2018 was a period of investment for the Group, operating expenses increased from £31.5m in the same period in 2017 to £41.1m. A large proportion of growth was due to increased headcount which grew to 823 by 31 August 2018 (2018 average: 750; 2017 average: 550). This increase in headcount is due to expansion in American and APAC markets, where we hired ahead of contract launch date and reflects Ten's market expansion strategy in the year where were hired proportionally more operational staff in our expanding markets (including regional leadership, local quality assurance and account managers). This rate of increase is not expected to continue as we are now established in those markets. There were also some shorter-term increases this year in our technology and content teams, where we also brought in contractor support ahead of our digital platform launches. The remainder of this cost reflects the running costs of our additional offices and additional spend on IT infrastructure to build platform resilience as we scaled up.

Adjusted EBITA margin

Whilst Adjusted EBITA is not a statutory measure, the Board believe it is necessary to include this as an additional metric as it is one of they main measures of performance used within the business and the principal profit measure for senior management. It reflects the underlying profitability of our business operations, excluding amortisation of historic investment in platform infrastructures, exceptional costs and share-based payment expense.

Adjusted EBITA as reported takes account of all costs in the Group, other than amortisation £2.8m (2017: £2.3m) share-based payment expenses of £0.9m (2017: £0.7m) and exceptional costs of £0.4m primarily relating to the IPO in November 2017 (2017: £0.3m). On this basis, Adjusted EBITA was a loss of £3.9m (2017 profit of £1.7m).

After allocating our indirect costs of IT, platform support, real estate costs and senior management, the Adjusted EBITA for each regional segment is as below:

Adjusted EBITA	2018 £m	2017 £m
EMEA	**3.1**	3.9
Americas	**(6.8)**	(1.5)
APAC	**(0.2)**	(0.7)
Total	**(4.2)**	1.7
Adjusted EBITA %	**(10.4%)**	5.1%

Adjusted EBITA margin in EMEA, defined as our Adjusted EBITA as a percentage of Net Revenue, remains strong and reflects our most mature market, which has continued to deliver operational efficiency even though revenue growth has been slower. Overall, margin has declined from 23% to 18% in EMEA due to the allocation of our increased spend in content and technology.

This impact has been felt even more strongly in the Americas region where Adjusted EBITA margin has declined year on year reflecting the short-term impact of the market expansion where we have invested in training, service quality and building our local expertise as we build scale in this market. We have hired significant new teams, set up two new offices and created new content and supplier relationships to support the contracts won in the region. We expect this 'launch' investment to continue into the first half of 2019 before increasing operational maturity brings this region to a profitable level over time. We now have the footprint, offices and staff in place to manage English, Spanish, Portuguese and French Canadian at scale – which will allow efficiencies to flow. Beyond the 2018 financial year, no major 'new' market launches are planned in the Americas.

Financial and Operating Review continued

Adjusted EBITA margin continued
APAC has benefited from improving efficiencies in countries where we have had a longer-term presence as we have built scale within the existing business. Adjusted EBITA remained close to break even in 2018, with strong revenue and contribution growth in the region offset by increased investment in IT and support functions to expand our capability in APAC to support recent and expected contract wins. Once these markets mature, they are expected to generate positive margins in line with our strategy.

Amortisation
Amortisation costs, relating to our internal platform (TenMAID) and our customer facing platforms were higher at £2.8m in 2018 (2017: £2.3m) reflecting increased development activity over the previous years.

Net finance expenses
Net finance expense in the year was £0.5m (2017: £0.5m). This includes the interest cost of shareholder debt until repayment on 30 November 2018 following the AIM listing of £0.2m (2017: £0.4m); finance expense related to the convertible loan that was converted to equity on listing (2018: £0.2m; 2017: £0.1m). In addition, the translation of balances denominated in foreign currencies in the year resulted in a £0.1m expense (2017: £nil).

Exceptional costs and share-based payments charge
The share-based payments charge in the year were £0.9m (2017: £0.7m) which reflected grants made under new management incentive plans established after listing on AIM (see note 25 to the accounts). The exceptional costs of our IPO listing on AIM were £0.4m (2017: £0.3m).

Loss before tax
The loss before tax increased from £2.2m in 2017 to £8.5m.

Taxation
The tax credit for the year was £0.4m (2017: £0.5m) which includes £0.8m (2017: £1.0m), of R&D tax credit received.

Loss per share
On 19 October 2017, the Company re-designated the ordinary C shares as ordinary shares and made a bonus issue of ordinary shares on the basis of seven ordinary shares for each ordinary share then held. In addition, on admission to AIM, 13.4m new ordinary shares were issued, convertible loan notes of £3.2m were converted to 3.1m ordinary shares and 13.6m share options were exercised. This is discussed in more detail in note 24 to the Financial Statements.

The weighted average number of shares increased from 48.7m to 73.1m as a result of the above shares issued. The total comprehensive loss for the year was £8.2m (2017: £1.6m), resulting in a loss per share of 11.1p (2017: 3.4p loss). The Board does not recommend the payment of a dividend.

Group balance sheet and cash flow

	2018 £m	2017 £m
Loss before tax	**(8.5)**	(2.2)
Net finance expense	**0.5**	0.6
Working capital changes	**0.5**	(0.4)
Non-cash items (share-based payments, depreciation and amortisation charges)	**4.4**	3.9
Operating cash flow	**(3.1)**	1.9
Capital expenditure	**(1.5)**	(0.4)
Investment in intangibles	**(4.3)**	(3.1)
Taxation	**0.4**	1.0
Cash outflow	**(8.5)**	(0.6)
Funded by	**–**	–
Equity from listing on the AIM	**25.1**	–
Other equity issued in the period	**0.3**	2.2
Movement in shareholder loans	**(3.9)**	4.1
Repayment of finance leases and interest paid	**(0.2)**	(0.6)
Net funding	**21.3**	5.7
Increase in cash	**12.8**	5.1
Cash balance	**20.7**	7.9

Operating cash outflows were £3.1m (2017: £1.9m inflow), reflecting the operating loss previously noted offset by a positive change in working capital. Further investment in our IT infrastructure as well as our digital platform, held in the balance sheet as an intangible asset, meant that the overall cash outflow was £8.5m. This cash outflow was funded by the equity fundraising noted above, meaning that the Group's cash position has significantly improved overall, with £20.7m cash at bank at the end of the year and a small amount of finance lease obligations outstanding as shown in the summary Balance sheet below.

Balance sheet

	2018 £m	2017 £m
Intangible assets	**7.7**	6.1
Property, plant and equipment	**1.7**	0.9
Cash	**20.7**	8.2
Other current assets	**9.1**	7.2
Total current liabilities	**(10.5)**	(9.2)
Long-term borrowings	**–**	(6.0)
Other non-current liabilities	**–**	(0.2)
Net assets	**28.7**	7.0
Share capitals/share premium	**28.6**	9.7
Reserves	**0.1**	(2.7)
Total equity	**28.7**	7.0

Net assets remain strong with a significant cash position after the noted investment in our platform and property, plant and equipment. Furthermore, prior year borrowings were extinguished with funds raised from our IPO.

Key performance indicators (KPIs)

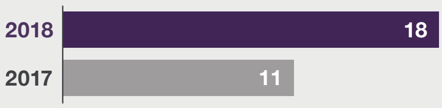
The Group monitors its performance using a number of financial performance indicators which are agreed at Board meetings and monitored at operational and Board level.

Number of Large contracts

6

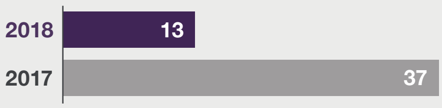
Number of Medium contracts

18



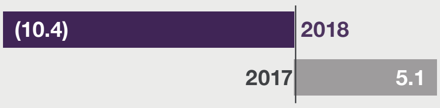
Net Revenue growth (%)

+13%



Adjusted EBITA margin (%)

-10.4



Loss after tax margin (%)

-20.2%

Sean Hegarty
Chief Financial Officer
27 November 2018

Principal Risks and Uncertainties

The Board considers the risks set out below to be the principal risks to the Group's business. The Board continually reviews the risks facing the Group and ensures appropriate steps are taken to mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group. The Board recognises that the nature and scope of risks can change and there may be other risks to which the Group is exposed so the list is not intended to be exhaustive.

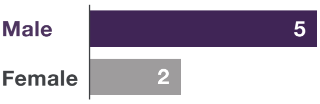
	OPERATIONAL		
	Loss of clients	**International expansion**	**Loss of key suppliers**
Potential Impacts	If the Group's commercial relationship with any of its Medium, Large or Extra Large corporate clients terminates for any reason, or if one of its key corporate clients significantly reduces its business with the Group and the Group is unable to enter similar relationships with other corporate clients on a timely basis, or at all, the Group's business, the growth and profitability levels set out in the strategic plan may not be achieved and cash generation may be impacted.	The Group's performance in new markets may be below the strategic plan and reduce revenue, profitability and cash resources. Growth and expansion of the Group into new markets may strain the Group's managerial, operational and control systems, making it harder to retain key personnel.	Suppliers of services supporting the Group's business, including travel, IT and payments could cease operations, become non-compliant or terminate agreements due to lack of performance, conflicting corporate agreements or takeover. If the support could not be replaced with a suitable alternative, it could result in loss of functionality.
Mitigation	Most of our corporate clients are subject to multi-year contracts with multiple month notice periods (for convenience). The Group undertakes regular account reviews with all clients to ensure their ongoing satisfaction of the Group's service and aims to prove the commercial value of the services we offer in monthly and quarterly reporting. We aim to ensure all levels of management and leadership within our corporate clients understand the value that we deliver.	The Board approves expansion plans into new markets presented by Executive management. Wherever possible the business seeks to hire experienced personnel in the new market who have clear reporting lines and support from experienced senior management.	The Group maintains robust commercial and contractual relations with all critical suppliers and the business is clear on which alternative suppliers there are in the market should a change be required.

TECHNOLOGY		MACROECONOMIC/MARKET
The Group may experience technological failure or interruption	**Online security breaches and service disruptions due to hacking, viruses, fraud and malicious attack**	**Industry landscape**
Failure of the business to adequately deliver Platform performance and functionality in line with contractual requirements and members expectations could result in contractual risk, delayed launches and reputational damage. If the Group's key IT systems were to experience service outages or other interruptions, it would impact the Group's ability to effectively service customers. Revenue and profitability may be impacted by a major IT failure or interruption. Depending on the cause and/or severity of the incident, the Group's reputation may be harmed.	If any misappropriation or compromise in the Group's security measures were to occur, or if the Group's websites or other systems were to experience service outages or other interruptions, the Group's reputation may be harmed and its business, financial condition and results of operations and customer confidence may be materially adversely affected.	The Group operates in a highly competitive industry and the advent of new technologies and industry practices may adversely affect the Group's business, results of operations and financial condition.
The Group continues to make significant investment into technology upgrades of the Group's technology hardware and cloud-based infrastructure, including the Ten platform. The technology management team has been strengthened, including the appointment of a new highly experienced global CTO managing the technology roadmap. Robust back-up and recovery processes and procedures are in place to minimise disruption.	The Group invests significant amounts into what we believe to be 'best in class' security software and processes and we are Payment Card Industry Data Security Standard Level 1 (PCI DSS) accredited to the highest levels required of us by our corporate clients. PCI DSS accreditation is conducted by an independent external auditor each year and augments the other checks that are run by the Group and by our other corporate clients.	The Directors believe that the Group's investment in technology is competitive. The Board conducts competitive scans to identify key risks and opportunities.

This strategic report and information referred to herein was approved on behalf of the Board on 27 November 2018.

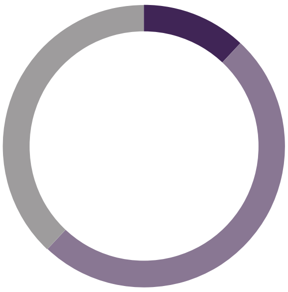
Board of Directors

Board structure
Gender



Board composition

- Chairperson 1
- Executive Directors 4
- Non-Executive Directors 3



The Chairman is responsible for leading the Board effectively and overseeing the adoption, delivery and communication of the Company's corporate governance model. The Chairman makes sure that the Board's agenda concentrates on the key issues, both operational and financial, with regular reviews of the Company's strategy and its overall implementation.

A Audit and Risk Committee

N Nomination Committee

R Remuneration Committee

Chairperson

Bruce Weatherill

Independent Non-Executive Chairman

A N

Career

Bruce Weatherill joined Ten in October 2017. Bruce has over 40 years' experience in the global financial services industry, providing a range of audit and consulting services to global financial service companies. Until 2008, Bruce was a partner at PwC in charge of a number of Asset Management and Wealth Management clients. During his time at PwC, Bruce was global leader of PwC's Private Banking and Wealth Management practice. Since leaving PwC, Bruce set up Weatherill Consulting and provides consulting services to Wealth Management Companies around the world. Bruce is a non-executive director of Fidelity Holdings (UK) Limited and ComPeer Limited, and Chairman of JDX Consulting, ClearView Financial Media (WealthBriefing) and the Wisdom Council. He has previously served as Deputy Chairman of the Chartered Institute of Securities and Investments Wealth Management Focus Group and regularly chairs Wealth Management conferences around the world.

Bruce was appointed Chairman in October 2017, bringing over 40 years' experience in the global financial services industry with relevant leadership, financial control and commercial expertise as well as proven history at Board level.

Alex Cheatle

CEO (Group) and Co-Founder

N

Career

Alex Cheatle co-founded the business in 1998. Alex is responsible for the Group strategy to become the most trusted service business in the world and the related focus to always be improving service levels. Prior to founding Ten, Alex was a marketing manager at Procter & Gamble. Alex has a degree in Philosophy, Politics and Economics from Oxford University. Alex is based in London.

The Chief Executive Officer is responsible for the management of the Company's business and for implementing the Company's strategy. Alex co-founded the business in 1998.

