

## **Kuoni Travel Limited**

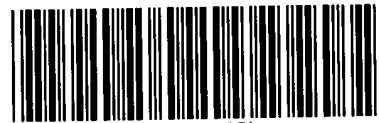
Report and Financial Statements

Year Ended

31 December 2016

Company Number 395623

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# Kuoni Travel Limited

## Report and financial statements for the year ended 31 December 2016

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# Kuoni Travel Limited

## Company information

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### Directors

D Jones  
F Torrilla  
S Hartmann  
L Vase Larsen

### Secretary and registered office

M J Quinlisk

Kuoni House  
Deepdene Avenue  
Dorking  
Surrey  
RH5 4AZ

### Company number

395623

### Independent auditors

PricewaterhouseCoopers LLP  
The Portland Building  
25 High Street  
Crawley  
RH10 1BG

# Kuoni Travel Limited

## Strategic report for the year ended 31 December 2016

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### Principal activity

The principal activity of the company and its subsidiary undertakings is to carry on business as a tour operator. The group's products are distributed through owned retail stores, third party agencies and online. The products range from European city breaks and villa rentals through to worldwide single and multicentre beach and touring holidays.

### Business review

This year has been about the integration of Kuoni Travel Limited ("Kuoni") in to new German parent company, DER Touristik, following the sale of the shares of Kuoni to REWE Zentralfinanz eG, the ultimate parent of DER Touristik during September 2015.

The Directors are still working to realise the full benefit from being part of the Rewe Group ("the Rewe Group"), but are confident with time that the business will gain significantly from the resources available to them within the group.

Despite the integration, it has been business as usual for Kuoni which has continued to make strong progress on its strategic objectives to secure distribution and to provide holiday inspiration and an exceptional experience for our customers. 10 new Kuoni stores were opened in the last year, including additional concessions within John Lewis as our partnership with them goes from strength to strength.

Overall, turnover for the group increased by 2.8% from £287m in 2015 to £295m, despite a challenging year, primarily due to currency changes following the Brexit vote on 23<sup>rd</sup> June.

The Kuoni branded tour operation continued to benefit from growth in the B2C channel as a result of our enhanced retail expansion programme, and in 2016 this was more than sufficient to offset the ongoing decline in B2B distribution. The Maldives was again the top destination, with growth continuing in other Indian Ocean destinations as well as Africa, Sri Lanka and in Europe, the demand remains particularly strong. The biggest challenges exists in highly commoditised destinations such as the Caribbean, where product differentiation remains tough to bring to market.

Across the UK specialist businesses, performance has been strong, with increases in turnover for the majority. Corfu Villas sales grew with continued expansion on white labelled sales. Continuing problems with the reservation system impacted sales at VJV, whereas Kirker continues to be a pillar of the group in terms of sales stability. Carrier's top line growth was driven by increasing focus on their B2C channel.

The group made a profit on ordinary activities before taxation of £1.4m (2015: loss £3.3m). The prior year loss included one off provisions totalling £2.8m setup as a result of events triggered by the change of shareholding. Comparing the current year profit on ordinary activities before taxation of £1.4m to the previous year loss before tax before exceptional costs relating to the change in ownership of £0.5m, shows a strong improvement in profitability which the Directors consider to be in line with expectations during the retail expansion programme.

The company distributed no dividends (2015: Nil). Net assets at year end were £4.0m compared to net assets of £5.1m in 2015. The group profitability improved in the year, in operational terms, as already noted. The decrease in the net asset position was due to the worsening in the employee benefits liability, driven by a significant actuarial loss of £2.5m on the defined benefit pension plan.

In the upcoming reporting period strategically the Group intends to consolidate the Kuoni brand in the marketplace through its strong retail presence on the high street, whilst achieving strong organic growth through specialist brands.

# Kuoni Travel Limited

## Strategic report for the year ended 31 December 2016

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### Brexit considerations

The decision to exit the European Union without a formal timeline has led to some unknowns. In the short term, the business has already seen an impact due to the weakening of the pound, however there may be some further impact to the business as customers continue to adjust their spending patterns as price increases come through.

In the longer term it may be affected by the outcome of the free-movement agreements reached during negotiations with the EU. However, we do not expect there to be a visa requirement implemented for travel across Europe, and even if there were, Visas are not the hard stop for leisure travellers who can plan in advance as the many destinations that we currently feature with visa requirement have proven.

The Directors will monitor any changes in regulation as they unfold and will continue to provide customers with the information and guidance they need to enjoy their travel.

### Going Concern

Although the Kuoni Travel Limited Group has made good progress towards its goals, at the time of signing the financial statements, the balance sheet position requires a letter of support from REWE Zentralfinanz eG to be in place. This letter has been obtained where REWE Zentralfinanz eG has declared its intention to support the Kuoni Group for a period of at least 12 months from the date of this report. Further details around the assumptions in the preparation of the financial statements on a Going Concern basis is in note 2 to the financial statements.

### Key Performance Indicators

The main Key Performance Indicators used in managing the performance of the Group include the analysis of revenue, the associated margin and passenger volumes. These are monitored on a weekly basis for each business against prior year actuals and the current year budget.

	2016	2015
Turnover £'000	294,776	286,719
Gross margin %	17.94%	16.60%

### Principal risks

A corporate group policy for managing risk is followed which involves regular disclosure covering all aspects of the business, including safety, environmental, legal, financial and employees. Any material risks are to be evaluated and disclosed as they arise, and these are tracked and monitored until the risk is mitigated.

Geographic and political risks are mitigated where possible by having a wide and diverse range of products and destinations available as alternatives so that reliance on one particular destination is minimised.

### Financial risks

The functional currency of the group is sterling; however the group undertakes transactions in a number of currencies, principally US Dollars, Euros, UAE Dirhams and Thai Bhat. The Group works to DER Touristik guidelines, in hedging exposure to these currencies, to ensure the risk of adverse currency fluctuations is at a minimum.

# Kuoni Travel Limited

## Strategic report for the year ended 31 December 2016

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### Undertakings included within the consolidation

Please refer to note 16 to the financial statements for a list of undertakings included within the consolidation.

### Approval

This strategic report was approved on behalf of the Board and signed on its behalf by:



D Jones  
Director

Date 26 June 2017

# Kuoni Travel Limited

## Directors' report for the year ended 31 December 2016

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The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 2016.

### Principal activity

The principal activity of the company and its subsidiary undertakings is to carry on business as tour operators and travel agents. The company has continued its position as one of the leading long haul tour operators in the UK.

### Going concern

Although the Group is in a net current liabilities position, it has sufficient financial resources together with significant future bookings. As a consequence, the Directors believe the Group is well placed to manage its business risks successfully. Thus they continue to adopt the going concern basis in preparing the annual Financial Statements. In addition the Group's financial risk, objectives of its hedging activities and exposure to liquidity risk are set out in the 'Principal risks' paragraph in the Strategic Report.

### Results and dividends

The group made a profit for the financial year of £1.0 million (2015 – loss of £2.2 million). No dividends were paid in the year (2015 - Nil). The directors do not recommend payment of a final dividend (2015 - Nil).

### Future developments

Please refer to the Strategic Report business review for an overview on the future developments of the Group.

### Charitable and political contributions

The company made charitable contributions of £8,644 during the year ended 31 December 2016 (2015 - £16,067).  
No political contributions were made (2015 - Nil).

### Directors

The following held office during the year and as at the date of this report:

D Jones  
F Torrilla  
S Hartmann  
L Vase Larsen

### Qualifying third party and pension scheme indemnity provisions

The Group has indemnity provisions in place for two statutory directors at the date of approval of the Directors' report.

### Financial risk management

#### *Currency risk*

The functional currency of the Group is sterling however the Group undertakes transactions in a number of currencies, principally US Dollars, Euros, UAE Dirhams and Thai Bhat. The Group's objective is to minimise the risk associated with foreign currencies and does so through the use of hedging through the medium of forward rate contracts. Within the Group structure there is a currency committee who meet to evaluate foreign exchange and currency risk regularly and are best placed to mitigate this risk across the Group.

# Kuoni Travel Limited

## Directors' report for the year ended 31 December 2016

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### *Price risk*

The Group has no equity investments therefore has no exposure to price risk.

### *Credit risk*

The Group's principal financial assets are cash and trade debtors. The Group minimises credit risk by ensuring that customer bookings are paid for in advance of departure. In the event of a customer default the Group is able to cancel bookings at minimal/zero cost with airlines and hoteliers. The Group is also protected through ABTA and has suitable insurance policies in place in the event that a travel agent with credit terms failed to meet its liabilities as they fall due.

All cash is held by banks with high credit ratings assigned by international credit rating agencies.