Andrew Long

Group COO, CEO (APAC) and Co-Founder

Career

Andrew Long is responsible for key account strategy and the development of the operational and technology infrastructure. Prior to founding Ten, he was the head of the London office, and account director, of an event management business. Andrew has been based in Singapore with particular leadership responsibilities in APAC since 2012.

Andrew was appointed as Group COO and CEO APAC in 2012. Andrew co-founded the business in 1998 and is responsible for operational and technology infrastructure as well as having leadership responsibilities in APAC.

Sean Hegarty
CFO

Career
Sean Hegarty joined Ten in 2012 from Reed Elsevier where he was Head of Commercial Finance. Prior to joining Ten, Sean had more than 16 years' experience working in the media and publishing sectors and held a number of senior commercial and finance roles with Yahoo! Europe, MTV Networks International and BskyB plc. Sean qualified as a Chartered Accountant with Coopers & Lybrand.

Sean was appointed as Chief Financial Officer in 2012. Sean brings financial expertise as a Chartered Accountant having held a variety of roles covering financial planning and control, commercial decision support, treasury and both internal and external reporting.

Sarah Hornbuckle
Client Services Director

Career
Sarah Hornbuckle joined Ten in 2001. Sarah is responsible for the client services strategy, leading the team that develops long-term partnerships with Ten's corporate clients. Sarah has overseen the launch of all of the company's major corporate programmes in EMEA, as well as many programmes globally.

Prior to joining Ten, Sarah was a senior brand manager at Unilever Bestfoods and Mars Confectionery for several years, responsible for launching new product lines and developing ATL and BTL advertising and marketing campaigns.

Julian Pancholi
Independent Non-Executive Director

N R

Career
Julian ("Jules") Pancholi joined Ten in October 2017. Jules is an experienced technology and marketing services entrepreneur, which includes serving as a non-executive director of Skyscanner Limited, the travel fare comparison website until its sale to C TRIP for over £1.4bn in 2016. Jules is Managing Director of Nitro Digital Limited, an independent digital agency. His other ventures include Nixxie Limited (a US-focused advertising tech business), Estimo Technologies Limited (a B2B SaaS workflow solution), Nitro Property Limited (a syndicate-based property portfolio business) and a number of other ventures in Fintech and Healthtech.

Julian was appointed as Non-Executive Director in October 2017. Jules has relevant industrial experience in technology and marketing services and is a proven non-executive director.

Gillian Davies
Independent Non-Executive Director

A R

Career
Gillian Davies is a Chartered Accountant who qualified with KPMG. Gillian has held a number of senior financial positions in both listed and private equity backed international companies, including Zeneca plc, Avecia Limited and Georgia Pacific. More recently, Gillian spent 11 years as Group Finance Director of FTSE listed 4imprint Group plc, during which time 4imprint Group plc was extensively restructured and delivered significant growth.

Gillian was appointed as Non-Executive Director in October 2017. She brings financial expertise as a Chartered Accountant and has substantial experience as a Group Finance Director of a FTSE listed company. Gillian is currently Interim CFO of AIM-listed Harwood Wealth Management Group.

Statement of Corporate Governance

Introduction from the Chairman

The Company was admitted to the London Stock Exchange's (LSE) AIM market for smaller growing companies in November 2018.

"As Chairperson, I am the custodian of the corporate governance approach adopted by the Board to ensure that the Company has the right people, strategy and culture to deliver success in the medium to long term."

On 8 March 2018, the LSE issued revised rules for AIM-listed companies, within which was a requirement (Rule 26) for AIM companies to apply a recognised corporate governance code from 28 September 2018.

Taking account of this, the Board has adopted the Quoted Company Alliance's (QCA) Corporate Governance Code for Small and Mid-Size Quoted Companies ("QCA Code"). The principal means of communicating our application of the Code are this annual report and our website (www.tengroup.com/investors/).

As Chairman, I am the custodian of the corporate governance approach adopted by the Board to ensure that the Company has the right people, strategy and culture to deliver success in the medium to long term. Since adopting the QCA Code I have led the Company's application of its ten principles to ensure that the Company's strategy is linked to and supported by its governance arrangements.

The remainder of this statement sets out the Company's application of the Code including, where appropriate, cross references to other sections of the annual report.

1. Establish a strategy and business model which promote long-term value for shareholders	Ten's business model and strategy is set out on pages 11 and 12 and 14 and 15. The business model is focused on securing and maintaining corporate clients to deliver the growth to the business and value to shareholders. The Board's four strategic goals are: (i) improve service levels; (ii) grow Net Revenue; (iii) invest in technology; and (iv) new geographic and vertical markets.
2. Seek to understand and meet shareholder needs and expectations	Primary responsibility for investor relations rests with the CEO, Alex Cheatle, supported by the CFO, Sean Hegarty, who regularly meet with shareholders as well as potential investors and report their feedback to the Board. In addition to investor presentations, web-based videos and meetings, the Board will use its first Annual General Meeting since IPO to make a presentation to shareholders on the Group's performance. The Annual General Meeting also provides an opportunity for shareholders to raise any questions regarding the Company's management or performance.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Board is responsible for directing the Group's wider stakeholder and social responsibilities and sustainability strategy. The Board reviews annual employee surveys to better understand the needs of the Company's growing workforce. The service value to our corporate partners is intrinsically linked to member satisfaction, which we rigorously monitor through NPS and our internal quality assurance metrics to understand their needs and reacting to their feedback to improve our services.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	The risks that the Board consider to be principal risks to the Group's business are set out on pages 20 and 21. The Audit and Risk Committee monitors the Group's risk and control management system framework, as described below and further set out on page 29.

5. Maintain the Board as a well-functioning, balanced team led by the Chairman	The QCA Code requires that the boards of AIM companies have an appropriate balance between Executive and Non-Executive Directors and that each board should have at least two independent Directors. The Board is made up of three independent Directors and four Executive Directors, as described on page 26.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	The Board's biographies are set out on pages 22 and 23. The Board believes that has the right blend of Executive Directors with the proven abilities to develop and deliver the strategy and business model and Non-Executives with the expertise to support and challenge the executives. The Non-Executive Directors hold other executive positions and together with an experienced Chair they have the required skills and personal qualities to give stability and structure to the Board.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	The Board evaluation process is described on page 27.
8. Promote a corporate culture that is based on ethical values and behaviours	The Group has an anti-corruption and bribery policy which applies to all employees. It sets out their responsibilities in observing and upholding a zero-tolerance position on bribery and corruption, as well as providing guidance on how to recognise and deal with bribery and corruption issues and the potential consequences. The Company expects all employees, suppliers, contractors and consultants to conduct their day-to-day business activities in a fair, honest and ethical manner. Management at all levels are responsible for ensuring that those reporting to them, internally and externally, are made aware of and understand this policy. The Group places great value on its culture and the Board promotes ethical values and behaviours internally through leading by example and providing periodic training and support to its employees.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Our corporate governance structures and processes are summarised and discussed under the heading "Board operation" on page 26.
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	In addition to the activities summarised under the QCA Code principle, "Seek to understand and meet shareholder needs and expectations" the Company provides information for investors on its website, arranges Investor meetings and maintains contact with institutional shareholders and fund managers. The Company's joint-brokers provide independent feedback to the Board on market views and produce regular research notes on the Company. This enables the Board to understand the concerns of shareholders and the wider investment community.

"Since adopting the QCA Code I have led the Company's application of its ten principles to ensure that the Company's strategy is linked to and supported by its governance arrangements."

Statement of Corporate Governance continued

Risk management and internal controls

The Board has ultimate responsibility for the Group's risk management controls. Previously, the Board dealt with this matter and from July 2018, it was determined by the Board that this function was best achieved by delegating the responsibility of monitoring the Group's risk and control management system framework to the Audit and Risk Committee. The Board determines the appropriateness of the internal controls upon the Committee's recommendations. The risk and control management system framework includes:

> close management of the day-to-day activities of the Group by the Executive Directors and the Senior Leadership Team;

> periodic reviews of its risk register;

> a comprehensive annual budgeting process, which is approved by the Board;

> detailed monthly reporting of performance against budget; and

> central control over key areas such as capital expenditure authorisation and banking facilities.

Board operation

Prior to the Company's Admission to AIM, the Board was assembled by identifying the necessary skills and experience required by the Company in the context of the strategy and business model set out in the Company's Admissions Document. With this in mind, the members of the Board were appointed to include Executive Directors with the proven abilities to develop and deliver the business model strategy and Non-Executives with the expertise to support and challenge the Executives and an experienced Chairman to give stability and structure to the Board.

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. The Company holds Board meetings at least eight times each financial year and at other times as and when required. On Admission, the Board has established three Committees: the Audit and Risk Committee (formerly the Audit Committee), the Remuneration Committee and the Nomination Committee, each having written terms of reference. Reports by the Chairs of the three Committees are reported separately on pages 28 and 29 for the Audit and Risk Committee, pages 30 to 32 for the Remuneration Committee and page 33 for the Nomination Committee.

The Board consists of four Executive and three Non-Executive Directors. The Remuneration Committee is comprised of two independent Non-Executive Directors and the Audit and Risk Committee and Nomination Committee are chaired by independent Non-Executive Directors, in accordance with the QCA Code.

The Board considers that Bruce Weatherill, Julian Pancholi and Gillian Davies are independent. The Board is therefore compliant with the QCA Code in having at least two independent Non-Executive Directors.

The Non-Executive Directors are considered independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Chairman was considered independent upon his appointment.

At present, the formal role of Company Secretary is undertaken by Sean Hegarty, the CFO. In practice, the majority of the work is undertaken by a full-time employee who acts as Secretary to the Board and its Committees. It may be appropriate at some time in the future to separate the Company Secretary role from the executive, and we keep this under review.

Board effectiveness

Board and Committee meetings are scheduled in advance for each calendar year. Additional meetings are arranged as necessary. Since IPO, the scheduled Board and Audit Committee meetings and attendance during the year ending 31 August 2018 were as follows:

	Board	Audit & Risk
Bruce Weatherill	14/14	4/4
Alex Cheatle	14/14	NA
Andrew Long	12/14	NA
Sean Hegarty	13/14	NA
Sarah Hornbuckle	13/14	NA
Julian Pancholi	12/14	NA
Gillian Davies	14/14	4/4

The Executive Directors are all employed full-time by the Company, except Sarah Hornbuckle, who works four days' a week for the Company. The Non-Executive Directors have commitments outside the Company. These are summarised in the Board biographies on pages 22 and 23. All the Non-Executive Directors give the time to fulfil thoroughly their responsibilities to the Company, which normally involves a time commitment of two to three days per month.

The Board was appointed prior to Admission and following the first anniversary of the Company's Admission and retire by rotation thereafter, the Chairman will lead robust annual performance assessment of the Board and its Committees against the following performance evaluation indicators:

- clear purpose and strong leadership by the Chairman;
- balance of skills, experience and independence;
- Directors that work as a team;
- understanding of the business and its strategy;
- information and engagement with shareholders and other stakeholders; and
- Board performance evaluation.

The performance effectiveness process will include each Director completing a performance evaluation questionnaire, the anonymised results and feedback from which will be collated into a summary and discussed by the Board. The Board shall explain how the Company approaches succession planning and the process following the first performance evaluation. The Chairman will consider whether external advice or a third-part facilitator is needed to refresh the performance evaluation process every three years.

Annual General Meeting (AGM)

The Annual General Meeting of the Group will take place on 5 February 2019. Full details will be included in the Notice of Meeting which will be published on our website in due course (www.tengroup.com/investors/).

Bruce Weatherill
Chairman
27 November 2018

Audit and Risk Committee Report

I am pleased to present the report on behalf of the Audit Committee, formed on 9 November 2017 and renamed the Audit and Risk Committee by the Board in July 2018.

Gillian Davies
Chairperson of the Audit and Risk Committee

The Committee is responsible for challenging the quality of internal and external controls and for ensuring that the financial performance of the Group is properly reported and reviewed.

The Committee reviews reports on the interim and annual accounts, financial announcements, the Company's accounting and financial control systems, changes to accounting policies, the extent of the non-audit services undertaken by the external auditor and the appointment of the external auditor. From July 2018, the Board delegated its responsibility to assess and manage the Company's risk management process to the Committee, further details below.

During the period the Audit and Risk Committee reviewed draft interim and annual reports and associated results announcements. The Committee considered the accounting policies and principles adopted in these accounts as well as significant accounting issues and areas of judgement and complexity.

Composition

The Committee is composed of myself (Gillian Davies) as Chairperson and Bruce Weatherill. We are both independent, Non-Executive Directors and have significant recent and relevant financial experience. I am a Chartered Accountant and have held a number of senior financial positions in both listed and private equity backed international companies. Bruce was a partner at PwC and global leader of its banking and wealth management practice. He currently holds a number of Non-Executive Chairman and Director roles. The Board is of the view that we have recent and relevant financial experience. Alex Cheatle (CEO) and Sean Hegarty (CFO) and other Executive Directors may attend Committee meetings by invitation. The Committee met four times in the period since its formation. I report to the Board following an Audit Committee meeting and minutes are available to the Board.

Duties

The main duties of the Committee are set out in its terms of reference, which are available on Ten's website. The main items of business considered by the Committee in this period since its formation included:

- review and approval of the 2018 audit plan and audit engagement letter;
- consideration of key audit matters and how they are addressed;
- review of suitability of the external auditor;
- review of the unaudited interim report and annual report (including the audited financial statements);
- consideration of the management representation letter;
- consideration of the principal judgemental accounting matters for the Group based on reports as determined by executive management;
- review of the risk management and internal control systems; and
- meeting with the external auditor without management present.

Financial reporting

The Committee reviews whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates. The Committee reviews accounting papers prepared by management providing details on the main financial reporting judgements as well as assessments of the impact of potential new accounting standards. The Committee also reviews reports provided by the external auditor on the annual results which highlight any observation from the work they have undertaken.