### *Liquidity risk*

The directors and management consider liquidity risk to be low. The Group has no external financing facilities and has appropriate cash reserves to meet its liabilities as they fall due. The Group also has the support of its ultimate parent Rewe Zentralfinanz EG. The Group manages its available liquid resources through a group cash pool arrangement with a fellow group company Rewe International Finance AG.

### **Employees**

The Company is an equal opportunities employer and all applications are treated on merit, regardless of sex, disability, religious belief, marital status, colour, race or ethnic origins. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the company continues and that appropriate training is arranged. The training, career development and promotion of disabled persons are, as far as possible, consistent with that of other employees.

During the year, the Company maintained its obligations to develop and improve internal communications aimed at involving employees in all of its affairs in so far as they affect employees. This communication includes information to achieve a common awareness of all employees in relation to financial and economic factors that affect the performance of the Company.

### **Disclosure of information to auditors**

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

### **Independent auditors**

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



D Jones  
Director

Date 26 June 2017



# **Kuoni Travel Limited**

## **Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

# Kuoni Travel Limited

## Independent auditors' report to the members of Kuoni Travel Limited

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### Report on the financial statements

#### Our opinion

In our opinion:

- Kuoni Travel Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated balance sheet as at 31 December 2016;
- the Company balance sheet as at 31 December 2016;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated cash flow statement for the year then ended;
- the Consolidated statement of changes in equity for the year then ended;
- the Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the group financial statements is IFRSs as adopted by the European Union, and applicable law. The financial reporting framework that has been applied in the preparation of the company financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### 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.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

# Kuoni Travel Limited

## Independent auditors' report to the members of Kuoni Travel Limited

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### Other matters on which we are required to report by exception

#### Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

#### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### Responsibilities for the financial statements and the audit

##### Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

##### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

# Kuoni Travel Limited

## Independent auditors' report to the members of Kuoni Travel Limited

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In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



Ian Dudley (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Gatwick

26 June 2017

# Kuoni Travel Limited

## Consolidated income statement for the year ended 31 December 2016

	Note	2016 £'000	As restated <sup>1</sup> 2015 £'000
<b>Turnover</b>	5	<b>294,776</b>	286,719
Cost of sales		<b>(241,891)</b>	(239,131)
Gross profit		<b>52,885</b>	47,588
Administrative expenses		<b>(53,611)</b>	(50,614)
Costs associated with change in ownership:			
Dilapidation charge in respect of lease commitments	9	-	(1,847)
Previous ownership exit costs	9	-	(917)
Other operating income		<b>1,849</b>	2,087
<b>Operating profit/(loss)</b>		<b>1,123</b>	(3,703)
Interest receivable and similar income	6	<b>517</b>	654
Interest payable	7	<b>(347)</b>	(310)
Other finance income/(costs)	8	<b>28</b>	(92)
Non operating income		<b>58</b>	188
<b>Profit/(loss) on ordinary activities before taxation</b>	9	<b>1,379</b>	(3,263)
Taxation	12	<b>(373)</b>	1,083
<b>Profit/(loss) for the financial year</b>		<b>1,006</b>	(2,180)

All amounts relate to continuing activities.

The notes on page 21 to 63 form part of these financial statements.

<sup>1</sup> Restated for classification as described in note 25.

# Kuoni Travel Limited

## Consolidated statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Profit/(loss) for the financial year		1,006	(2,180)
Actuarial (loss)/gain recognised in the pension scheme	28	(2,493)	643
Deferred tax relating to pension liability	28	162	(130)
Actuarial loss recognised in employee jubilee plan	29	(231)	(335)
Deferred tax relating to employee jubilee plan	29	24	67
Effective portion of changes in fair value of cash flow hedges		505	(209)
Deferred tax relating to effective portion of changes in fair value of cash flow hedges		(112)	19
<b>Total other comprehensive (expenses)/income</b>		<b>(2,145)</b>	<b>55</b>
<b>Total comprehensive expense for the year</b>		<b>(1,139)</b>	<b>(2,125)</b>

The notes on page 21 to 61 form part of these financial statements.

# Kuoni Travel Limited

## Consolidated balance sheet at 31 December 2016

<b>Company number 395623</b>	<b>Note</b>	<b>2016 £'000</b>	<b>As restated<sup>2</sup> 2015 £'000</b>
<b>Non-current assets</b>			
Goodwill	13	17,194	17,194
Intangible assets	14	5,487	4,662
Property, plant and equipment	15	5,403	4,519
Deferred tax assets	17	1,239	1,460
		<b>29,323</b>	<b>27,835</b>
<b>Current assets</b>			
Trade and other receivables	18	48,046	49,534
Other financial assets	27	3,099	1,633
Tax receivable		-	1,093
Cash and cash equivalents	19	19,637	14,136
		<b>70,782</b>	<b>66,396</b>
<b>Total assets</b>		<b>100,105</b>	<b>94,231</b>
<b>Current liabilities</b>			
Trade and other payables	20	(91,375)	(85,988)
Other financial liabilities	27	(328)	(368)
		<b>(91,703)</b>	<b>(86,356)</b>
<b>Total assets less current liabilities</b>		<b>8,402</b>	<b>7,875</b>
<b>Non-current liabilities</b>			
Employee benefits	21	(2,693)	(887)
Provision for liabilities	22	(1,707)	(1,847)
		<b>(4,400)</b>	<b>(2,734)</b>
<b>Net assets</b>		<b>4,002</b>	<b>5,141</b>

The notes on page 21 to 61 form part of these financial statements.

<sup>2</sup> Restated for classification as described in note 25

# Kuoni Travel Limited

## Consolidated balance sheet at 31 December 2016

		2016 £'000	2015 £'000
<b>Equity attributable to equity holders of the Group</b>			
<b>Capital and reserves</b>			
Called up share capital	23	1,500	1,500
Accumulated losses	24	(1,705)	(2,711)
Reserves	24	4,207	6,352
<b>Total shareholders' funds</b>		<b>4,002</b>	<b>5,141</b>

The financial statements on pages 10-61 were approved by the board of directors on 26 June 2017  
and were signed on their behalf by:



D Jones  
Director

The notes on page 21 to 61 form part of these financial statements.



# Kuoni Travel Limited

## Consolidated statement of changes in equity for the year ended 31 December 2016

	Called up share capital £'000	Accumulated losses (in total) £'000	Other compre- hensive expense reserve £'000	Cash flow hedging reserve £'000	Capital contribution reserve £'000	Total shareholders' funds £'000
<b>Balance at 1 January 2016</b>	1,500	(2,711)	(2,605)	722	8,235	5,141
<b>Total comprehensive income for the year</b>						
Profit for the financial year	-	1,006	-	-	-	1,006
Other comprehensive (expense)/income	-	-	(2,538)	393	-	(2,145)
<b>Total comprehensive income/(expense) for the year</b>	-	1,006	(2,538)	393	-	(1,139)
Pension Contribution	-	-	-	-	-	-
Capital Contribution	-	-	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>1,500</b>	<b>(1,705)</b>	<b>(5,143)</b>	<b>1,115</b>	<b>8,235</b>	<b>4,002</b>

The notes on page 21 to 61 form part of these financial statements.

# Kuoni Travel Limited

## Consolidated statement of changes in equity for the year ended 31 December 2015

	Called up share capital £'000	Accumulated losses (in total) £'000	Other compre- hensive expense reserve £'000	Cash flow hedging reserve £'000	Capital contribution reserve £'000	Total shareholders' funds £'000
<b>Balance at 1 January 2015, restated<sup>3</sup></b>	<b>1,500</b>	<b>(531)</b>	<b>(2,856)</b>	<b>912</b>	<b>-</b>	<b>(975)</b>
<b>Total comprehensive (expense)/income for the year</b>	-	(2,180)	-	-	-	(2,180)
Loss for the financial year	-	(2,180)	-	-	-	(2,180)
Other comprehensive income/(expense)	-	-	251	(190)	-	61
<b>Total comprehensive (expense)/income for the year</b>	-	(2,180)	251	(190)	-	(2,119)
Pension Contribution	-	-	-	-	3,440	3,440
Capital Contribution	-	-	-	-	4,795	4,795
<b>Balance at 31 December 2015</b>	<b>1,500</b>	<b>(2,711)</b>	<b>(2,605)</b>	<b>722</b>	<b>8,235</b>	<b>5,141</b>

The notes on pages 21 to 61 form part of these financial statements.

<sup>3</sup> Restated for effect of transition to FRS 101 and IFRS and accounting policy changes as disclosed in the financial statements for the year ended 31 December 2015.