There were no significant changes in accounting policies applying to the Group for the year ended 31 August 2018. In the financial year commencing 1 September 2018, the Group will apply IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' for the first time. The Committee has reviewed the assessments of the treatment and impact, and adoption of these is not expected to have a material impact on the Group's results for the year ending 31 August 2018.

Risk management and internal controls

The risk and control management framework of the Group is designed to manage rather than eliminate the risk of failure to meet the Group's objectives and the system can only provide reasonable and not absolute assurances against material misstatement or loss. The Group faces a number of risks, the significant ones of which are set out in the section on Principal Risks and Uncertainties on pages 20 and 21.

Through the control systems outlined in the Statement of Corporate Governance on pages 24 to 27. The Group operates an ongoing process of identifying, evaluating and managing significant risks faced by the business. This process includes the following:

> defined organisation structure and appropriate delegation of authority;

> formal authorisation procedure for investments;

> clear responsibility for management to maintain good financial control and the production and review of detailed, accurate and timely financial information;

> identification of operational risks and mitigation plans developed by senior management; and

> regular reports to the Board from Executive Directors.

During the year, the internal control process has been monitored and reviewed by the Committee and the Board and where necessary improvements have been identified and implemented. During the period, the Committee has reviewed the Board's process and the Committee is satisfied that the risk management and internal control systems in place are currently operating effectively.

External auditor

BDO was appointed auditor of the Group in 2017. The Committee considers that its relationship with the auditor is working well and is satisfied with their effectiveness.

The Committee is responsible for ensuring there is a suitable policy for ensuring that non-audit work undertaken by the auditor is reviewed to ensure it will not impact their independence and objectivity. The breakdown of fees between audit and non-audit services is provided in note 6 to the Group's financial statements. The non-audit fees primarily relate to Group taxation compliance.

As necessary the Committee held private meetings with the auditor to review key items in its sphere of responsibility. Taking into account the auditor's knowledge of the Group and experience, the Committee has recommended to the Board that the auditor is re-appointed for the period ending 31 August 2019.

Gillian Davies
Chairperson of the Audit and Risk Committee
27 November 2018

Remuneration Committee Report

I am pleased to present this Remuneration Committee Report, which sets out the remuneration policy and the remuneration paid to the Directors for the period.

Jules Pancholi
Chairman of the Remuneration Committee

As part of the AIM Admission process the structure of the Directors' remuneration packages were evaluated in the light of the Group's objectives and with consideration of industry best practice and revised appropriately. The Long Term Incentive Plan (LTIP) known as the Management Incentive Plan (MIP) was introduced. Since IPO, no adjustments have been made to Directors' pay. On 9 November 2018 the Board delegated responsibility to the Remuneration Committee to assess the remuneration packages for new appointments to the Senior Leadership Team.

Composition and role

The Remuneration Committee's members are Julian Pancholi, who is the Chairman of the Committee and Gillian Davies. The Committee operates under the Group's agreed terms of reference and is responsible for reviewing the remuneration packages for Executive Directors as well as all senior executive appointments and determining the Group's policy in respect of the terms of employment for key employees. The Remuneration Committee met once during the period and is required to meet at least twice per year. The Group's approved remuneration policy has been detailed below.

The Committee's main role and responsibilities are to:

- have responsibility for setting the remuneration policy for all Executive Directors and such other members of the executive management as it is designated to consider;
- recommend and monitor the level and structure of remuneration for senior management;
- obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity in the light of reviewing the ongoing appropriateness and relevance of the remuneration policy;
- review the design of all share incentive plans for approval by the Board;
- approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes; and
- ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

Remuneration policy

The Remuneration Committee aims to support the creation of long-term value for shareholders by attracting, motivating and retaining high quality individuals who will contribute to the achievement of the Group's strategy. The policy and principles support the needs of our business over the next few years and the strategy to focus on growth in order to create long-term value for our Shareholders.

It is the Remuneration Committee's intention that remuneration should reward achievement of objectives and that these are aligned with shareholders' interests over the medium term. Remuneration consists of the following elements:

Element	Purpose and link to strategic objectives of the Group	Performance metrics
Salaries	To provide an appropriate level of fixed salary to attract and retain individuals with the qualities, skills and experience required to deliver our strategic objectives and create value for our shareholders.	None.
Management Incentive Plan	To reward and retain executives while aligning their interests with those of shareholders by incentivising performance over the longer term. Performance measures are linked to longer-term creation of shareholder value.	Awards made to the Executive Directors vest on the achievement of performance conditions based on total shareholder return and, for some participants, operational targets as set out on page 32. The vesting of any deferred bonus may be reduced or cancelled, in line with malus provisions, and is subject to claw back provisions at the absolute discretion of the Committee.
Pension-related benefits	To aid attraction and retention of individuals with the qualities, skills and experience required to deliver our strategic objectives, allowing such executives to provide for their retirement.	None.

Directors' remuneration

The following table summarises the total gross remuneration for the qualifying services of the Directors who served during the year to 31 August 2018.

	2018			
	Basic salary/fee (£)	Pension (£)	Gain on options exercised at IPO (£)	Total (£)
Executive				
Alex Cheatle	255,000	3,717	3,230,200	3,488,917
Andrew Long	277,279	—	1,879,660	2,156,939
Sean Hegarty	135,000	1,933	508,585	645,518
Sarah Hornbuckle	76,000	1,093	998,320	1,075,413
Malcolm Berry	10,071	718	621,209	631,998
Benjamin Horner	—	—	130,500	130,500
Non-Executive				
Bruce Weatherill	45,833	—	—	45,833
Julian Pancholi	39,600	—	—	39,600
Gillian Davies	31,523	—	—	31,523
	870,306	**7,461**	**7,368,474**	**8,246,241**

In November 2017, Alex Cheatle exercised all options held resulting in the receipt of 4,520,000 ordinary shares. At IPO 2,938,000 ordinary shares were sold representing 20% of his enlarged shareholding. Alex paid the exercise prices to realise the share options, the post-tax cash proceeds to Alex from the IPO was £0.3m. Alex's remaining shares were retained.

In addition, Andrew Long exercised all options held, resulting in the receipt of 2,410,024 ordinary shares. At IPO, 1,418,000 shares were sold representing 23% of his enlarged shareholding. Andrew paid the exercise prices to realise the share options, the net post-tax cash proceeds to Andrew from the IPO was £0.5m. Andrew's remaining shares were retained.

Remuneration Committee Report continued

Management Incentive Plan

Annual awards to Executive Directors under this plan are underpinned by financial performance measures. No options have been granted to Non-Executive Directors of the Group.

The Remuneration Committee has overall responsibility for the operation and administration of the new MIP and has discretion to select the employees and Executive Directors to whom MIP Options are granted; the Board may also grant MIP Options to Non-Executive Directors.

	Date of grant	Number of ordinary shares under option	Exercise price	Exercise period
Alex Cheatle	07/12/2017	400,000	£0.001	07/12/2017–07/12/2020
Andrew Long	07/12/2017	200,000	£0.001	07/12/2017–07/12/2020
Sean Hegarty	07/12/2017	120,000	£0.001	07/12/2017–07/12/2020
Sarah Hornbuckle	07/12/2017	60,000	£0.001	07/12/2017–07/12/2020

Initial awards of MIP Options will vest on the achievement of performance conditions based on total shareholder return and, for some participants, operational targets. For Alex Cheatle, Sean Hegarty and Sarah Hornbuckle, this performance condition is wholly linked to the compound annual growth rate, vesting after three years. Andrew Long's performance condition is linked to the compound annual growth rate as well as to Net Revenue growth in APAC and profit making in that region. The Committee believes the aforementioned performance metrics are aligned with achieving KPI growth and driving the Company's strategy forward.

On Admission to the AIM, all share options held by Directors under the other schemes were exercised and therefore the table above reflects Directors' interests in options over shares and conditional shares as at 31 August 2018.

Fees paid for remuneration related services

The Company paid £25,500 in fees for remuneration related services throughout the financial year which were specifically in relation to the setup of share option incentives.

Directors' interests

Directors' interests in the shares of the Company are shown below:

	Number as at 31 August 2018	% shareholding
Executive		
Alex Cheatle	11,676,008	14.48%
Andrew Long	4,796,573	5.95%
Sean Hegarty	233,059	0.29%
Sarah Hornbuckle	757,483	0.94%
Non-Executive		
Bruce Weatherill	646,523	0.80%
Julian Pancholi	316,664	0.39%
Gillian Davies	20,000	0.02%

Executive Directors' service contracts

The Executive Directors signed new service contracts with the Group on Admission to AIM in November 2017. These are not of fixed duration. All the Executive Directors' contracts are terminable by either party giving six months' written notice.

Non-Executive Directors

The Non-Executive Directors signed letters of appointment with the Group for the provision of Non-Executive Directors' services, which may be terminated by either party giving three months' written notice. The Non-Executive Directors' fees are determined by the Board.

It being the first AGM since IPO in November 2017, all Executive Directors and Non-Executive Directors are due to retire and, being eligible, offer themselves for re-election at the forthcoming AGM on 5 February 2019.

Jules Pancholi
Chairman of the Remuneration Committee
27 November 2018

Nomination Committee Report

Bruce Weatherill
Chairman of the Nomination Committee

As part of the IPO process, the Board undertook a review of its appointments to ensure that the Board and its Committees have the appropriate balance of skills, experience, availability, independence and knowledge required to effectively discharge their respective responsibilities. As a result, in October 2017 the Board decided to strengthen the Board by appointing Bruce Weatherill as Non-Executive Chairman as well as Jules Pancholi and Gillian Davies as Non-Executive Directors.

The Board formed the Nomination Committee on 9 November 2017, which delegated the responsibility to lead the process for Board appointments. The Committee is composed of Bruce Weatherill as Chairman and its other members are Alex Cheatle and Jules Pancholi.

The main duties of the Committee are set out in its terms of reference, which are available on Ten's website. There were no requirements for the Committee to meet in this period as new appointments to the senior management were considered directly by the Board with recommendations from the Remuneration Committee.

The Committee met in October 2018 to consider succession planning for Directors and other senior managers, taking into account the challenges and opportunities facing the Group, and the skills and expertise needed on the Board in the future. The Committee also reflected on the diversity of the Board and senior managers and recognised the progress the Group had made with regard to gender diversity and considered how it could achieve further inclusion.

Bruce Weatherill
Chairman of the Nomination Committee
27 November 2018

Directors' Report

The Directors present their annual report and financial statements for the year ended 31 August 2018. An indication of likely future developments in the business is set out in the Strategic Report.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

Alex Cheatle

Sarah Hornbuckle

Andrew Long

Malcolm Berry
(Resigned 25 September 2017)

Benjamin Horner
(Resigned 29 November 2017)

Bruce Weatherill
(Appointed 1 October 2017)

Julian Pancholi
(Appointed 1 October 2017)

Sean Hegarty
(Appointed 25 October 2017)

Gillian Davies
(Appointed 25 October 2017)

Financial risk management objectives and policies

Further detailed commentary on financial risk management is included in note 28.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by holding significant cash balances in major currencies notably UK Sterling and the US Dollar. In the year the invoice financing facility was closed as it was not needed following the IPO. The Board will keep this option under review.

Credit risk

The principal credit risk for the Group arises from its trade receivables. In order to manage credit risk customers can be required to pay in advance of services being provided and credit controllers regularly review credit limits in conjunction with debt ageing and collection history.

As at 31 August 2018, there were no material credit risk balances that were not provided for.

Foreign exchange risk

The Group has significant operations in both the UK and overseas. Profits are exposed to variations in exchange rates and therefore reported profits. There is some natural hedging of transactional foreign exchange risk, however, the Group remains subject to translation exchange risk.

Overseas branches

The Group has three branches outside the United Kingdom located in Dubai, Argentina and Colombia.

Research and development

The Group continues to dedicate resources to further develop the bespoke TenMAID platform and enhance the customer facing digital platform offering to our partners. Expenses incurred are capitalised when it is probable that future economic benefits will be attributable to the asset and that these costs can be measured reliably (see note 12).

Political donations

The Group did not make any political donations during the year.

Post-reporting date events

The Board considers that no material post-reporting events occurred between the end of the period and the date of publication of this report.

Substantial shareholders

As at 25 November 2018, the Shareholders listed below had notified the Company of a disclosable interest of 3% or more in the nominal value of the ordinary share capital of the Group.

	Number of ordinary shares	Percentage of ordinary shares %
Mr Alexander Cheatle	11,676,008	14.48
Merian Global Investors (UK) Limited	9,546,600	11.84
Soros Fund Management	7,176,734	8.90
Mr Andrew Long	4,796,573	5.95
Mr Ben Horner	4,586,836	5.69
Mr Luke Ding	3,295,397	4.09
Quinto Corporation	2,829,161	3.51

Purchase of own shares

There was no purchase of own shares in the financial year.

Corporate governance

The Company has adopted the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies ("QCA guidelines") as set out on pages 24 and 25.

Dividends

No ordinary dividends were paid (2017: £nil). The Directors do not recommend payment of a final dividend.

Share option schemes

Details of employee share schemes are set out in note 25 to the financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 Group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are required to:

> select suitable accounting policies and then apply them consistently;

> make judgements and accounting estimates that are reasonable and prudent;

> state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and

> prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on the Company's website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to the auditor

Each of the Directors of the Company at the time when this report was approved confirms that:

> so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

> he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given in accordance with Section 418(2) of the Act.

Auditor

BDO LLP was appointed as auditor to the Company and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be tabled at a General Meeting.

Approval

This Directors' Report was approved on behalf of the Board on 27 November 2018.