# Kuoni Travel Limited

## Consolidated cash flow statement for the year ended 31 December 2016

	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>		
Profit/(loss) for the year	1,006	(2,181)
<i>Adjustments for:</i>		
Depreciation and amortisation	2,744	2,171
Interest paid	347	310
Finance (income)/expense	(28)	91
Fair value hedge adjustment	465	-
Interest received	(517)	(208)
Income tax expense/(income)	373	(1,084)
Increase in trade and other receivables	(3,195)	(4,183)
Increase in trade and other payables	7,221	3,110
(Decrease)/increase in provisions and employee benefits	(2,864)	1,848
<b>Cash generated from/(used in) operations</b>	<b>5,552</b>	<b>(126)</b>
Income taxes refunded/(paid)	1,015	(799)
<b>Net cash generated from/(used in) operating activities</b>	<b>6,567</b>	<b>(925)</b>
<b>Cash flows used in/(generated from) investing activities</b>		
Interest received	517	208
Purchase of tangible and intangible fixed assets	(4,497)	(1,711)
Sale of tangible fixed assets	44	2,569
<b>Net cash (used in)/generated from investing activities</b>	<b>(3,936)</b>	<b>1,066</b>
<b>Cash flows from financing activities</b>		
Interest paid	(347)	(310)
Decrease/(increase) in Group cash deposits	3,217	(31,989)
<b>Net cash from financing activities</b>	<b>2,870</b>	<b>(32,299)</b>
Net increase/(decrease) in cash and cash equivalents	5,501	(32,158)
Cash and cash equivalents at 1 January	14,136	46,294
<b>Cash and cash equivalents at 31 December</b>	<b>19,637</b>	<b>14,136</b>

The notes on page 21 to 61 form part of these financial statements.

# Kuoni Travel Limited

## Company balance sheet at 31 December 2016

<b>Company number 395623</b>	<b>Note</b>	<b>2016 £'000</b>	<b>As restated<sup>4</sup> 2015 £'000</b>
<b>Non-current assets</b>			
Intangible assets	14	5,363	4,662
Property, plant and equipment	15	5,120	4,061
Investments	16	31,358	31,288
Deferred tax assets	17	1,136	1,321
		<b>42,977</b>	<b>41,332</b>
<b>Current assets</b>			
Trade and other receivables	18	48,647	49,864
Cash at bank and in hand		13,896	10,772
		<b>62,543</b>	<b>60,636</b>
<b>Total assets</b>		<b>105,520</b>	<b>101,968</b>
<b>Current liabilities</b>			
Trade and other payables	20	(87,808)	(83,769)
<b>Total assets less current liabilities</b>		<b>17,712</b>	<b>18,199</b>
<b>Non-current liabilities</b>			
Employee benefits	21	(2,693)	(887)
Provision for liabilities	22	(1,707)	(1,707)
		<b>(4,400)</b>	<b>(2,594)</b>
<b>Net assets</b>		<b>13,312</b>	<b>15,605</b>

The notes on page 21 to 61 form part of these financial statements.

<sup>4</sup> Restated for classification as described in note 25.

# Kuoni Travel Limited

## Company balance sheet (continued) at 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Capital and reserves</b>			
Called up share capital	23	1,500	1,500
Profit and loss account	24	7,829	7,993
Cash flow hedging reserve	24	891	483
Other comprehensive expense reserve	24	(5,143)	(2,606)
Capital contribution reserve	24	8,235	8,235
<b>Total shareholders' funds</b>		<b>13,312</b>	<b>15,605</b>

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. The Company loss for the financial year is £164,000 (2015: £2,086,000).

The financial statements on pages 10-61 were approved by the board of directors on ...26 JUNE 2017... and were signed on their behalf by:



D Jones  
Director

The notes on pages 21 to 61 form part of these financial statements.

# Kuoni Travel Limited

## Company statement of changes in equity for the year ended 31 December 2016

	Note	Called up share capital £'000	Profit and loss account (in total) £'000	Other compre- hensive expense reserve £'000	Cash flow hedging reserve £'000	Capital contribution reserve £'000	Total shareholders' funds £'000
<b>Balance at 1 January 2016</b>		1,500	7,993	(2,606)	483	8,235	15,605
<b>Total comprehensive (expense)/income for the year</b>							
Loss for the financial year		-	(164)	-	-	-	(164)
Other comprehensive (expense)/income	24	-	-	(2,537)	408	-	(2,129)
<b>Total comprehensive (expense)/income for the year</b>		-	(164)	(2,537)	408	-	(2,293)
Pension Contribution		-	-	-	-	-	-
Capital Contribution		-	-	-	-	-	-
<b>Balance at 31 December 2016</b>		<b>1,500</b>	<b>7,829</b>	<b>(5,143)</b>	<b>891</b>	<b>8,235</b>	<b>13,312</b>

The notes on page 21 to 61 form part of these financial statements.

# Kuoni Travel Limited

## Company statement of changes in equity for the year ended 31 December 2015

	Note	Called up share capital £'000	Profit and loss account (in total) £'000	Other compre- hensive expense reserve £'000	Cash flow hedging reserve £'000	Capital contribution reserve £'000	Total Shareholders' funds £'000
<b>Balance at 1 January 2015</b>		1,500	10,079	(2,856)	918	-	9,641
<b>Total comprehensive (expense)/income for the period</b>							
Loss for the financial year		-	(2,086)	-	-	-	(2,086)
Other comprehensive income/(expense)	24	-	-	250	(435)	-	(185)
<b>Total comprehensive (expense)/income for the year</b>		-	(2,086)	250	(435)	-	(2,271)
Pension Contribution		-	-	-	-	3,440	3,440
Capital Contribution		-	-	-	-	4,795	4,795
<b>Balance at 31 December 2015</b>		1,500	7,993	(2,606)	483	8,235	15,605

The notes on page 21 to 61 form part of these financial statements.

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016

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### 1 General information

Kuoni Travel Limited is a private company incorporated in England and Wales under the Companies Act. It is a company limited by shares. The address of the registered office is given on the company information page and the nature of the Company's operations and activities are given in the Directors' report and Strategic report

### 2 Accounting policies

Kuoni Travel Limited (the "Company") is a company incorporated and domiciled in the UK.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and the Companies Act 2006. The Company has prepared its parent company financial statements in accordance with FRS 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements for the purposes of the transition to Adopted IFRSs.

#### 2.1 Measurement Convention

The financial statements are prepared on the historical cost basis modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss. The consolidated financial statements are presented in GBP, which is also the Group's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

#### 2.2 Going Concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate as the ultimate parent company Rewe ZentralFinanz EG, has provided the Group with an undertaking that, for at least 12 months from the date of these financial statements it will provide financial support to ensure that the Group is able to meet its current and future obligation. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although at the date of approval of these statements, they have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

#### 2.3 Basis of consolidation

##### *Subsidiaries*

The Group financial statements comprise the financial statements of Kuoni Travel Limited and all of its subsidiaries to 31 December 2016.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.



# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

### 2 Accounting policies (*continued*)

#### 2.3 Basis of consolidation (*continued*)

##### *Subsidiaries (continued)*

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

- A Cash Flow Statement and related notes
  - Comparative period reconciliation for share capital, tangible fixed assets and intangible assets
  - Disclosures in respect of transactions with wholly owned subsidiaries
  - The effects of new but not yet effective IFRSs
  - An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy
- As the consolidated financial statement of Kuoni Travel Limited include the equivalent disclosures, the Company has also taken the exemption under FRS 101 available in respect of the following disclosures:
- Certain disclosures required by IFR13 Fair Value Measurement and the disclosures required by IFRS 7 *Financial Instrument Disclosures*

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements

##### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

#### 2.4 Adoption of new and revised standards

There have been no new or revised standards adopted in the preparation of the financial statements for the current financial year that have had any material impact on the financial statements of the Group.

Other than minor changes to standards arising from annual improvements, there are currently no EU adopted revised or new standards which have yet to be adopted. The minor changes to the standards are not expected to have a material effect on the Group financial statements.

The following standard has been issued but remains subject to EU endorsement:

- IFRS 16 Leases

The following standards have been issued and endorsed by the EU:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers

The potential impact on the Group's financial statements is under review.

#### 2.5 Turnover

Turnover represents the invoiced value of services provided exclusive of value added tax, in respect of holidays taken for departure dates up to 31 December 2016. Income is not treated as earned until departure date in respect of all of the Company's operating divisions.

Income from the rendering of services is recognised in accordance with the stage of completion. Stage of completion is measured by the number of departed nights in a booking that fall in a particular year. Total revenue for a booking is assumed to accrue evenly across each day.

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

### 2 Accounting policies (*continued*)

#### 2.6 Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

#### 2.7 Derivative financial instruments and hedging

##### *Derivative financial instruments*

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. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

##### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the profit and loss account.