Sean Hegarty
Chief Financial Officer
27 November 2018

Independent Auditor's Report

to the members of Ten Lifestyle Group Plc

Opinion

We have audited the financial statements of Ten Lifestyle Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 August 2018 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 August 2018 and of the group's loss and the parent company's profit for the year then ended;

> the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

> the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Key audit matter	The Group has a number of revenue streams. Details of the accounting policies applied during the period are given in note 1.5 to the financial statements. We considered there to be a significant audit risk arising from inappropriate or incorrect recognition of revenue. The risk of material misstatement in relation to revenue recognition concerns the recognition around the year-end and services required to be delivered throughout the year, in relation to all the group's different types of revenue and that the group's revenue recognition accounting policies, are in line with the applicable International Financial Reporting Standards, as adopted by the European Union (IFRSs).
How the risk was addressed in our audit	We assessed whether the revenue recognition policies adopted by the group comply with IFRSs and industry standard practices. The relevant IFRS is IAS 18 Revenue. We have reviewed the adopted policies, and confirmed that consistent application has been adhered to throughout the year. In relation to service fees, we reviewed a sample of contracts to assess whether the revenue had been recognised in accordance with the group's accounting policy, whether it was recognised appropriately from a timing perspective and whether any other terms within the contract had any material accounting or disclosure implications. In making our assessment of compliance with the group's accounting policy, we tested whether revenues recognised were in line with our expectations based on source documentation including customer contracts, sales invoices issued and payment terms during the year. In relation to travel and experience income, we tested a sample of revenue transactions recognised in the general ledger to source documentation including sales invoices, sales orders and cash receipts. In making our assessment of compliance with the group's accounting policy, we also checked that revenues were only recognised at the time of the date of travel, stay or the date the experience event occurred. Furthermore, consideration was made as to whether the group was the principal or agent in the transaction. We also checked the completeness, existence and accuracy of accrued income and deferred revenue balances shown in the statement of financial position at year end to ensure no material misstatements were identified. We checked a sample of revenue transactions occurring either side of the year-end reporting date across all revenue streams and checked that the revenues recognised for the year under audit and accrued income and deferred revenues recognised at the year-end reporting date did not include any material misstatements.

Independent Auditor's Report

to the members of Ten Lifestyle Group Plc continued

Key audit matters continued

Capitalisation of Development Costs

Key audit matter	The group capitalises costs in relation to development of the software it provides to its clients, being the Ten Maid platform. Such costs must satisfy certain criteria as set out in the Company's accounting policy in note 1.6. In determining which costs to capitalise management make certain estimates in relation to the allocations of contractor costs and payroll costs between those which should be capitalised and those which should be expensed through profit and loss. Capitalised costs are amortised over the period within which the group expects to derive benefits from the product developed. There is a significant risk that: (a) the required criteria are not met and therefore development costs are incorrectly capitalised; (b) management's estimates in relation to the costs capitalised may be materially misstated; and (c) capitalised costs are not amortised over the period within which the group expects to benefit from selling the product developed.
How the risk was addressed in our audit	We assessed whether the group's accounting policy is in accordance with the requirements of IFRSs and performed testing to confirm that consistent application has been adhered to throughout the year. In relation to a number of projects on the Ten Maid platform during the year, we have: > checked the accuracy of the contractor and payroll data included in the calculations for capitalised costs to supporting documentation including employment contracts and agreements with contractors; > considered the proportion of time allocations for employees and contractor roles and made enquiries of management in relation to changes to percentage rates which were outside of expectations, corroborating management's explanations to supporting evidence; > reviewed the reasonableness of the estimated proportion of time allocations for a sample of employees and contractors by making enquiries of individual employees and contractors and critically reviewing written responses to questionnaires which they completed in relation to their roles, duties and tasks performed in relation to developing the platform asset; > revisited management's estimate of the amortisation period applied to the asset, establishing whether any indicators of impairment exist taking account of any changes in usability of amounts previously capitalised; and > assessed the ability of the asset to generate future economic benefits for the business which at least exceed its carrying value.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage we set an overall level of materiality for the financial statements as a whole based on our understanding of the elements of the financial statements that are likely to be of greatest significance to users. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality

Materiality for the group financial statements as a whole was set at £400,000 (2017: £349,000), which represents 1% (2017: 1%) of group revenue. Revenue provides a consistent year on year basis for determining materiality and has been concluded as the most relevant performance measure to the stakeholders of the group, while also providing a more stable measure year on year when compared to the group loss before tax. Parent company materiality has been set at £300,000 (2017: £220,000) reflecting 2% (2017: 2%) of net assets of the entity, capped at 75% of the group materiality which is considered a suitable benchmark for a non-trading holding parent company.

Our application of materiality continued

Performance Materiality

Based upon our assessment of the risks within the group and the group's control environment, performance materiality for the financial statements was set at £300,000 (2017: £261,750), being 75% (2017: 75%) of overall financial statement materiality.

Performance materiality levels used for the three key components identified, Ten Lifestyle Management Limited, Ten Lifestyle Management USA Inc. and Ten Lifestyle Management Switzerland GmbH within the group ranged from £59,530 to £228,750 (2017: £59,250 to £195,750).

Reporting Threshold

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £20,000 (2017: £17,450), which is set at 5% (2017: 5%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements at the group level.

We obtained an understanding of the internal control environment related to the financial reporting process and assessed the appropriateness, completeness and accuracy of group journals and other adjustments performed on consolidation.

Three principal trading subsidiaries, noted above, were identified as significant components and were subject to full scope audit for group reporting purposes by the group audit team. These components accounted for 95% (2017: 97%) of the group's revenue and 73% (2017: 84%) of the group's loss before tax. Financial information for the remaining components not identified as significant was reviewed for group reporting purposes, using analytic procedures.

Other information

The directors are responsible of the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in 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 the other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

> the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

> the strategic report and 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 strategic report or the directors' report.

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

> adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

> the parent company financial statements are not in agreement with the accounting records and returns; or

> certain disclosures of directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit.

Independent Auditor's Report

to the members of Ten Lifestyle Group Plc continued

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Iain Henderson
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
27 November 2018

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

Consolidated Statement of Comprehensive Income

for the year ended 31 August 2018

	Notes	2018 £'000	2017 £'000
Revenue	4	**40,122**	34,853
Air ticket cost of sales		**(2,746)**	(1,626)
Net Revenue	4	**37,376**	33,227
Other cost of sales		**(762)**	(577)
Gross profit		**36,614**	32,650
Administrative expenses		**(44,769)**	(34,302)
Other income		**150**	—
Operating (loss)/profit before interest, taxation, amortisation, share-based payments and exceptional items ("Adjusted EBITA")		**(3,882)**	1,695
Amortisation	12	**(2,758)**	(2,287)
Share-based payment expense	25	**(947)**	(740)
Exceptional items	4	**(418)**	(320)
Operating loss	5	**(8,005)**	(1,652)
Finance income		**18**	8
Finance expense	9	**(511)**	(522)
Loss before taxation		**(8,498)**	(2,166)
Taxation credit	10	**386**	532
Loss for the year	4	**(8,112)**	(1,634)
Other comprehensive (expense)/income:			
Foreign currency translation differences		**(110)**	14
Total comprehensive loss for the year		**(8,222)**	(1,620)
Loss per ordinary share	11	**(11.1)p**	(3.4)p

The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the parent company profit and loss account.

Consolidated Statement of Financial Position

as at 31 August 2018

Company No: 08259177

	Notes	2018 £'000	2017 £'000
Non-current assets			
Intangible assets	12	**7,715**	6,160
Property, plant and equipment	13	**1,702**	918
Total non-current assets		**9,417**	7,078
Current assets			
Inventories		**88**	43
Trade and other receivables	16	**9,014**	7,123
Cash and cash equivalents	18	**20,659**	8,193
Total current assets		**29,761**	15,359
Total assets		**39,178**	22,437
Current liabilities			
Trade and other payables	19	**(10,027)**	(7,336)
Obligations under finance leases	22	**(64)**	(74)
Borrowings	21	**–**	(1,441)
Provisions	20	**(396)**	(346)
Total current liabilities		**(10,487)**	(9,197)
Net current assets		**19,274**	6,162
Non-current liabilities			
Borrowings	21	**–**	(5,993)
Deferred tax liabilities	23	**–**	(200)
Obligations under finance leases	22	**(32)**	(47)
Total non-current liabilities		**(32)**	(6,240)
Total liabilities		**(10,519)**	(15,437)
Net assets		**28,659**	7,000

	Note	2018 £'000	2017 £'000
Equity			
Called up share capital	24	**81**	6
Share premium account		**28,480**	9,743
Merger relief reserve		**1,993**	1,993
Treasury reserve		**77**	(84)
Foreign exchange reserve		**(498)**	(388)
Retained deficit		**(1,474)**	(4,270)
Total equity		**28,659**	7,000

The financial statements were approved by the Board of Directors and authorised for issue on 27 November 2018 and are signed on its behalf by:

Alex Cheatle
Director

Sean Hegarty
Director

Company Statement of Financial Position

as at 31 August 2018

Company No: 08259177

	Notes	2018 £'000	2017 £'000
Non-current assets			
Investments	14	**5,276**	743
Trade and other receivables	16	**25,408**	7,531
Total non-current assets		**30,684**	8,274
Current assets			
Trade and other receivables	16	**52**	12
Cash and cash equivalents		**11,491**	2,737
Total current assets		**11,543**	2,749
Total assets		**42,227**	11,023
Current liabilities			
Trade and other payables	19	**(118)**	(3)
Total current liabilities		**(118)**	(3)
Net current assets		**11,425**	2,746
Net assets		**42,109**	11,020
Equity			
Called up share capital	24	**81**	6
Share premium account		**28,480**	9,743
Retained earnings		**13,548**	1,271
Total equity		**42,109**	11,020

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income and related notes. The Company's profit for the year was £1,368,497 (2017: £10,071 loss).

The financial statements were approved by the Board of Directors and authorised for issue on 27 November 2018 and are signed on its behalf by:

Alex Cheatle
Director

Sean Hegarty
Director

Consolidated Statement of Changes in Equity

for the year ended 31 August 2018

	Notes	Share capital £'000	Share premium account £'000	Merger relief reserve £'000	Foreign exchange reserve £'000	Treasury reserve £'000	Retained deficit £'000	Total £'000
Balance at 31 August 2016		6	7,532	1,993	(402)	—	(3,376)	5,753
Loss for the year		—	—	—	—	—	(1,634)	(1,634)
Foreign exchange		—	—	—	14	—	—	14
Total comprehensive income for the year		—	—	—	14	—	(1,634)	(1,620)
Issue of share capital		—	2,211	—	—	—	—	2,211
Shares allocated to EBT		—	—	—	—	(84)	—	(84)
Equity-settled share-based payments charge		—	—	—	—	—	740	740
Balance at 31 August 2017		6	9,743	1,993	(388)	(84)	(4,270)	7,000
Loss for the year		—	—	—	—	—	(8,112)	(8,112)
Foreign exchange		—	—	—	(110)	—	—	(110)
Total comprehensive income for the year		—	—	—	(110)	—	(8,112)	(8,222)
Issue of share capital	24	14	18,248	—	—	—	—	18,262
Bonus issue of share capital	24	44	(44)	—	—	—	—	—
Cancellation of balance on share premium account	24	—	(9,961)	—	—	—	9,961	—
Costs relating to issue of shares on Initial Public Offering (IPO)	24	—	(655)	—	—	—	—	(655)
Exercise of share options	24	14	7,566	—	—	—	—	7,580
Shares issued on conversion of convertible loan	24	3	3,583	—	—	—	—	3,586
Shares sold by Employee Benefit Trust (EBT)	24	—	—	—	—	161	—	161
Equity-settled share-based payments charge	25	—	—	—	—	—	947	947
Balance at 31 August 2018		**81**	**28,480**	**1,993**	**(498)**	**77**	**(1,474)**	**28,659**

Company Statement of Changes in Equity

for the year ended 31 August 2018

	Notes	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 31 August 2016		6	7,532	541	8,079
Year ended 31 August 2017					
Loss for the year		—	—	(10)	(10)
Issue of share capital		—	2,211	—	2,211
Equity-settled share-based payments		—	—	740	740
Balance at 1 September 2017		6	9,743	1,271	11,020
Year ended 31 August 2018					
Profit for the period		—	—	1,369	1,369
Total comprehensive income for the period		—	—	1,369	1,369
Issue of share capital	24	14	18,248	—	18,262
Bonus issue of share capital	24	44	(44)	—	—
Cancellation of balance on share premium account	24	—	(9,961)	9,961	—
Costs relating to issue of shares on Initial Public Offering (IPO)	24	—	(655)	—	(655)
Exercise of share options	25	14	7,566	—	7,580
Shares issued on conversion of convertible loan	24	3	3,583	—	3,586
Equity-settled share-based payments charge	25	—	—	947	947
Balance at 31 August 2018		**81**	**28,480**	**13,548**	**42,109**

Consolidated Statement of Cash Flows

for the year ended 31 August 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Loss for the year, after tax		**(8,112)**	(1,634)
Adjustments for:			
Taxation credit	10	**(386)**	(532)
Finance expense	9	**324**	522
Investment income		**(18)**	(8)
Amortisation of intangible assets	12	**2,758**	2,287
Depreciation of property, plant and equipment	13	**661**	855
Equity-settled share-based payment expense	25	**947**	740
Change in value of derivatives	21	**187**	79
Movement in working capital:			
(Increase)/decrease in inventories		**(45)**	8
Increase in trade and other receivables		**(1,891)**	(2,104)
Increase in trade and other payables		**2,435**	1,679
Cash (used)/generated by operations		**(3,140)**	1,892
Tax received, net of tax paid		**389**	957
Net cash (used)/generated by operating activities		**(2,751)**	2,849
Cash flows from investing activities			
Purchase of intangible assets	12	**(4,313)**	(3,059)
Purchase of property, plant and equipment	13	**(1,445)**	(379)
Proceeds from disposal of property, plant and equipment	13	**—**	2
Finance income		**23**	8
Net cash used by investing activities		**(5,735)**	(3,428)
Cash flows from financing activities			
Proceeds from issue of shares	24	**25,884**	2,211
Cost of the issue of shares	24	**(655)**	—
Proceeds from other loans		**—**	4,142
Proceeds from treasury shares		**161**	—
Repayment of other loans	21	**(3,895)**	(92)
Payment of finance lease obligations		**(90)**	(137)
Interest paid		**(134)**	(395)
Finance lease interest paid		**(12)**	(48)
Net cash generated by financing activities		**21,259**	5,681
Net increase in cash and cash equivalents		**12,773**	5,102
Cash and cash equivalents at beginning of year		**7,886**	2,784
Cash and cash equivalents at end of year			
Cash at bank and in hand		**20,659**	8,193
Invoice financing facility		**—**	(307)
Cash and cash equivalents	18	**20,659**	7,886

Company Statement of Cash Flows

for the year ended 31 August 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Profit/(loss) for the year after tax		**1,368**	(10)
Movement in working capital:			
(Increase)/decrease in trade and other receivables		**(17,958)**	450
Increase in trade and other payables		**115**	—
Net cash (used by)/generated from operating activities		**(16,475)**	440
Cash flows from financing activities			
Proceeds from issue of shares	24	**25,884**	2,211
Cost of the issue of shares		**(655)**	—
Net cash generated by financing activities		**25,229**	2,211
Net increase in cash and cash equivalents		**8,754**	2,651
Cash and cash equivalents at beginning of year		**2,737**	86
Cash and cash equivalents at end of year		**11,491**	2,737

Notes to the Financial Statements

1. Accounting policies

Company information

Ten Lifestyle Group Plc (registered company 08259177) is a public company, limited by shares and listed on the Alternative Investment Market (AIM) in November 2018. The Company is incorporated and domiciled in the UK. The registered office is Floor 2 355 Euston Road, London, NW1 3AL. The Company previously traded under the name Ten Lifestyle Holdings Limited until 2 November 2017.