##### *Fair value hedges*

The groups hedge against changes in the fair value of recognised assets, recognised liabilities, unrecognised firm commitments or precisely defined portions of such assets, liabilities or firm commitments, if the change is attributable to a specific risk and can impact the profit or loss for the period. For fair value hedges, the carrying amount of a hedged item is adjusted by the gain or loss from the hedged item attributable to the hedged risk and the derivative financial instrument is re-measured at its fair value.

The changes in the fair value of derivatives that were designated for hedging the fair value of certain assets or liabilities and that must be classified as a fair value hedge are recognised in the income statement together with the changes to the fair value of this asset or liability attributable to the hedged risk.

If an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative changes in the fair value of the firm commitment attributable to the hedged risk are recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss for the period.

A fair value hedge ceases to be recognised if the hedging instrument expires, is sold, becomes due or is exercised, or if the hedging transaction no longer satisfies the requirements for hedge accounting. Any adjustment to the carrying amount of a hedged financial instrument is amortised to profit and loss using the effective interest method.

Replacing or continuing a hedging instrument through another hedging instrument will in this case not constitute the expiration or termination of the hedging relationship if such a replacement or continuation is a part of the previously documented hedging strategy. The novation of a hedging instrument to a central counterparty also does not constitute an end to the hedging relationship if the hedging instrument was novated due to statutory requirements, on account of the novation the central counterparty becomes the contracting partner of all parties of a derivative agreement, and there are no changes (except for those necessitated by the novation) to the terms of the agreement underlying the original derivative.

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

### 2 Accounting policies (continued)

#### 2.7 Derivative financial instruments and hedging (continued)

##### *Fair value hierarchy*

All financial instruments measured at fair value must be classified into one of the levels below:

- Level 1: Observable prices, in active markets
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are not based on observable market data.

#### 2.8 Intangible assets and goodwill

##### **Goodwill**

On the acquisition of a business fair values are attributed to the separable net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such net assets. Goodwill is capitalised and the carrying value of goodwill is reviewed annually for impairment and adjusted to the recoverable amount if required.

Goodwill arising on the acquisition of the business and assets of Kirker Travel Limited, CV Travel Limited, Carrier Limited and Carrier International Limited have been capitalised and are subject to annual impairment reviews.

##### **Research and development**

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. 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

##### **Other intangible assets**

Other intangible assets that are acquired by the Group (trademarks) are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Patents and trademarks	12 years
Software	3 years

#### 2.9 Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

### 2 Accounting policies (*continued*)

#### 2.10 Property, plant and equipment

Freehold buildings, fixtures, furniture and equipment, and computer equipment, net of estimated residual values, are depreciated on a straight line basis over their expected useful lives as follows:

Freehold buildings	2% per annum
Leasehold improvements	2% per annum
Fixtures, furniture and equipment	20% and 33⅓% per annum
Computer equipment	20% and 33⅓% per annum

Freehold land is not depreciated.

#### 2.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### 2.12 Employee Benefits

##### *Defined benefit plan*

The group has fully adopted IAS19: Retirement Benefits. The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, being invested with one investment fund manager and administered by trustees.

Pension scheme assets are measured using market value. Pension scheme assets/liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss. The pension scheme's surplus is recognised in full and presented on the face of the balance sheet net of the related deferred tax.

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

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### **2 Accounting policies (*continued*)**

#### **2.12 Employee Benefits (*continued*)**

##### *Defined contribution plan*

The group also operates a group personal pension plan for employees. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

##### *Employee Jubilee plan*

The Group also operates a long-service plan to recognise and reward the service of its employees. An onward projection as to future liabilities the Group is obligated to recognise is derived from actuarial data and assumptions. Actuarial gains and losses are recognised in the consolidated statement of other comprehensive income.

The jubilee plan's liability is recognised in full and presented on the face of the balance sheet net of the related deferred tax.

#### **2.13 Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

#### **2.14 Operating Leases**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

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### **3 Judgements in applying accounting policies and key sources of estimation uncertainty**

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying value 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgements in applying the Group's accounting policies**

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

##### *Revenue recognition*

The Group recognises revenue based on the date of departure of the booking apportioned on a percentage of completion basis. The directors believe this is the most appropriate revenue basis as this matches the point at which the service is performed.

##### *Intangible assets*

The directors use their judgement to assess the extent to which intangible assets have a value that will benefit the performance of the Group over future periods. The directors perform an annual review of the assets to search for any signs of impairment in these assets.

##### *Defined Pension & Jubilee Liabilities*

The directors enlist the specialist knowledge of actuaries who are able to assess the most reliable market data in terms of mortality rates, investment returns and salary/cost inflation to determine the closing liability for each financial period

### **4 Capital management**

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group itself has no external debt and therefore has no net debt. The key aim of the business is to maximise cash reserves in order to manage its working capital effectively. This can be highlighted in the Group's overall cash position which has increased from £14.1m to £19.6m.

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 5 Turnover

The Group engages in only one class of business as Tour Operators and Travel Agents. All turnover originates in the United Kingdom.

## 6 Interest receivable and similar income

	2016 £'000	As restated <sup>5</sup> 2015 £'000
Property rental income	185	466
Interest receivable	332	188
	<u>517</u>	<u>654</u>

## 7 Interest payable

	2016 £'000	2015 £'000
Interest payable	347	310
	<u>347</u>	<u>310</u>

## 8 Other finance costs

	2016 £'000	2015 £'000
Expected return on pension fund assets	1,021	887
Interest on pension fund liabilities	(993)	(979)
	<u>28</u>	<u>(92)</u>

<sup>5</sup> Restated for classification as described in note 25.

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (continued)

## 9 Profit/(loss) on ordinary activities before taxation

	2016 £'000	2015 £'000
The profit/(loss) on ordinary activities before taxation is stated after charging/(crediting) the following:		
Employee benefit expense (note 10)	24,140	25,325
Depreciation of tangible assets	1,707	2,038
Amortisation of intangible assets	1,037	133
Exchange differences	(5,089)	(3,999)
Profit on disposal of tangible fixed assets	-	(188)
Costs associated with change in ownership:		
Dilapidation charge in respect of lease commitments	-	1,847
Previous ownership exit costs	-	917
Operating lease rentals:		
- Land and Buildings	3,578	3,945
- Other	59	9
Audit of these financial statements	90	65
Amounts receivable by the Company's auditors and its associates in respect of:		
- Audit of subsidiaries financial statements	87	75
- Other assurance services	18	75
	<u>          </u>	<u>          </u>

## 10 Staff numbers and costs

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

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Wages and salaries	21,082	22,051	15,767	16,768
Social security costs	2,289	2,189	1,747	1,646
Other pension costs	769	1,085	573	881
Share based payments	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	24,140	25,325	18,087	19,295
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

	Group 2016 Number	Group 2015 Number	Company 2016 Number	Company 2015 Number
Sales	553	521	456	413
Administration	118	108	53	60
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	671	629	509	473
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>



# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 11 Directors' remuneration and key management personnel costs

Group	2016 £'000	2015 £'000
Directors' remuneration comprises:		
Emoluments	543	957
Compensation for loss of office	-	115
Pension contribution to purchase scheme	43	67
<b>Directors' remuneration</b>	<b>586</b>	<b>1,139</b>
Employer's national insurance contributions	69	105
Company car benefit	4	-
<b>Key management compensation</b>	<b>659</b>	<b>1,244</b>

Retirement benefits are accruing to one director (2015 - one director) under a defined benefit pension scheme and to two directors (2015 - two) under a money purchase scheme.

	2016 £'000	2015 £'000
<b>Highest paid director</b>		
Emoluments	326	427
Pension contribution to purchase scheme	24	22
	<b>350</b>	<b>449</b>

Company	2016 £'000	2015 £'000
Directors' remuneration comprises:		
Emoluments	348	746
Compensation for loss of office	-	115
Pension contribution to purchase scheme	26	48
<b>Directors' remuneration</b>	<b>374</b>	<b>909</b>
Employer's national insurance contributions	43	105
Company car benefit	4	-
<b>Key management compensation</b>	<b>421</b>	<b>1,014</b>

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

### 11 Directors' remuneration and key management personnel costs (continued)

Retirement benefits are accruing to one director (2015 - one director) under a defined benefit pension scheme and to two directors (2015 - two) under a money purchase scheme.