1.1 Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS (except as otherwise stated).

The financial information has been prepared on the historical cost basis except that the derivative financial instruments are stated at their fair value.

The financial statements are prepared in Sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The Group applied all standards and interpretations issued by the IASB that were effective as of 1 September 2017. The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in this financial information.

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

1.2 Consolidation

The financial information represents the consolidated financial information of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. The results of subsidiary undertakings are included in the consolidated statement of comprehensive income from the date that control commences until the date that control ceases. The Company controls a subsidiary/investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

In the year ended 31 August 2013, Ten Lifestyle Group Plc, formerly Ten Lifestyle Holdings Limited, a Company under common control of the Ten Lifestyle Management Limited shareholders, acquired Ten Lifestyle Management Limited from its shareholders in return for an issue of shares. As a combination of entities under common control, the transaction falls outside the scope of the standard IFRS 3 'Business Combinations'.

Paragraph 10 of IAS8 Accounting Policies, Changes in Accounting Estimates and Errors requires management to use its judgement in developing and applying a policy that is relevant, reliable, represents faithfully the transaction, reflects the economic substance of the transaction, is neutral, is prudent and is complete in all material respects when selecting the appropriate methodology for consolidation accounting.

In the absence of IFRS guidance, the Group has applied merger accounting in accordance with "FRS102: Section 19 Business Combinations and Goodwill", as the business combination meets the requirements set out in paragraph 27, namely:

- the use of the merger accounting method is not prohibited by company law or other relevant legislation;
- the ultimate equity holders remain the same, and the rights of each equity holder, relative to the others, are unchanged; and
- no non-controlling interest in the net assets of the Group is altered by the transfer.

In accordance with merger accounting, consolidated accounts have been prepared for the reconstructed Group as if it had always been in existence. The carrying value of assets and liabilities have not been adjusted to fair value. The difference between the nominal value of the shares issued and the nominal value of the shares received has been recorded in the merger reserve.

The cost of the Company's shares held by the Employee Benefit Trust (EBT) is deducted from equity in the consolidated statement of financial position. Any cash received by the EBT on disposal of the shares it holds is also recognised directly in equity. Other assets and liabilities of the EBT are recognised as assets and liabilities of the Group other than when they relate to other Group companies and are therefore eliminated.

1. Accounting policies continued

1.3 Segment reporting

The Group's operating segments are based on the management reporting used by the CEO (who is considered to be the chief operating decision maker) and reviewed Board of Directors to make strategic decisions and allocate resources.

1.4 Going concern

The Directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have plans and forecasts that show the Group will be able to continue as a going concern for at least a period of twelve months from the date of balance sheet approval regardless of receipts of funds from investor transactions. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Revenue

Revenue comprises commissions received on agent transactions and fees earned where the Group is the principal. Revenue is stated exclusive of VAT, sales tax and trade discounts.

Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer, when the services are delivered.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The following specific recognition criteria are applied to each revenue stream:

Service fees and offers income

Service fees and offers income is recognised over the year to which the fees or offer year relates. Where invoiced in advance, the fees and offer income is deferred and released over the year of the service with the balance recorded within deferred income in the statement of financial position.

Travel and experience income

Travel and Experience income is recognised on the date of travel, stay or receiving the experience. Where invoiced in advance, the income is deferred and released on the date of travel, stay or receiving the experience with the balance recorded within deferred income in the statement of financial position.

Expenses

Direct expenses relating to inclusive tours arranged by the Group's leisure travel providers are taken to the income statement on holiday departure or over the period to which they relate as appropriate. Indirect expenses are recognised in the income statement over the period to which goods and services are received by the Group.

Membership income

Membership income is recognised over the year to which the membership relates. Where membership income is invoiced in advance, the income is deferred and released over the year of membership with the balance recorded within deferred income in the statement of financial position.

Commission income

Commission income is recognised on the point of provision of the good or service.

Licensing income

Income generated from licensing digital products is recognised over the term of the licence. Where licence income is invoiced in advance, the income is deferred and released over the year of the licence with the balance recorded within deferred income in the statement of financial position.

Digital platform income

Income generated from providing digital products is recognised on delivery of the service. Where income is based on time and rate cards are recognised at the contracted rates as labour hours are incurred. Where development income is invoiced in advance, the income is deferred and released on service delivery with the balance recorded within deferred income in the statement of financial position.

Concierge enabling income

Income generated from the activities performed to enable a product offering to go live is generated on delivery of the services based on the contractual amount or at the point which the services are no longer required. Where set up income is invoiced in advance, the income is deferred and released on service delivery with the balance recorded within deferred income in the statement of financial position.

Notes to the Financial Statements continued

1. Accounting policies continued

1.6 Intangible assets

Research expenditure is expensed to the income statement in the year in which it is incurred, expenditure on internal projects is capitalised if it can be demonstrated that:

> it is technically and commercially feasible to develop the asset for future economic benefit;

> adequate resources are available to maintain and complete the development;

> is the intention to complete and develop the asset for future economic benefit;

> the Group is able to use the asset;

> use of the asset will generate future economic benefit; and

> expenditure on the development of the asset can be measured reliably.

Other development expenditure is recognised in the income statement as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Trademarks	10% straight line
Capitalised development costs	20% straight line
Website	33% straight line

The basis for choosing these useful lives is with reference to the years over which they can continue to generate value for the Group.

Amortisation charges are included within administrative expenses in the consolidated statement of comprehensive income. The Group reviews the amortisation year and methodology when events and circumstances indicate that the useful life may have changed since the last reporting date.

1.7 Property, plant and equipment

Property, plant and equipment are initially measured at historical cost and subsequently measured at historical cost, net of depreciation and any impairment losses.

Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the term of the lease
Fixtures and fittings	20% straight line
Office equipment	20% to 33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.8 Non-current investments

The Company's interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

1.9 Impairment of tangible and intangible assets

All tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs).

1. Accounting policies continued

1.10 Financial assets

Financial assets are recognised in the Group and Company's statement of financial position when the Group and Company becomes party to the contractual provisions of the instrument.

The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition. Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, bank overdrafts and invoice financing facilities. Bank overdrafts and invoice financing facilities are shown within borrowings in current liabilities.

The Group no longer holds an embedded derivative within the convertible loan notes issued in June 2017 (see note 21) which was previously recorded as a liability within non-current liabilities. The convertible loan notes converted into ordinary shares at a 20% discount to the share price at listing on IPO. The loss on re-measurement to fair value was recognised immediately in finance expense.

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments and are not quoted in an active market are classified as 'Loans and Receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. All trade receivables are considered current.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss (FVTPL), are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

1.11 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are stated at fair value with differences taken to the consolidated income statement. Interest paid on financial liabilities up to maturity is included in the finance costs line item in the statement of comprehensive income.

Trade and other payables

Trade and other payables are not interest bearing and are stated at their fair value on initial recognition. For disclosure purposes, the fair values of trade and other payables are estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. As trade and other payables are short term in nature as at the reporting date, the carrying value is considered to be a reasonable approximation of fair value.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective rate basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Convertible loan note

When convertible loan notes are issued the underlying terms are assessed to determine whether an equity or financial derivative exists within the arrangement. If a financial derivative exists it is identified and recognised in terms of the derivatives accounting policy note. The convertible loan notes were recognised in accordance with the treatment of borrowings as per the other financial liabilities accounting policy note.

Derivatives

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

1.12 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

Notes to the Financial Statements continued

1. Accounting policies continued

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Any tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Research and development tax credit

Companies within the Group may be entitled to claim special tax allowances in relation to qualifying research and development expenditure (e.g. R&D tax credits). The Group accounts for such allowances as tax credits, which means that they are recognised when it is probable that the benefit will flow to the Group and that benefit can be reliably measured. R&D tax credits relating to previous financial years reduce current tax expense and, to the extent the amounts due in respect of them are not settled by the balance sheet date, reduce current tax payable. R&D tax credits relating to current financial year, are now claimed taking account of the 'above the line' (ATL) or research and development (R&D) expenditure credit (RDEC) tax credit scheme and are recognised through other income on the income statement and other receivables on the balance sheet, until the cash is received.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to 'other comprehensive income', in which case the deferred tax is also dealt with in 'other comprehensive income'. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Provisions

Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the Group obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets. The cost of any unused holiday entitlement is recognised in the year in which the employee's services are received.

1.16 Retirement benefits

The Group operates a defined contribution pension plan, under which the Group pays contributions to privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1. Accounting policies continued

1.17 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using appropriate pricing models. The fair value determined at the grant date is expensed on a straight line basis over the vesting year, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The Group schemes, which awards shares in the parent entity, includes recipients who are employees in certain subsidiaries. In the consolidated financial statements, the transaction is treated as an equity-settled share-based payment, as the Group has received services in consideration for the Group's equity instruments. An expense is recognised in the Group income statement for the grant date fair value of the share-based payment over the vesting year, with a credit recognised in equity.

In the subsidiaries' financial statements, the awards, in proportion to the recipients who are employees in said subsidiary, are treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting year, with a credit recognised in equity. The credit to equity is treated as a capital contribution, as the parent company is compensating the subsidiaries' employees with no cost to the subsidiaries as there is no expectation to recharge this cost. In the parent company's financial statements, there is no share-based payment charge where the recipients are employed by a subsidiary, with the parent company recognising an increase in the investment in the subsidiaries as a capital contribution from the parent and a credit to equity.

1.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received are charged to income on a straight line basis over the term of the lease.

1.19 Foreign currency

Transactions in foreign currencies are translated at the exchange rate at the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange at the statement of financial position date. Any gain or loss arising from a change in the exchange rates subsequent to the date of the transaction is included as a gain or loss in other comprehensive income.

The statements of financial position of the foreign subsidiaries are translated into Sterling at the rate at the year end. The results of the foreign subsidiaries are translated into Sterling at the average rate of exchange during the financial year. Exchange differences which arise from the translation of opening net assets of the foreign subsidiary undertakings are included in the consolidated statement of comprehensive income.

1.20 Descriptions of nature of each component of equity

The components of the Group's equity can be described as follows:

- Share capital – The amount for the nominal value of shares issued.
- Share premium – The amount subscribed for share capital in excess of nominal value, after deducting costs of issue.
- Foreign exchange reserve – This reserve relates to exchange differences arising on the translation of the balance sheet of the Group's foreign operations at the closing rate and the translation of the income statement of those operations at the average rate.
- Merger reserve – Under the provisions of s612 of the Companies Act 2006, the merger reserve represents the difference between the consideration paid and the book value of the net assets acquired, as part of a legacy Group reconstruction, detailed in note 1.2.
- Treasury reserve – The reserve relates to shares held in the Group's Employee Benefit Trust.
- Retained deficit – The retained deficit reserve contains the net gains and losses recognised in the consolidated statement of comprehensive income.

1.21 Inventories

Inventories comprise tickets held for resale and are stated at the lower of cost or net realisable value. Consignment tickets are not included within stocks held by the Group. Inventories are valued using a First-in First-out (FIFO) method.

Notes to the Financial Statements continued

2. Adoption of new and revised standards

The Group implemented amendments to IAS 7 'Cash Flow Statements' (effective for annual years beginning on or after 1 January 2017) with no material impact on disclosure to the Statement of Cashflow.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied were in issue but not yet effective (and in some cases had not yet been endorsed by the EU):

IFRS 15 'Revenue from Contracts with Customers'
This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial information about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and this has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual years beginning on or after 1 January 2018 and earlier application is permitted.

The Group has performed an assessment of its financial information in the light of the required adoption of IFRS 15 in the year ending 31 August 2019. The Directors have reviewed the standard and its potential effects in the context of the Group's revenue policy and have concluded that, on adoption, there is not expected to be a material impact on or change to the Group's revenue.

IFRS 9 'Financial Instruments'
This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting.

The Group will need to apply an expected credit loss model when calculating impairment losses on its trade and other receivables (both current and non-current). This will potentially result in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the Group must consider the probability of a default occurring over the contractual life of its trade receivables and contracts asset balances on initial recognition of those assets.