	2016 £'000	2015 £'000
<b>Highest paid director</b>		
Emoluments	326	427
Pension contribution to purchase scheme	24	22
	<hr/>	<hr/>
	350	449
	<hr/>	<hr/>

### 12 Taxation

	2016 £'000	2015 £'000
<i>UK corporation tax</i>		
Current tax on loss for the year	-	-
Group relief payable	-	(80)
Adjustments in respect of prior years	79	(496)
Other	-	(21)
	<hr/>	<hr/>
Current tax charge/(credit) for the year	79	(597)
<i>Deferred tax</i>		
Origination or reversal of timing differences	78	(774)
Adjustments in respect of prior periods	(1)	(650)
De-recognition of previously recognised assets	-	938
Change in tax rates	217	-
	<hr/>	<hr/>
Deferred tax charge/(credit) for the year	294	(486)
	<hr/>	<hr/>
Tax on profit/(loss) on ordinary activities	373	(1,083)
	<hr/>	<hr/>

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

### 12 Taxation (continued)

#### Factors affecting the tax charge for the current year

The total tax charge/(credit) for the year is higher (2015 – higher) than the standard rate of corporation tax in the UK 20.00% (2015 - 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
Profit/(loss) on ordinary activities before taxation	1,379	(3,263)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 20.00% (2015 - 20.25%)	276	(661)
<i>Effects of:</i>		
Non-deductible expenses including goodwill	141	21
Adjustments in respect of prior years	79	(1,146)
Adjustments in respect of prior periods (deferred tax)	(7)	-
Other tax adjustments	12	(19)
Group relief adjustments	-	(91)
Effect of rate change	256	(4)
Deferred tax not previously recognised	-	818
Income not taxable for tax purposes	(384)	-
Total tax charge/(credit) for the year	373	(1,082)

#### Factors affecting future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective 1 April 2017) and 17% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly and as such the deferred tax asset has been restated so as to be recognised at 17%.

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 13 Goodwill

	Group £'000	Company £'000
<b>Cost</b>		
At 1 January 2016 and 31 December 2016	91,957	16,689
<b>Impairment</b>		
At 1 January 2016 and 31 December 2016	74,763	16,689
<b>Net book value</b>		
At 31 December 2016	17,194	-
At 31 December 2015	17,194	-

Due to pressure on margins, the Directors of the group performed an impairment review of group goodwill and company invested balances at the year end.

The results of all other impairment reviews indicated that no further impairment charges were necessary across the group.

The impairment calculations were measured by comparing the discounting cash flows to the carrying value of the asset. The discount rate applied (cost of capital) was 8.5% and this was based on shareholders expected return based on current economic conditions. The Directors projected the cash flows of the business over a period of 18 years, based on their view of the expected business performance over this period. A terminal cash flow was also used and calculated using the Gordon Growth Model.

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 14 Intangible assets

Group	Brand licence £'000	Software £'000	Total £'000
<b>Cost</b>			
At 1 January 2015	-	-	-
Additions	4,795	-	4,795
<b>At 31 December 2015</b>	<b>4,795</b>	<b>-</b>	<b>4,795</b>
At 1 January 2016	4,795	-	4,795
Additions	-	891	891
Transferred from property, plant and equipment	-	2,117	2,117
<b>At 31 December 2016</b>	<b>4,795</b>	<b>3,008</b>	<b>7,803</b>
<b>Accumulated amortisation</b>			
At 1 January 2015	-	-	-
Provision for year	133	-	133
<b>At 31 December 2015</b>	<b>133</b>	<b>-</b>	<b>133</b>
At 1 January 2016	133	-	133
Provision for year	400	637	1,037
Transferred from property, plant and equipment	-	1,146	1,146
<b>At 31 December 2016</b>	<b>533</b>	<b>1,783</b>	<b>2,316</b>
<b>Net book value</b>			
At 31 December 2014	-	-	-
<b>At 31 December 2015</b>	<b>4,662</b>	<b>-</b>	<b>4,662</b>
<b>At 31 December 2016</b>	<b>4,262</b>	<b>1,225</b>	<b>5,487</b>

As part of the transfer of ownership of the UK Group to Rewe Zentralfinanz eG, the former ultimate parent Kuoni Travel Holding Limited granted the Group a contractual right to continue to licence and trade under the Kuoni trademark. The value of the Kuoni brand to the business is estimated at £4,795k and this is to be amortised on a straight line basis over the course of 12 years. Amortisation is included within administrative expenses in the Consolidated income statement.

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 14 Intangible assets (*continued*)

Company	Brand licence £'000	Software £'000	Total £'000
<b>Cost</b>			
At 1 January 2015	-	-	-
Additions	4,795	-	4,795
<b>At 31 December 2015</b>	<b>4,795</b>	<b>-</b>	<b>4,795</b>
At 1 January 2016	4,795	-	4,795
Additions	-	862	862
Transferred from property, plant and equipment	-	1,203	1,203
<b>At 31 December 2016</b>	<b>4,795</b>	<b>2,065</b>	<b>6,860</b>
<b>Accumulated amortisation</b>			
At 1 January 2015	-	-	-
Provision for year	133	-	133
<b>At 31 December 2015</b>	<b>133</b>	<b>-</b>	<b>133</b>
At 1 January 2016	133	-	133
Provision for year	400	534	934
Transferred from property, plant and equipment	-	430	430
<b>At 31 December 2016</b>	<b>533</b>	<b>964</b>	<b>1,497</b>
<b>Net book value</b>			
At 31 December 2014	-	-	-
<b>At 31 December 2015</b>	<b>4,662</b>	<b>-</b>	<b>4,662</b>
<b>At 31 December 2016</b>	<b>4,262</b>	<b>1,101</b>	<b>5,363</b>

As part of the transfer of ownership of the UK Group to Rewe Zentralfinanz eG, the former ultimate parent Kuoni Travel Holding Limited granted the Group a contractual right to continue to licence and trade under the Kuoni trademark. The value of the Kuoni brand to the business is estimated at £4,795k and this is to be amortised on a straight line basis over the course of 12 years.

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (continued)

## 15 Property, plant and equipment

	Freehold land and buildings	Leasehold improvements	Fixtures, furniture and equipment	Computer equipment	Software	Total
Group	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
Balance at 1 January 2015	6,105	611	7,924	4,044	1,252	19,936
Additions	-	-	946	277	488	1,711
Disposals	(6,105)	(111)	(245)	-	(37)	(6,498)
<b>At 31 December 2015</b>	<b>-</b>	<b>500</b>	<b>8,625</b>	<b>4,321</b>	<b>1,703</b>	<b>15,149</b>
At 1 January 2016	-	500	8,625	4,321	1,703	15,149
Additions	-	6	2,719	815	66	3,606
Disposals	-	(38)	(425)	(346)	-	(809)
Reclassified to intangible assets	-	-	-	(348)	(1,769)	(2,117)
<b>At 31 December 2016</b>	<b>-</b>	<b>468</b>	<b>10,919</b>	<b>4,442</b>	<b>-</b>	<b>15,829</b>

## Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 *(continued)*

### 15 Property, plant and equipment *(continued)*

	Freehold land and buildings	Leasehold improvements	Fixtures, furniture and equipment	Computer equipment	Software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Group (continued)</b>						
<b>Accumulated depreciation</b>						
Balance at 1 January 2015	3,644	334	4,680	3,417	446	12,521
Charge for the year	-	26	1,335	283	394	2,038
Disposals	(3,644)	-	(258)	-	(27)	(3,929)
<b>At 31 December 2015</b>	<b>-</b>	<b>360</b>	<b>5,757</b>	<b>3,700</b>	<b>813</b>	<b>10,630</b>
At 1 January 2016	-	360	5,757	3,700	813	10,630
Charge for the year	-	66	1,261	213	167	1,707
Disposals	-	(38)	(381)	(346)	-	(765)
Reclassified to intangible assets	-	-	-	(166)	(980)	(1,146)
<b>At 31 December 2016</b>	<b>-</b>	<b>388</b>	<b>6,637</b>	<b>3,401</b>	<b>-</b>	<b>10,426</b>
<b>Net book value</b>						
At 31 December 2014	2,461	277	3,244	627	806	7,415
At 31 December 2015	-	140	2,868	621	890	4,519
At 31 December 2016	-	80	4,282	1,041	-	5,403



## Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 *(continued)*

### 15 Property, plant and equipment *(continued)*

	Freehold land and buildings	Leasehold improvements	Fixtures, furniture and equipment	Computer equipment	Software	Total
Company	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 1 January 2016	-	439	8,166	3,446	1,203	13,254
Additions	-	6	2,522	810	-	3,338
Disposals	-	-	(251)	-	-	(251)
Reclassified to intangible assets	-	-	-	-	(1,203)	(1,203)
<b>At 31 December 2016</b>	-	445	10,437	4,256	-	15,138
<b>Accumulated depreciation</b>						
At 1 January 2016	-	299	5,406	3,058	430	9,193
Charge for the year	-	66	1,232	194	-	1,492
Disposals	-	-	(237)	-	-	(237)
Reclassified to intangible assets	-	-	-	-	(430)	(430)
<b>At 31 December 2016</b>	-	365	6,401	3,252	-	10,018
<b>Net book value</b>						
At 31 December 2015	-	140	2,760	388	773	4,061
At 31 December 2016	-	80	4,036	1,004	-	5,120