The standard is effective for annual years beginning on or after 1 January 2018 and earlier application is permitted. The Group has performed an assessment of its financial information in the light of the required adoption of IFRS 9 in the year ending 31 August 2019. The Directors conclude adoption of IFRS 9 is not expected to have a material impact on the Group's year ending 31 August 2018 results.

In addition to the above, the following IFRS standards, interpretations and amendments have been issued but not yet endorsed by the EU:

IFRS 16 'Leases'
IFRS 16 'Leases' is effective for annual years beginning on or after 1 January 2019 and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor') and provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. IFRS 16 completes the IASB's project to improve the financial reporting of leases and replaces the previous leases standard, IAS 17 'Leases', and related interpretations.

If the standard were to be adopted during the current financial period and applied to the operating leases currently in the Group, will bring all operating leases onto the balance sheet in line with the accounting treatment for finance leases. The impact would be an increase in the assets and liabilities of the Group by amounts which are similar to the amounts disclosed as operating lease commitments in note 26. Furthermore, instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right of use assets. This will increase the reported Adjusted EBITA by the amount of its current operating lease cost. It is envisaged that, as the Group expands, the use of operating leases will increase. As such, the Group has determined the financial statements will be materially impacted on adoption of IFRS 16 given the requirements of the standard and materiality of operating leases held by the Group.

A number of other new standards, amendments and interpretations are effective for years beginning on or after 1 January 2018 and have not been applied in preparing the financial statements of the Group.

The impact of these is not being assessed by Audit Committee, with a particular focus on amendments to IFRS 2 'Share-based Payments' (effective for annual years beginning on or after 1 January 2018). The Directors do not believe they will have a material impact on the Group.

3. Critical accounting judgements and key sources of estimation uncertainty

IAS 1 requires disclosure of the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

In addition, IAS 1 requires disclosure of information about the assumptions the entity makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes to the financial statements include details of their nature and carrying amount at the end of the reporting period.

In the application of the Group and Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The Directors do believe there are two areas within the financial statements which constitute critical accounting judgements as follows:

Capitalisation of development costs
Development costs are capitalised based on an assessment on whether they meet the criteria specified in IAS 38 for capitalisation. During each reporting period, an assessment is performed by management to determine their time spent developing the intangible assets (note 12) as a proportion of total time spent in the year. This represents an area of judgement and impacts the value of intangible costs capitalised (2018: £4.3m; 2017: £3.1m).

Useful economic lives
Capitalised development costs in respect of the Ten MAID platform are amortised over their useful life of five years. The useful life is based on management's judgement which reflects the period over which the asset is expected to generate future economic benefits, and is annually reviewed for appropriateness.

Material estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to material accounting estimates are recognised in the year in which the estimate is revised and future years as appropriate.

4. Segment reporting

The total revenue for the Group has been derived from its principal activity; the provision of concierge services.

The Group has three reportable segments: Europe, the Middle East and Africa (EMEA), North and South America ("Americas") and Asia-Pacific (APAC). Each segment is a strategic business unit and includes businesses with similar operating characteristics. They are managed separately in similar time zones to reflect the geographical management structure.

	2018 £'000	2017 £'000
EMEA	**17,411**	17,433
Americas	**11,406**	9,757
APAC	**8,559**	6,037
Net Revenue	**37,376**	33,227
Add back: air ticket cost of sales	**2,746**	1,626
Revenue	**40,122**	34,853
EMEA	**3,069**	3,933
Americas	**(6,785)**	(1,520)
APAC	**(166)**	(718)
Adjusted EBITA	**(3,882)**	1,695
Amortisation	**(2,758)**	(2,287)
Share-based payment expense	**(947)**	(740)
Exceptional items	**(418)**	(320)
Operating loss	**(8,005)**	(1,652)
Foreign exchange (loss)/gain	**(117)**	79
Other net finance expense	**(376)**	(593)
Loss before taxation	**(8,498)**	(2,166)
Taxation credit	**386**	532
Loss for the year	**(8,112)**	(1,634)

Notes to the Financial Statements continued

4. Segment reporting continued

Statutory Revenues for the Americas and APAC segments are the same as the Net Revenues amounts disclosed above. Statutory Revenues for the EMEA segment were £20,157k (2017: £19,059k).

The Group's statutory revenue from external customers is generated from commercial relationships entered into by various Group companies, which, given the global nature of the Group's service delivery model, may not reflect the location where the services are delivered, as reflected in the Net Revenue segmentation noted above. The Group's statutory revenue split by contracting country is as laid out below:

	2018 £'000	2017 £'000
UK	**27,697**	23,049
USA	**2,852**	2,978
Switzerland	**7,430**	7,836
Brazil	**1,043**	530
Rest of world	**1,100**	460
Revenue	**40,122**	34,853

Net Revenue is a non-GAAP company measure that excludes the direct cost of sales relating to member transactions managed by the Group, such as the cost of airline tickets sold under the Group's ATOL licences. Net Revenue is the measure of the Group's income on which segmental performance is measured.

Adjusted EBITA is a company non-GAAP specific measure excluding interest, taxation, amortisation, share-based payment and exceptional costs, the latter being expenses which are considered to be one-off and non-recurring in nature which relate to the IPO in the current year.

Adjusted EBITA is the main measure of performance used by the Company's Chief Executive Officer, who is considered to be the chief operating decision maker. Adjusted EBITA is the principal profit measure for a segment.

The statement of financial position is not analysed between reporting segment. Management and the chief operating decision maker consider the statement of financial position at Group level.

One customer generated more than 10% of total revenue during the year ended 31 August 2018. The total revenue received from this customer was £5.5m (2017: £5.4m) and is reported in the EMEA segment.

4.1 Exceptional items

	2018 £'000	2017 £'000
Cost of admission to the AIM	**378**	320
Employee share option advisory costs	**40**	—
	418	320

An additional £0.7m was recognised as a deduction against share premium in the year representing the costs associated with issuing equity on IPO and therefore are not included in exceptional items in the profit or loss account.

5. Operating loss

	2018 £'000	2017 £'000
Operating loss for the year is stated after charging:		
Exchange losses	**117**	79
Research and development costs	**878**	736
Depreciation of property, plant and equipment	**661**	855
Amortisation of intangible assets	**2,758**	2,287
Operating lease rental	**3,853**	3,242

6. Auditor’s remuneration

	2018 £'000	2017 £'000
For audit services		
Audit of the financial statements of the Company	**85**	70
Audit of the financial statements of the Company's subsidiaries	**15**	15
	100	85
For other services		
Tax services for the Company	**12**	12
Tax services for the Company's subsidiaries	**5**	—
Adviser fees in respect of IPO	**—**	105
	17	117

7. Employees

The average monthly number of persons (including Directors) employed by the Group during the year was:

	2018 Number	2017 Number
UK	**215**	195
International	**535**	355
	750	550

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	**24,861**	20,335
Social security costs	**2,588**	2,218
Pension costs	**348**	279
Share-based payments	**947**	740
	28,744	23,572

The Company had no employment costs for the year (2017: £nil) since the 9 (2017: 5) Directors who held office during the year to 31 August 2018 had their remuneration paid by subsidiary companies.

Notes to the Financial Statements continued

8. Directors' remuneration

	2018 £'000	2017 £'000
Remuneration for qualifying services	**870**	682
Pension contributions to defined contribution schemes	**7**	8
Share-based payments – gain on the exercise of share options during year	**7,369**	—
	8,246	690

During November 2018, at the same time as the initial public offering of the Company's shares, four Directors exercised share options totalling to 9,516,840 options at an exercise price which ranged from £0.09p to £0.875p. The market value of the shares at the time of sale was £12.7m and this resulted in a gain on exercise of share options of £7.4m.

Full details of Directors' remuneration is presented in the Remuneration Committee Report on pages 30 to 32.

Remuneration disclosed above includes the following amounts paid to the highest paid Director:

	2018 £'000	2017 £'000
Remuneration for qualifying services	**277**	314
Share-based payments – gain on the exercise of share options during year	**1,880**	—
	2,157	314

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2017: 3).

9. Finance expense

	2018 £'000	2017 £'000
Losses on foreign exchange	**117**	—
Interest on bank overdrafts and loans	**1**	7
Interest on loan notes	**194**	387
Interest on obligations under finance leases	**12**	48
Change in value of financial derivative (see note 21)	**187**	80
Total finance expense	**511**	522

10. Income tax expense

	2018 £'000	2017 £'000
Current tax		
Foreign taxes	**568**	511
Research and development tax credits	**(754)**	(1,043)
	(186)	(532)
Deferred tax		
Origination and reversal of temporary differences	**(200)**	—
Total tax credit	**(386)**	(532)

10. Income tax expense continued

The credit for the year can be reconciled to the loss per the income statement as follows:

	2018 £'000	2017 £'000
Loss before taxation	**(8,498)**	(2,166)
Expected tax credit based on a corporation tax rate of 19% (2017: 19.58%)	**(1,615)**	(424)
Effect of expenses not deductible in determining taxable profit	**90**	60
Accelerated capital allowances	**(200)**	—
Movement in deferred tax not recognised	**1,846**	330
Research and development tax credits	**(754)**	(1,043)
Overseas tax rate differences	**197**	454
Overseas tax due to transfer pricing adjustments	**50**	91
Taxation credit for the year	**(386)**	(532)

The Group has tax losses carried forward at 31 August 2018 of £15.5m (2017: £4.9m). The movement in deferred tax not recognised is a result of the increase in these losses.

The Group has an unrecognised deferred tax asset of approximately £0.1m (2017: £0.4m) in respect of possible future tax deductions from the exercise of Company share options. The unrecognised deferred tax asset noted was reduced by the exercise of share options on IPO. No deferred tax asset has been recognised in respect of the losses or the exercise of the share options due to the Company not currently forecasting to generate sufficient taxable profits to realise the asset in the foreseeable future.

The movement in deferred tax not recognised is largely due to the significant increase in losses during the period.

Changes in the applicable tax rates

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

11. Loss per share

On 19 October 2017, the Company re-designated the ordinary C shares as ordinary shares and made a bonus issue of ordinary shares on the basis of seven ordinary shares for each ordinary share then held.

	2018 £'000	2017 £'000
Loss attributable to equity shareholders of the parent	**(8,112)**	(1,634)
Weighted average number of ordinary shares in issue	**28,988,054**	6,086,223
Impact of bonus issue	**44,083,154**	42,603,557
Weighted average number of ordinary shares in issue adjusted for bonus issue	**73,071,208**	48,689,780
Basic loss per share (pence)	**(11.1)p**	(3.4)p

Basic loss per ordinary share

Basic loss per ordinary share is calculated by dividing the net result for the year attributable to shareholders by the weighted number of ordinary shares outstanding during the year, as adjusted to reflect the re-designation of ordinary C shares and the subsequent bonus issue of ordinary shares which occurred during the year.

Diluted loss per ordinary share

Where the Group has incurred a loss in the year, the diluted loss per share is the same as the basic loss per share as the loss has an anti-dilutive effect. Therefore, basic and diluted loss per share for the years ended 31 August 2017 and 31 August 2018 are calculated on the same basis.

Notes to the Financial Statements continued

12. Intangible assets

	Capitalised development costs £'000	Website £'000	Trademarks £'000	Total £'000
Cost				
At 31 August 2016	14,093	1,669	55	15,817
Additions	2,819	240	—	3,059
At 31 August 2017	16,912	1,909	55	18,876
Additions	4,313	—	—	4,313
Disposals	(408)	—	—	(408)
At 31 August 2018	20,817	1,909	55	22,781
Accumulated amortisation				
At 31 August 2016	9,939	435	55	10,429
Charge for the year	1,681	606	—	2,287
At 31 August 2017	11,620	1,041	55	12,716
Charge for the year	2,151	607	—	2,758
Disposal	(408)	—	—	(408)
At 31 August 2018	13,363	1,648	55	15,066
Carrying amount				
At 31 August 2017	5,292	868	—	6,160
At 31 August 2018	7,454	261	—	7,715

All additions relate to internal expenditure. The useful economic life of the capitalised development platforms and website are assessed to be five years and three years respectively.

13. Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 September 2016	481	312	3,167	3,960
Additions	—	9	370	379
Disposals	(2)	—	—	(2)
At 31 August 2017	479	321	3,537	4,337
Additions	98	128	1,219	1,445
At 31 August 2018	577	449	4,756	5,782
Accumulated depreciation				
At 1 September 2016	163	106	2,295	2,564
Charge for the year	102	65	688	855
At 31 August 2017	265	171	2,983	3,419
Charge for the year	95	78	488	661
At 31 August 2018	360	249	3,471	4,080
Carrying amount				
At 31 August 2017	214	150	554	918
At 31 August 2018	**217**	**200**	**1,285**	**1,702**

The net carrying value of tangible fixed assets includes £78,090 (2017: £111,640) in respect of assets held under finance leases or hire purchase contracts. All assets held under finance leases or hire purchases contracts are included in office equipment. The value of the additions of such assets in the year was £64,650 (2017: £62,000). The depreciation charge in respect of such assets amounted to £60,110 (2017: £217,000) for the year.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

14. Investments

All investments held by the Company are investments in subsidiaries which are held at cost.

	2018 £'000	2017 £'000
Investments in subsidiaries	**5,276**	743
Cost		
At 31 August 2017	**743**	
Additions	**4,533**	
At 31 August 2018	**5,276**	
Carrying amount		
At 31 August 2017	**743**	
At 31 August 2018	**5,276**	

The addition in the year represents capital contributions made to the Company's subsidiaries in respect of the share option expense recognised on share options issued by the Company to employees of the appropriate subsidiaries.

In addition, there was conversion of £3.6m to equity of historic convertible loans made to subsidiaries within the Group.

Both of these transactions represent non cash transactions during the year.