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 16 Investments

	Company £'000
<b>Cost</b>	
At 1 January 2016 and 31 December 2016	66,167
<b>Impairments</b>	
At 1 January 2016	34,879
Reversal of impairment previously charged	(70)
At 31 December 2016	34,809
<b>Net book value</b>	
At 31 December 2016	31,358
At 31 December 2015	31,288

The company's principal trading subsidiaries, which are wholly owned and are included in the consolidation are:

	Company year end	Country of Incorporation	Principal Activity	% of All Shares Held	Registered office
Kirker Travel Limited	31 December 2016 (100% direct)	England	Tour Operator	100%	4 Waterloo Court, 10 Theed Street, London SE1 8ST
Corfu Villas Limited	31 December 2016 (100% direct)	England	Tour Operator	100%	Kuoni House. Deepdene Avenue, Dorking, RH5 4AZ
Journeys of Distinction Limited	31 December 2016 (100% indirect)	England	Tour Operator	100%	No. 1 Lakeside, Cheadle, Cheshire SK8 3GW
Carrier International Limited	31 December 2016 (100% indirect)	England	Travel Agent	100%	No. 1 Lakeside, Cheadle, Cheshire SK8 3GW
Carrier Limited	31 December 2016 (100% direct)	England	Tour Operator	100%	No. 1 Lakeside, Cheadle, Cheshire SK8 3GW

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (continued)

## 16 Investments (continued)

Kirker Travel Services Limited	31 December 2016 (100% indirect)	England	Tour Operator	100%	4 Waterloo Court, 10 Theed Street, London SE1 8ST
Different World Limited	31 December 2016 (100% direct)	England	Tour Operator	100%	Kuoni House, Deepdene Avenue, Dorking, RH5 4AZ
Carrier Transport Limited	31 December 2016 (100% indirect)	England	Travel Agent	100%	No. 1 Lakeside, Cheadle, Cheshire SK8 3GW
Kuoni Travel Transport Limited	31 December 2016 (100% direct)	England	Tour Operator	100%	Kuoni House, Deepdene Avenue, Dorking, RH5 4AZ

## 17 Deferred tax assets

	2016 £'000	2015 £'000
<b>Group</b>		
At beginning of year	1,460	1,872
(Charged)/credited to profit or loss	(294)	486
Credited/(charged) to other comprehensive income	73	(44)
Charged to equity	-	(854)
At end of year	1,239	1,460
	2016 £'000	2015 £'000
<b>Company</b>		
At beginning of year	1,321	909
(Charged)/credited to profit or loss	(280)	1,308
Credited/(charged) to other comprehensive income	95	(42)
Charged to equity	-	(854)
At end of year	1,136	1,321

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (continued)

## 17 Deferred tax assets (continued)

Group	Assets		Liabilities		Net	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Accelerated capital allowances	700	410	-	-	700	410
Short-term temporary differences	439	616	-	-	439	616
Losses and other deductions	100	434	-	-	100	434
Net tax assets	1,239	1,460	-	-	1,239	1,460

Company	Assets		Liabilities		Net	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Accelerated capital allowances	623	348	-	-	623	348
Short-term temporary differences	413	540	-	-	413	540
Losses and other deductions	100	433	-	-	100	433
Net tax assets	1,136	1,321	-	-	1,136	1,321

The Group's deferred tax assets primarily derive from Kuoni Travel Limited's current obligations on its defined benefit pension and jubilee plan together with trading losses. The directors deem both these balances to be recoverable. A schedule of contributions including a deficit funding requirement is in place for the pension plan whereby it is expected in the future to have a secured funding level. In addition it is anticipated that there will sufficient profits for Kuoni Travel Limited in future years to utilise any trading losses.

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 18 Trade and other receivables

	Group 2016 £'000	Group 2015 £'000
Trade receivables	411	502
Other loans	75	83
Trade receivables due from related parties	27,849	31,066
Other trade receivables	4,720	3,092
Prepayments and accrued income	14,792	14,070
VAT Recoverable	199	721
	<u>48,046</u>	<u>49,534</u>

Trade receivables due from related parties relate to Group cash deposits subject to a cash pooling agreement made with Rewe International Finance, a fellow group company based in Germany. Amounts due are interest free and repayable on demand and therefore the directors believe this balance is correctly classified as a receivable due in less than one year.

	Company 2016 £'000	Company 2015 £'000
Trade receivables	392	242
Other loans	75	84
Amounts owed by group undertakings	29,878	31,681
Amounts owed by subsidiary undertakings	1,944	1,368
Other receivables	2,828	2,653
Prepayments and accrued income	10,475	10,686
Other financial assets	2,720	1,388
Other taxation and social security	335	870
Corporation tax asset	-	892
	<u>48,647</u>	<u>49,864</u>

Amounts owed by group and subsidiary undertakings are interest free, unsecured and repayable on demand.

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 19 Cash and cash equivalents

	Group 2016 £'000	Group 2015 £'000
Cash and cash equivalents per balance sheet	19,637	14,136
Cash and cash equivalents per cash flow statement	19,637	14,136

## 20 Trade and other payables

	Group 2016 £'000	Group 2015 £'000
Payments received on account	54,638	50,777
Trade payables	19,534	20,215
Other trade payables	2,104	2,630
Accruals and deferred income	15,099	12,366
	91,375	85,988
	Company 2016 £'000	Company 2015 £'000
Payments received on account	47,314	43,356
Trade payables	17,805	17,569
Amounts owed to group undertakings	14,478	14,661
Other payables	2,006	2,348
Corporation tax liability	-	143
Accruals and deferred income	6,097	5,402
Other financial liabilities	108	290
	87,808	83,769

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 21 Employee benefits

	Group 2016 £'000	Group 2015 £'000
Defined benefit pension plan obligation	1,316	(348)
Employee jubilee plan obligation	1,377	1,235
	<u>2,693</u>	<u>887</u>

Creditors: amounts falling due after more than one year

	Company 2016 £'000	Company 2015 £'000
Defined benefit pension plan obligation	1,316	(348)
Employee jubilee plan obligation	1,377	1,235
	<u>2,693</u>	<u>887</u>

## 22 Provisions for liabilities

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Balance at start of year	1,847	-	1,707	-
Provisions made during the year	-	1,847	-	1,707
Provision utilised during the year	(140)	-	-	-
	<u>1,707</u>	<u>1,847</u>	<u>1,707</u>	<u>1,707</u>
Balance at 31 December 2016	1,707	1,847	1,707	1,707

The provision balance above represents a probable dilapidation charge on office space currently occupied by the Group. The Group's main office space was sold to a third party during the year and the provision reflects the likelihood of a dilapidation charge when the current lease expires. Professional advice in the form of a fully qualified surveyor was undertaken in order to ensure a reliable charge was realised.

## 23 Called up share capital Group and Company

	2016 £'000	2015 £'000
<i>Allotted, called up and fully paid</i>		
1,500,000 (2015 – 1,500,000) ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (continued)

## 24 Capital and reserves

### Other comprehensive income – Group current year

	Other comprehensive expense reserve £'000	Cash flow hedging reserve £'000	Accumulated losses £'000	Capital contribution reserve £'000	Total other comprehensive income/(expense) £'000
Balance as at 1 January 2016	(2,605)	722	(2,711)	8,235	3,641
Actuarial losses on defined benefit pension plan	(2,493)	-	-	-	(2,493)
Deferred tax movement on defined benefit pension plan	162	-	-	-	162
Actuarial losses on employee jubilee plan	(231)	-	-	-	(231)
Deferred tax movement on employee jubilee plan	24	-	-	-	24
Effective portion of changes in fair value of cash flow hedges	-	505	-	-	505
Deferred tax movement in respect of cash flow hedges	-	(112)	-	-	(112)
Trademark Acquisition	-	-	-	-	-
Profit for the financial year	-	-	1,006	-	1,006
Pension contribution from parent	-	-	-	-	-
Deferred tax on pension contribution from parent	-	-	-	-	-
Total other comprehensive income	(5,143)	1,115	(1,705)	8,235	2,502



# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 24 Capital and reserves (*continued*)

### Other comprehensive income – Group comparative

	Other comprehensive expense reserve £'000	Cash flow hedging reserve £'000	Accumulated losses £'000	Capital contribution reserve £'000	Total other comprehensive (expense)/income £'000
Balance as at 1 January 2015	(2,856)	912	(531)	-	(2,475)
Actuarial gains on defined benefit pension plan	643	-	-	-	643
Deferred tax movement on defined benefit pension plan	(130)	-	-	-	(130)
Actuarial losses on employee jubilee plan	(335)	-	-	-	(335)
Deferred tax movement on employee jubilee plan	67	-	-	-	67
Effective portion of changes in fair value of cash flow hedges	-	(209)	-	-	(209)
Deferred tax movement in respect of cash flow hedges	-	19	-	-	19
Trademark Acquisition	-	-	-	4,795	4,795
Loss for the financial year	-	-	(2,180)	-	(2,180)
Pension contribution from parent	-	-	-	4,300	4,300
Deferred tax on pension contribution from parent	-	-	-	(860)	(860)
Other charges	6	-	-	-	6
Total other comprehensive income	(2,605)	722	(2,711)	8,235	3,641