Notes to the Financial Statements continued

15. Subsidiaries

Details of the Company's subsidiaries at 31 August 2018 are as follows:

Name of undertaking	Country of incorporation	Ownership interest (%)	Voting power held (%)	Nature of business
Ten Lifestyle Management Limited[1]	UK	100	100	Concierge services
Ten Lifestyle Management (Asia) Limited	Hong Kong	100	100	Concierge services
Ten Lifestyle Management USA Inc.	USA	100	100	Concierge services
Ten Lifestyle Management (Canada) ULC	Canada	100	100	Concierge services
Ten Group Singapore PTE Limited	Singapore	100	100	Concierge services
Ten Group Japan K.K.	Japan	100	100	Concierge services
Ten Lifestyle Commercial Consulting (China)	China	100	100	Concierge services
Ten Lifestyle Management Limited S DE RL DE CV	Mexico	100	100	Concierge services
Ten Lifestyle Management Africa (Pty) Limited	South Africa	100	100	Concierge services
Ten Lifestyle Management India Private Limited	India	100	100	Concierge services
Ten Servicos de Concierge do Brasil Limited	Brazil	100	100	Concierge services
Ten Group Belgium BVBA	Belgium	100	100	Concierge services
Ten Group Australia Pty Limited	Australia	100	100	Concierge services
Ten Lifestyle Management Switzerland GmbH	Switzerland	100	100	Concierge services
Ten Group France SAS	France	100	100	Concierge services
Ten Group (RUS) LLC	Russia	100	100	Concierge services
Ten Latin America Limited	UK	100	100	Dormant
Ten South America Limited	UK	100	100	Dormant
Ten Global Services Limited	UK	100	100	Dormant
Ten Travel Limited	UK	100	100	Dormant
Ten Professional Services Limited	UK	100	100	Dormant
Bailey Medical Support Limited	UK	100	100	Dormant

1 Shares held directly by Ten Lifestyle Group Plc.

15. Subsidiaries continued

The registered offices of the Company's subsidiaries are as follows:

Name of undertaking	Registered office
Ten Lifestyle Management Limited	2nd floor, Fitzroy House, 355 Euston Road, London, NW1 3AL, United Kingdom
Ten Lifestyle Management (Asia) Limited	10/F Mass Mutual Tower, 33 Lockhart Road, Wanchai, Hong Kong
Ten Lifestyle Management USA Inc	10th floor, 33 New Montgomery Street, Suite 1090, San Francisco CA, 94105, USA
Ten Lifestyle Management (Canada) ULC	1200 Bay Street, Suite 202, Toronto, Ontario M5R 2A5, Canada
Ten Group Singapore PTE Limited	63 Market Street, #11-04 Bank of Singapore Centre 048942, Singapore
Ten Group Japan K.K.	7F Sumitomo Sasazuka Taiyo Building, 1-48-3 Sasazuka, Shibuya-ku, Tokyo 151-0073, Japan
Ten Lifestyle Commercial Consulting (China)	Floor 12 Platinum Building, 233 Tai Cang Road, Huangpu District, Shanghai, 200020, China
Ten Lifestyle Management S DE RL DE CV	Torre Reforma Latino, Reforma 296, Piso 14, Suite 1400 Colonia Juárez, Mexico D.F., 06600
Ten Lifestyle Management Africa (Pty) Limited	7th Floor, 19 Louis Gradner Street, Foreshore, Cape Town 8001, South Africa
Ten Lifestyle Management India Private Limited	The Ruby, South East Wing, 9th Floor, 29 Senapati Bapat Marg, Dadar (W), Mumbai 400028, Maharashtra, India
Ten Servicos de Concierge do Brasil Limited	Rua Gomes de Carvalho, No 1356, Connjunto 131, Jardim Paulista, CEP 04547-005, Sao Paulo, Brazil
Ten Group Belgium BVBA	Brussels Airport Corporate Village, Leonardo Da Vin-cilaan, 91935 Zaventem, Belgium
Ten Group Australia Pty Limited	HWT Tower Level 23 Suite 2401, 40 City Road, Melbourne 3006, Australia
Ten Group France SAS	66 avenue des Champs-Élysées, 75008, Paris, France
Ten Group (RUS) LLC	Office 612, Smolenskaya Square 3, 121099, Moscow, Russia
Ten Lifestyle Management Switzerland GmbH	Bellerivestrasse 17, 8008 Zürich, Switzerland

The registered office of the dormant subsidiaries incorporated in the UK is 2nd floor, Fitzroy House, 355 Euston Road, London, NW1 3AL, United Kingdom.

16. Trade and other receivables

Trade receivables disclosed below are classified as loans and receivables and are therefore measured at amortised cost.

Group	2018 £'000	2017 £'000
Trade receivables (note 17)	**3,852**	3,450
Provision for bad and doubtful debts	**—**	(288)
	3,852	3,162
Other receivables	**1,005**	1,376
Prepayments and accrued income	**4,157**	2,585
	9,014	7,123

The fair value of trade and other receivables below are the same as the carrying value as credit risk has been addressed as part of impairment provisioning and due to the short-term nature of the amounts receivable, they are not subject to other ongoing fluctuations in market rates.

Notes to the Financial Statements continued

16. Trade and other receivables continued

Company	2018 £'000	2017 £'000
Amounts falling due within one year:		
Other receivables	**52**	12
Total other receivables due within one year	**52**	12
Amounts falling due after more than one year:		
Amounts due from Group undertakings	**25,408**	7,531
Total other receivables due in more than one year	**25,408**	7,531

The Company does not consider any of the amounts due from Group undertakings to be overdue. There are no significant doubts as to the future recoverability of these balances, and as such, no provision for bad and doubtful debts has been raised against the amounts due from Group undertakings.

Amounts due from Group undertakings have been classified as falling due after more than one year based on the agreed terms of repayment by subsidiaries in the future periods. The Company provides regular funding to Ten Lifestyle Management Limited at an appropriate annual interest rate of 9%. The Directors consider the terms of this transaction to be at arm's length.

17. Trade receivables – credit risk

Ageing of due and past due but not impaired receivables	2018 £'000	2017 £'000
0 – 30 days	**2,668**	2,502
30 – 60 days	**847**	817
60 – 90 days	**126**	48
90 – 120 days	**41**	23
120+ days	**170**	60
	3,852	3,450
Provision for bad and doubtful debts	**—**	(288)
	3,852	3,162

The Group provides against trade receivables where there are significant doubts as to future recoverability based on prior experience, on assessment of the current economic climate and on the length of time that the receivable has been overdue.

Movement in the allowances for doubtful debts	2018 £'000	2017 £'000
Balance at 1 September 2017	**288**	389
Additional allowance recognised	**—**	148
Amounts written off as uncollectable	**(288)**	(249)
Balance at 31 August 2018	**—**	288

The Group had an invoice financing arrangement in place until June 2018 relating to trade receivables due from large corporate clients of Ten Lifestyle Management Ltd that are denominated in US$ and GBP£. Until extinguishment of the facility, the Group retained the credit risk on these receivables, and presented these receivables gross within the reported current assets and the liability arising from the invoice financing with as borrowings within current liabilities. The value of debts over which the invoice financing facility was secured is equal to the amount of cash advanced from the facility.

18. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at banks and on hand – unrestricted	**20,411**	7,971
Cash at banks and on hand – restricted	**248**	222
Cash and cash equivalents	**20,659**	8,193
Invoice financing facility	**—**	(307)
Cash and cash equivalents in the statement of cash flows	**20,659**	7,886

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The Group holds cash in a restricted access account in respect of guarantees. These guarantees arise in the ordinary course of business and relate to the Group's travel operations. The guarantees are required under consumer protection schemes in certain markets and are provided by banks, who hold restricted cash to support the guarantee. As such, this guarantee will be required for the long term, unless local regulations are amended.

19. Trade and other payables

Group	2018 £'000	2017 £'000
Trade payables	**1,453**	1,241
Accruals and deferred income	**6,346**	4,468
Social security and other taxation	**1,246**	1,272
Other payables	**1,982**	355
	10,027	7,336

Company	2018 £'000	2017 £'000
Accruals	**118**	3

The fair value of trade and other payables are the same as the carrying values.

20. Provisions for liabilities

	2018 £'000	2017 £'000
Provision for overseas liabilities	**396**	346
Movements on provisions:		
At beginning of period	**346**	255
Additional provisions in the year	**50**	91
At end of period	**396**	346

The provision related to potential overseas tax liabilities. The provisions will reverse when these tax liabilities are known as overseas tax filings are completed.

Notes to the Financial Statements continued

21. Borrowings

	2018 £'000	2017 £'000
Current		
Invoice financing facility (secured)	–	307
Unsecured loan notes	–	1,134
	–	1,441

	2018 £'000	2017 £'000
Non-current		
Unsecured loan notes	–	2,843
Convertible loan notes	–	2,520
Financial derivative – convertible loan note	–	630
	–	5,993

Movement in financial derivative:

	2018 £'000
At 1 September 2017	**630**
Change in value of financial derivative (note 9)	**187**
Conversion to ordinary shares	**(817)**
At 31 August 2018	**–**

The invoice financing facility was secured over the trade receivables of Ten Lifestyle Management Limited and was extinguished within the financial year.

During the year, the Group settled all unsecured loan notes amounting to £4.0m of which interest of 9% was charged per annum in quarterly arrears.

In addition, convertible loan notes of £3.0m were converted to 3,050,021 ordinary shares on IPO (note 24). On conversion of the convertible loan note, the overall financial derivative liability of £0.8m was realised, comprising the liability of £0.6m recognised in the previous financial year and a further charge of £0.2m, reflecting change in fair value of the derivative to the date of redemption. This was recognised in finance expense in the consolidated statement of comprehensive income.

The embedded derivative was valued by calculating the inherent increase in the capital value of the convertible loan notes arising from the application of the 20% discount to the share price (£1.34) at listing on 29 November 2017.

22. Finance lease obligations

	2018 £'000	2017 £'000
Amounts payable under finance leases:		
Within one year	**64**	74
In two to five years	**32**	47
	96	121

The Directors have assessed that the present value of the minimum lease payments is not materially different to the carrying value.

The Group's finance leases relate to some of the computer equipment used within its business. Such assets are classified as finance leases when the rental year amounts to the estimated useful economic life of the assets concerned and the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

23. Deferred taxation

The movement in the deferred tax liability is shown below.

	Accelerated capital allowances £'000
Deferred tax liability at 1 September 2016	200
Deferred tax movements in prior year	
Charge to profit or loss	–
Deferred tax liability at 31 August 2017	200
Deferred tax movements in current year	
Release to profit or loss	(200)
Deferred tax liability at 31 August 2018	**–**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date and therefore these have been measured at 17% to 19%.

Notes to the Financial Statements continued

24. Share capital

	2018 £'000	2017 £'000
5,268,952 ordinary shares of £0.001 each	—	5
1,002,988 ordinary C shares of £0.001 each	—	1
80,650,049 ordinary shares of £0.001 each	**80,650**	—
	80,650	6

	Ordinary Number	Ordinary C Number
Reconciliation of movements during the year		
At 1 September 2017	5,268,952	1,002,988
Issue of fully paid shares	43,667	—
C shares re-designated	1,002,988	(1,002,988)
Bonus issue	44,209,249	—
Convertible loan issue	3,050,021	—
Issue of fully paid shares IPO	13,432,836	—
Options Exercised	13,642,336	—
At 31 August 2018	**80,650,049**	**—**

There were no share issues during the financial year ended 31 August 2017. All shares are fully paid.

During September 2017 the Group issued 43,667 shares at a price of £6.00 giving rise to a share premium of £0.3m.

On 19 October 2017, a resolution was passed to re-designate 1,002,988 ordinary C shares into ordinary shares of £0.001. On the same date, a resolution was passed to approve the allotment of 44,209,249 ordinary shares of £0.001 each by way of a seven for one bonus issue to existing shareholders from share premium. In addition, a special resolution was passed to approve the cancellation of the balance of the share premium account of the Company after the issue of the bonus shares, and for this balance of £10m to be credited to the retained earnings reserve.

On 29 November 2017 the Group issued 13,432,836 shares as part of an IPO on the AIM at a price of 134p, giving rise to a share premium of £18m. Costs related to the IPO amounting to £0.7m have been recognised within share premium in respect of costs incurred to issue new shares. Where share option vesting was conditional on an exit event, share options of 13,642,336 (note 25) were exercised at various prices giving rise to a share premium of £7.6m.

On completion of the IPO, the Group's unsecured convertible loan notes (note 21) of £3.0m were converted into 3,050,021 ordinary shares at 107p; a 20% discount to the share price at listing, giving rise to a share premium of £3.6m. The Group's EBT exercised its holding of share options in the Company resulting in a net cash holding and an income gain. This cash has been included in the Group cash balances and the gain of £0.2m has been taken to the Treasury reserve.

Own shares held
An Employee Benefit Trust (Ten Group Employee Benefit Trust) was established in February 2012. As at 31 August 2018, the employee benefit trust subscribed for 273,120 ordinary shares at £0.1m representing the holding in the previous financial year after a seven for one bonus issue (2017: 34,410, £0.1m). These are treated as Treasury shares and are included in Treasury reserve in the consolidated statement of financial position.

During the year, the employee benefit trust exercised its right to acquire 50,000 ordinary shares and sold all received ordinary shares for a profit of £0.2m.

25. Share options

All share options relating to the UK tax authority approved Enterprise Management Incentive (EMI) share option plan and the unapproved share option plan fully vested on completion of the IPO other than those options with performance conditions which were not met and therefore lapsed in the year. The Company Share Option Plan (CSOP) remains in place and the new Management Incentive Plan (MIP) commenced on 9 November 2017.

For all current schemes, the holder must be in continued employment of the Company for three years for the option to vest. All options unexercised after a period of ten years from the date of grant expire. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Options are exercisable at a range of between £0.001 per share and £1.60 per share. The weighted average remaining contractual life of the share options outstanding at 31 August 2018 is 8.9 years.