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 24 Capital and reserves (*continued*)

### Other comprehensive income – Company current year

	Other comprehensive expense reserve £'000	Cash flow hedging reserve £'000	Profit and loss account £'000	Capital contribution reserve £'000	Total other comprehensive income/(expense) £'000
Balance at 1 January	(2,606)	483	7,993	8,235	14,105
Actuarial losses on defined benefit pension plan	(2,492)	-	-	-	(2,492)
Deferred tax movement on defined benefit pension plan	162	-	-	-	162
Actuarial gains/ (losses) on employee jubilee plan	(231)	-	-	-	(231)
Deferred tax movement on employee jubilee plan	24	-	-	-	24
Effective portion of changes in fair value of cash flow hedges	-	499	-	-	499
Deferred tax movement in respect of cash flow hedges	-	(91)	-	-	(91)
Trademark acquisition	-	-	-	-	-
Loss for the financial year	-	-	(164)	-	(164)
Pension contribution from parent	-	-	-	-	-
Other charges	-	-	-	-	-
Total other comprehensive income	(5,143)	891	7,829	8,235	11,812

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (continued)

## 24 Capital and reserves (continued)

### Other comprehensive income – Company comparative

	Other comprehensive expense reserve £'000	Cash flow hedging reserve £'000	Profit and loss account £'000	Capital contribution reserve £'000	Total other comprehensive income £'000
Balance at 1 January	(2,856)	918	10,079	-	8,141
Actuarial gains on defined benefit pension plan	643	-	-	-	643
Deferred tax movement on defined benefit pension plan	(130)	-	-	-	(130)
Actuarial losses on employee jubilee plan	(335)	-	-	-	(335)
Deferred tax movement on employee jubilee plan	67	-	-	-	67
Effective portion of changes in fair value of cash flow hedges	-	(454)	-	-	(454)
Deferred tax movement in respect of cash flow hedges	-	19	-	-	19
Trademark acquisition	-	-	-	4,795	4,795
Loss for the financial year	-	-	(2,086)	-	(2,086)
Pension contribution from parent	-	-	-	3,440	3,440
Other charges	5	-	-	-	5
Total other comprehensive income	(2,606)	483	7,993	8,235	14,105

## Kuoni Travel Limited

### Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

#### 25 Prior year adjustments

The prior year Balance Sheets includes the following reclassifications due to the revised assessment by management of the likely timing as to when the asset will be utilised:

- Deferred tax assets in the Consolidated Balance Sheet of £1,460,000 have been reclassified from current to non-current assets.
- Deferred tax assets in the Company Balance Sheet of £1,321,000 have been reclassified from current to non-current assets.

The prior year Consolidated Income Statement includes the following reclassifications:

- Turnover has decreased by the amount of VAT payable to HMRC under the TOMS scheme of £1,743,000, and cost of sales has been reduced by the same amount.
- Other operating income has been increased by £2,087,000, interest receivable has been increased by £446,000 and non-operating income has been increased by £188,000 with a corresponding increase in cost of sales of £2,721,000.
- Administrative expenses have been increased by £53,378 with a corresponding decrease in cost of sales.

These restatements are reclassifications only and have no impact on either the prior year results or total shareholders' funds.

#### 26 Operating lease commitments

At 31 December 2016 there were annual commitments under non-cancellable operating leases as set out below:

	Group				Company			
	Land and buildings		Other		Land and buildings		Other	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Leases which expire:								
Within one year	5,976	2,673	65	-	3,556	-	65	-
Within two to five years	12,052	2,329	27	-	9,602	1,407	27	-
After more than five years	2,419	1,052	-	-	2,419	1,052	-	-
	<u>20,447</u>	<u>6,054</u>	<u>92</u>	<u>-</u>	<u>15,577</u>	<u>2,459</u>	<u>92</u>	<u>-</u>

## Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

### 27 Financial instruments

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	Carrying value 2016 £'000	Fair value 2016 £'000	Level 1 2016 £'000	Level 2 2016 £'000	Level 3 2016 £'000	Carrying value 2015 £'000	Fair value 2015 £'000	Level 1 2015 £'000	Level 2 2015 £'000	Level 3 2015 £'000
<b>Financial assets - current</b>										
<i>Loans and receivables at amortised cost:</i>										
Trade and other receivables <sup>6</sup>	33,055	-	-	-	-	34,743	-	-	-	-
Cash and cash equivalents	19,637	-	-	-	-	14,136	-	-	-	-
<i>Assets at fair value through profit and loss:</i>										
Forward rate exchange contracts	3,099	3,099	-	3,099	-	1,633	1,633	-	1,633	-
<b>Total financial assets</b>	<b>55,791</b>	<b>3,099</b>	<b>-</b>	<b>3,099</b>	<b>-</b>	<b>50,512</b>	<b>1,633</b>	<b>-</b>	<b>1,633</b>	<b>-</b>

<sup>6</sup> Excludes prepayments and accrued income of £14,792,000 (2015 - £14,070,000) and VAT recoverable of £199,000 (2015 - £721,000).

## Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 *(continued)*

### 27 Financial instruments *(continued)*

	Carrying value 2016 £'000	Fair value 2016 £'000	Level 1 2016 £'000	Level 2 2016 £'000	Level 3 2016 £'000	Carrying value 2015 £'000	Fair value 2015 £'000	Level 1 2015 £'000	Level 2 2015 £'000	Level 3 2015 £'000
<b>Financial liabilities - current</b>										
<i>Classified as financial liabilities measured at amortised cost:</i>										
Trade and other payables <sup>7</sup>	31,822	-	-	-	-	30,345	-	-	-	-
<i>Liabilities at fair value through profit and loss:</i>										
Forward rate exchange contracts	328	328	-	328	-	368	368	-	368	-
<b>Total financial liabilities</b>	<b>32,150</b>	<b>328</b>	<b>-</b>	<b>328</b>	<b>-</b>	<b>30,713</b>	<b>368</b>	<b>-</b>	<b>368</b>	<b>-</b>

<sup>7</sup> Excludes deferred income of £4,915,000 (2015 - £4,866,000) and payments received on account of £54,638,000 (2015 - £50,777,000).

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

### 27 Financial instruments (continued)

#### Credit risk

##### Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and agents

The business minimises this risk by ensuring that customer bookings are paid for in advance of departure. In the event of a customer default the Group is able to cancel bookings at minimal/zero cost with airlines and hoteliers therefore mitigating against any financial loss. The Group is also protected through ABTA and has suitable insurance policies in place in the event that a travel agent on credit failed to meet its liabilities as they fall due.

The business tracks credit risk through regular review of overdue balances and diligent credit control procedures. All new customers undergo credit checks before any credit terms are offered. If the Group foresee any financial risk with a potential customer no credit terms will be offered.

##### Exposure to credit risk

The maximum exposure to credit risk at the balance sheet date by class of financial instrument was:

	2016 £'000	2015 £'000
Trade receivables	411	502

The concentration of credit risk for trade receivables at the balance sheet date by geographic region was:

	2016 £'000	2015 £'000
United Kingdom	411	502

The concentration of credit risk for trade receivables at the balance sheet date by type of counterparty was:

	2016 £'000	2015 £'000
Agents	411	502

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

### 27 Financial instruments (continued)

#### Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	Gross 2016 £'000	Impairment 2016 £'000	Gross 2015 £'000	Impairment 2015 £'000
Not past due	-	-	161	-
Past due [0-30 days]	111	-	155	-
Past due [31-90 days]	300	-	187	-
More than 90 days	168	168	135	135
	<u>579</u>	<u>168</u>	<u>638</u>	<u>135</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016 £'000	2015 £'000
Balance at 1 January	135	88
Impairment loss recognised	33	47
Impairment loss reversed	-	-
	<u>168</u>	<u>135</u>



## Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (continued)

### 27 Financial instruments (continued)

#### Liquidity risk

*Financial risk management* Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The directors and management consider liquidity risk to be low. The Group has no external financing facilities and has appropriate cash reserves to meet its liabilities as they fall due. The Group also has the support of its ultimate parent Rewe Zentralfinanz EG

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	Carrying amount £'000	2016					Carrying amount £'000	2015				
		Contractual cash flows £'000	1 year or less £'000	1 to <2years £'000	2 to <5years £'000	5 years and over £'000		Contractual cash flows £'000	1 year or less £'000	1 to <2years £'000	2 to <5years £'000	5 years and over £'000
<b>Non-derivative financial liabilities</b>												
Trade and other payables*	31,822	-	31,822	-	-	-	30,345	-	30,345	-	-	-
<b>Derivative financial liabilities</b>												
Forward exchange contracts used for hedging: Outflow	328	328	-	-	-	-	368	368	-	-	-	-
		<b>328</b>	<b>31,822</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>368</b>	<b>30,345</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Excludes derivatives (shown separately).