The total expense recognised for year ending 31 August 2018 arising from equity-settled share-based payment transactions amounted to £0.9m (2017: £0.7m).

	Number	Weighted average exercise price (£)
Number of options outstanding at 31 August 2016	1,448,778	3.40
Granted in the year – CSOP	241,305	6.00
Granted in the year – Unapproved	470,000	7.00
Forfeited in the year – EMI	(43,141)	3.98
Number of options outstanding at 31 August 2017 for legacy outstanding share options	2,116,942	4.58
Bonus issue in the year (7 to 1)	14,818,602	0.57
Granted in the year – CSOP	124,897	1.55
Granted in the year – MIP	1,360,956	0.00
Exercised in the year – EMI	(9,882,336)	0.56
Exercised in the year – Unapproved	(3,760,000)	0.88
Forfeited in the year – CSOP	(60,000)	0.56
Lapsed in the year – EMI	(1,169,352)	0.56
Number of options outstanding at 31 August 2018	3,549,709	0.42
Number of options exercisable at 31 August 2018	283,856	

Notes to the Financial Statements continued

25. Share options continued

Grant to expiry period		Number as at 31 August 2018	Number as at 31 August 2017[1]	Exercise Price (£)	Remaining contractual life
January 2013 to January 2023	EMI	—	120,000	0.09	4.4
January 2013 to January 2023	EMI	97,336	2,620,000	0.22	4.4
January 2013 to January 2023	EMI	24,672	2,007,072	0.54	4.4
January 2013 to January 2023	EMI	—	502,360	0.58	4.4
January 2013 to January 2023	EMI	—	609,016	0.63	4.4
January 2013 to January 2023	EMI	9,440	2,307,648	0.41	4.4
January 2013 to January 2023	EMI	—	360,000	0.64	4.4
May 2014 to January 2023	EMI	29,416	271,120	0.41	4.7
December 2015 to December 2025	EMI	—	40,000	0.56	7.3
December 2015 to December 2025	EMI	122,992	2,498,328	0.56	7.3
August 2017 to August 2027	CSOP	1,780,000	1,840,000	0.75	9.0
August 2017 to June 2018	Unapproved	—	3,760,000	0.88	—
December 2017 to December 2027	MIP	1,292,000	—	0.001	9.3
February 2018 to February 2028	CSOP	19,354	—	1.55	9.5
March 2018 to March 2028	CSOP	9,375	—	1.60	9.5
April 2018 to April 2028	MIP	68,956	—	0.001	9.6
May 2018 to May 2028	CSOP	44,444	—	1.35	9.7
August 2018 to August 2028	CSOP	51,724	—	0.87	10.0
		3,549,709	16,935,544		

1 Number of ordinary shares under option reflecting the seven for one bonus issue during the year ending 31 August 2018.

The period noted in the table below reflects the month during which the options were awarded to the month of expiration. For the share options granted during the year, the weighted average fair value of the options is £1.55.

Management Incentive Plan (new)
Under the MIP, 1,204,956 options were issued conditional of achievement of performance conditions based on total shareholder return (market) and, for some participants, operational targets (non-market). A further 156,000 share options were issued, conditional on three years of employment service (non-market) from the date of grant. All share options granted under the MIP can be exercised at nominal ordinary share value (£0.001p).

25. Share options continued

Valuation of share options

The fair value of options subject to non-market based vesting conditions were measured using a Black Scholes model and those options with market based conditions using a Monte Carlo simulation model.

The fair value of the outstanding options without performance conditions was measured using the Black Scholes options valuation model. The inputs to that model in respect of the share options outstanding under each issue as at the year ended 31 August 2018 and 31 August 2017 were as follows:

	EMI	EMI	EMI	EMI
Weighted average share price	£3.31	£3.31	£3.31	£4.50
Weighted average exercise price	£3.31	£3.31	£5.08	£4.50
Expected volatility	72%	58%	72%	72%
Weighted average risk-free rate	1.00%	1.56%	1.02%	1.20%
Expected dividend yield	—	—	—	—
Weighted average option life (years)	5	4	5	5
Weighted average fair value at date of grant	£1.94	£1.52	£1.64	£2.65

	EMI	EMI	CSOP	Unapproved
Weighted average share price	£5.00	£6.00	£6.00	£6.00
Weighted average exercise price	£4.50	£4.50	£6.00	£7.00
Expected volatility	58%	42%	72%	21%
Weighted average risk-free rate	0.51%	0.21%	0.44%	0.14%
Expected dividend yield	—	—	—	—
Weighted average option life (years)	4	3	5	0.35
Weighted average fair value at date of grant	£2.38	£2.36	£3.49	£0.04

	MIP	CSOP	CSOP	CSOP
Weighted average share price	£1.43	£1.50	£1.60	£1.35
Weighted average exercise price	£0.00	£1.55	£1.60	£1.35
Expected volatility	30%	30%	30%	30%
Weighted average risk-free rate	0.56%	1.08%	0.60%	0.63%
Expected dividend yield	—	—	—	—
Weighted average option life (years)	3	5	5	5
Weighted average fair value at date of grant	£1.42	£1.52	£1.29	£0.86

Notes to the Financial Statements continued

25. Share options continued

Valuation of share options continued

The fair value of the outstanding options with performance conditions was measured using the Monte Carlo simulation model. The inputs to that model in respect of the share options outstanding under each issue as at the year ended 31 August 2018 and 31 August 2017 were as follows:

	MIP	MIP
Weighted average share price	£1.43	£1.15
Weighted average exercise price	£0.00	£0.00
Expected volatility	30%	30%
Weighted average risk-free rate	0.56%	0.56%
Expected dividend yield	—	—
Weighted average option life (years)	3	3
Weighted average fair value at date of grant	£0.49	£0.39

The share price volatility fluctuated for the different share option schemes due to different years that apply to each of the schemes in existence. The risk-free rate is based on the average Bank of England base rate in the year.

Expected share price volatility is based on similar listed entities and varies due to the different years that apply to each of the schemes in existence.

26. Operating leases

Lessee

The Group operates from various leased properties around the world. The terms of property leases vary location to location.

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases.

	2018 £'000	2017 £'000
Operating lease rental	**3,853**	3,113
Future commitments		
Within one year	**2,832**	2,663
Between two and five years	**6,327**	2,099
	9,159	4,762

	2018 £'000	2017 £'000
Finance lease obligations		
Amounts payable under finance leases:		
Within one year	**64**	74
In two and five years	**32**	47
	96	121

27. Capital commitments

At 31 August 2018 the Group had no material capital commitments (2017: £nil).

28. Financial instruments and financial risk management

Financial instruments – Group

The Group's principal financial liabilities comprise trade and other payables and borrowings. The primary purpose of these financial liabilities is to finance the operations. The Group has trade and other receivables and cash that derive directly from its operations.

Financial assets

	2018 £'000	2017 £'000
Cash at banks and on hand – unrestricted	**20,411**	7,971
Cash at banks and on hand – restricted	**248**	222
Trade and other receivables	**6,227**	4,538

Financial liabilities

	2018 £'000	2017 £'000
Trade and other payables	**4,922**	3,026
Invoice financing facility	**—**	307
Loan notes	**—**	3,976
Convertible loan notes	**—**	2,520
Other loans	**—**	—
Finance lease obligations	**96**	121
Financial derivative	**—**	630

The Directors consider that the carrying amount for all financial assets and liabilities approximates to their fair value.

Financial instruments – Company

The Company has limited financial liabilities as its primary purpose is to hold investments in other Group Companies. The Company's receivables largely relate to its funding of the operations of the Group.

Financial assets

	2018 £'000	2017 £'000
Cash at bank and in hand – unrestricted	**11,491**	2,737
Loan to other Group companies	**25,408**	7,531
Trade and other receivables	**5**	12

Financial liabilities

	2018 £'000	2017 £'000
Trade and other payables	**118**	3

The Directors consider that the carrying amount for all financial assets and liabilities approximates to their fair value.

Financial risk management

The Company is exposed to market risk, which includes interest rate risk and currency risk, credit risk and liquidity risk. The senior management oversees the management of these risks and ensure that the financial risk taken is governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk appetite.

The Board of Directors review and agree the policies for managing each of these risks, which are summarised below:

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Notes to the Financial Statements continued

28. Financial instruments and financial risk management continued

Foreign currency risk management

The Group is exposed to transactional and translation exchange risk. Transactional foreign exchange risk arises from sales or purchases by a Group company in a currency other than that Company's functional currency. Translation foreign exchange risk arises on the translation of profits earned in Euros, US Dollar, Swiss Francs, Brazilian Real and Japanese Yen to Sterling and the translation of net assets denominated in Euros, US Dollar, Swiss Francs, Brazilian Real and Japanese Yen into Sterling, the Group's functional currency.

Each of the companies in the Group trades almost exclusively in its functional currency, minimising transactional foreign exchange risk.

	EUR 1	USD 1	CHF 1	JPY 1	BRL 1
Year ended 31 August 2017					
Average rate	1.15	1.27	1.25	139.94	4.07
Year-end spot rate	1.10	1.30	1.25	142.37	4.09
Year ended 31 August 2018					
Average rate	**1.13**	**1.35**	**1.31**	**148.66**	**4.62**
Year-end spot rate	**1.12**	**1.29**	**1.27**	**142.87**	**5.04**

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% decrease in Great British Pounds against the relevant foreign currencies which the Directors believe could have the most significant impact on the performance of the Group. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

For a 5% strengthening of GBP against the relevant currency there would be a comparable impact on the profit and other equity, in the opposite direction.

	Profit or loss		Other equity	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Euros	**(27)**	(25)	**(27)**	(25)
US Dollar	**(413)**	(553)	**(413)**	(553)
Swiss Francs	**(138)**	(218)	**(138)**	(218)
Japanese Yen	**(165)**	(184)	**(165)**	(184)
Brazilian Real[1]	**45**	—	**45**	—
	(698)	(980)	**(698)**	(980)

1 The Directors did not consider Brazilian Real transactions to have a significant impact on the performance of the Group in the year ending 31 August 2017 and therefore this has not been disclosed.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group accepts the risk of losing interest on deposits due to interest rate reductions. Any interest charged on outstanding loan notes is at fixed rates.

The Directors do not believe the interest rate risk to be material and therefore no sensitivity analysis has been prepared.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including cash deposits with banks and financial institutions.

28. Financial instruments and financial risk management continued

Trade receivables

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding receivables are regularly monitored and discussed at executive management and Board level.

The requirement for impairment is analysed at each reporting date. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low as receivables are principally with large financial institutions.

Financial instruments and cash deposits

Credit risk from cash balances with banks and financial institutions is managed in accordance with the Company's policy. Credit risk with respect to cash is managed by carefully selecting the institutions with which cash is deposited.

Liquidity risk

The Group is not currently cash-generative, however funds were raised as part of the IPO. In addition the funds generated by operating activities are managed to fund short-term working capital requirements. The Board carefully monitors the levels of cash and is comfortable that it has sufficient cash for normal operating requirements. The Group has no committed lines of credit, with the exception of the invoice financing facility which was closed during the current year.

The following table details the Group's remaining contractual maturity for its financial liabilities based on undiscounted contractual payments:

	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
At 31 August 2017				
Trade and other payables	3,026	—	—	3,026
Invoice financing liability	307	—	—	307
Loan notes	1,134	1,842	1,000	3,976
Convertible loan notes	—	—	3,150	3,150
Finance lease obligations	74	47	—	121
At 31 August 2018				
Trade and other payables	**10,027**	**—**	**—**	**10,027**
Finance lease obligations	**64**	**32**	**—**	**96**

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while also maximising the operating potential of the business. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The Group is not subject to externally imposed capital requirements.

29. Financial instruments carried at fair value

Financial instruments carried at fair value are measured by reference to the following fair value hierarchy:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments are carried at fair value and measured under level 3 valuation method. The fair value charge to profit or loss on the convertible loan note for the year ended 31 August 2018 is £0.2m (2017: £0.1m).

Details of the basis of the fair value measurement of derivative financial instruments are included in note 21.

Notes to the Financial Statements continued

30. Events after the balance sheet date
There are no significant events to report after the balance sheet date.

31. Related party transactions

	2018 £'000	2017 £'000
Short-term employee benefits	**1,268**	1,214
Post-employment benefits	**19**	13
Share-based payments – gain on the exercise of share options during year	**2,476**	—
	3,763	1,227

Remuneration of key management personnel
The remuneration of key management personnel, including Directors, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Key Management personnel comprise the Directors of the Company, and senior staff with management responsibilities across the entire Group.

Related party transactions
At 31 August 2017 a relative of a Director of the Company held loan notes issued by the Group of £0.9m, due for repayment in August 2019. The loan notes were unsecured, and interest was charged at 9% per annum. Interest charged during the year totalled £21,500 (2017: £81,000). The loan and interest were settled in full during the financial year.

At 31 August 2017 a relative of a Director of the Company held loan notes issued by the Group of £0.5m, due for repayment in August 2019. The loan notes were unsecured, and interest was charged at 9% per annum. Interest charged during the year totalled £12,000 (2017: £45,000). The loan and interest was settled in full during the financial year.

At 31 August 2017 a Director was owed £27,200 (2016: £27,198) by the Group. This amount was repayable on demand with no interest charged on the amount. The loan was settled in full during the financial year.

At 31 August 2017 relatives of a Director of the Company held loan notes issued by the Group of £60,000. The loan notes were unsecured, and interest was charged at 9% per annum. Interest charged during the year totalled £500 (2017: £1,400). The loan and interest were settled in full during the financial year.

32. Controlling party
In the opinion of the Directors, there is no one ultimate controlling party.

Ten Lifestyle Group Plc’s commitment to environmental issues is reflected in this Annual Report which has been printed on Novatech Silk, an FSC® Mix Certified paper, which ensures that all virgin pulp is derived from well-managed forests and other responsible sources.

Produced by

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