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (continued)

## 27 Financial instruments (continued)

### Cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur and when they are expected to affect profit and loss"

Group	Carrying amount £'000	2016 Expected cash flows £'000	1 year £'000	Carrying amount £'000	2015 Expected cash flows £'000	1 year £'000
<b>Forward exchange contracts:</b>						
Assets	3,099	3,099	3,099	1,633	1,633	1,633
Liabilities	(328)	(328)	(328)	(368)	(368)	(368)
	<u>2,771</u>	<u>2,771</u>	<u>2,771</u>	<u>1,265</u>	<u>1,265</u>	<u>1,265</u>
<b>Company</b>						
	Carrying amount £'000	2016 Expected cash flows £'000	1 year £'000	Carrying amount £'000	2015 Expected cash flows £'000	1 year £'000
<b>Forward exchange contracts:</b>						
Assets	2,720	2,720	2,720	1,388	1,388	1,388
Liabilities	(108)	(108)	(108)	(290)	(290)	(290)
	<u>2,612</u>	<u>2,612</u>	<u>2,612</u>	<u>1,098</u>	<u>1,098</u>	<u>1,098</u>

### Market risk

#### Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The Group

The Group has no debt or financing agreements in place so has minimal risk from a financing perspective. The group does however, have high currency exposure risk. This risk is minimised through the use of effective hedging contracts (forward rate contracts) whereby the Group can reduce the foreign exchange risk on translation of liabilities in to the functional currency as they fall due.

#### Market risk - Foreign currency risk

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

#### Market risk - Interest rate risk

At the balance sheet date the group had no financial instruments subject to interest based risk.

#### Market risk - Equity price risk

At the balance sheet date the group had no investments in equity securities and therefore the risk associated with equity process is considered low.

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

### 28 Pension schemes

#### **Group and company defined benefit scheme**

The Company sponsors the plan which is a funded defined benefit arrangement. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 142 past and 10 present employees as at 31 December 2016. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

The plan is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The trustees of the plan are required to act in the best interest of the plan's beneficiaries. The appointment of the trustees is determined by the plan's trust documentation. It is policy that one third of all trustees should be nominated by the members.

The last valuation was carried out as at 31 December 2014 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the company and the trustees in line with those requirements. These in particular require the surplus / deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

The valuation was subsequently updated on a new set of actuarial assumptions in February 2016 following a review of the employer covenant following the acquisition of Kuoni by the Rewe Group in 2015. This updated actuarial valuation showed a deficit of £8,800,000. As a consequence the employer agreed with the trustees to make an annual deficit contribution of £775,000 through to 31 December 2021. In addition and in accordance with the actuarial valuation, the Company has agreed with the trustees that it will pay 42.3% of pensionable earnings (including member contributions) in respect of the cost of accruing benefits that will meet expenses of the plan and levies to the Pension Protection Fund.

For the purposes of IAS19 the preliminary results of the actuarial valuation as at 31 December 2015, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 December 2016. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

	2016 £'000	2015 £'000
Present value of funded defined benefit obligations	(31,516)	(26,447)
Fair value of scheme assets	30,200	26,795
	<hr/>	<hr/>
Deficit	(1,316)	348
Related deferred tax asset/(liability)	223	(69)
	<hr/>	<hr/>
Net (liability)/asset	(1,093)	279
	<hr/>	<hr/>

# Kuoni Travel Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (continued)

## 28 Pension schemes (continued)

### Movements in present value of defined benefit obligation

	2016 £'000	2015 £'000
At 1 January	26,447	29,037
Current service cost	92	166
Interest cost	993	979
Actuarial losses/(gains)	6,107	(1,413)
Contributions by members	36	51
Benefits paid	(2,159)	(2,373)
At 31 December	31,516	26,447

### Movements in fair value of plan assets

	2016 £'000	2015 £'000
At 1 January	26,795	24,024
Expected return on plan assets	3,615	(770)
Interest Income	1,021	887
Contributions by employer	892	4,976
Contributions by plan participants	36	51
Benefits paid	(2,159)	(2,373)
At 31 December	30,200	26,795

### Expense recognised in the profit and loss account

	2016 £'000	2015 £'000
Current service cost	92	166
Interest on defined benefit pension plan obligation	(28)	922
Total	64	1,088

### Expenses recognised in other comprehensive income

	2016 £'000	2015 £'000
Return on plan assets	3,615	(770)
Experience (gains)/losses on defined benefit pension plan obligation	353	(1,327)
Effects of changes in demographic assumptions	667	661
Effects of changes in financial assumptions	(7,128)	2,079
Total Actuarial (losses)/gains	(2,493)	643
Total recognised in other comprehensive income – (loss)/gain	(2,493)	643

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

### 28 Pension schemes (continued)

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

	2016 Fair value £'000	2015 Fair value £'000
Equities	17,987	16,009
Corporate bonds	11,683	10,307
Other	530	479
	<u>30,200</u>	<u>26,795</u>

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

	2016 %	2015 %
Discount rate	2.7%	3.9%
Future salary increases	3.6%	3.4%
Other material assumptions (e.g. future pension increases, inflation)	3.6%	3.4%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.3 years (male), 24.4 years (female).
- Future retiree upon reaching 65: 24.4 years (male), 26.7 years (female).

An analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation is as follows:

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 5.2%
Rate of inflation	Increase of 0.25% p.a.	Increase by 1.9%
Rate of salary growth	Increase of 0.25% p.a.	Increase by 0.4%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 4%
Commutation	Members commute and extra 10% of Post A Day pension on retirement	Decrease by 1.2%

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

### 28 Pension schemes (continued)

#### History of plans

The history of the plans for the current and prior periods is as follows:

#### Balance sheet

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Present value of scheme liabilities	(31,516)	(26,447)	(29,037)	(23,693)	(20,518)
Fair value of scheme assets	30,200	26,795	24,026	21,026	18,511
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
(Deficit)/surplus	(1,316)	348	(5,011)	(2,667)	(2,007)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The Company expects to contribute £700,000 (2015 - £685,000) to its defined benefit plans in the next financial year.

#### Defined contribution schemes

The contributions made to the Group Personal Pension Plan for the year ended 31 December 2016 amounted to £629,000 (2015 - £568,000).

### 29 Employee jubilee plan

The Jubilee Plan qualifies as an "other long-term employee benefit" under IAS19. Under IAS19. Companies should recognise the costs of these plans in a similar manner to a DB plan in its financial statements.

#### Amounts included in the statement of financial position

	2016 £'000	2015 £'000
Fair value of plan assets	-	-
Present value of defined benefit obligation	1,377	1,235
Deficit in scheme	(1,377)	(1,235)
Liability to be recognised	(1,377)	(1,235)
Deferred tax asset	234	260
	<u>          </u>	<u>          </u>
Net liability to be recognised	(1,143)	(975)
	<u>          </u>	<u>          </u>
At 31 December	(1,143)	(975)
	<u>          </u>	<u>          </u>

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

### 29 Employee jubilee plan (continued)

Reconciliation of opening and closing value of the jubilee plan

	2016 £'000	2015 £'000
Jubilee liability at start of year	1,235	900
Interest cost	47	30
Benefit paid	(63)	(126)
Actuarial losses due to scheme experience	107	482
Actuarial losses/(gains) due to changes in financial assumptions	187	(51)
Past service costs	(136)	-
Jubilee liability at end of year	1,377	1,235

Jubilee Payments recognised in profit or loss

	2016 £'000	2015 £'000
Jubilee payments	63	126

Significant actuarial assumptions

	2016 £'000	2015 £'000
Discount rate	2.7%	3.9%
Salary growth	3.6%	3.4%
Termination rates	(1,377)	(1,235)
Age 30	21	21
Age 40	14	14
Age 50	6	6
Age 60	-	-

# Kuoni Travel Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

### 30 Parent undertaking and controlling parties

The Group is a subsidiary undertaking of Rewe ZentralFinanz EG, which is the immediate parent company and also the ultimate parent company, incorporated in Germany.

The largest group in which the results of the Group are consolidated is that headed by Rewe ZentralFinanz EG incorporated in Germany. No other group financial statements include the results of the Group. The consolidated financial statements of Rewe ZentralFinanz EG groups are available to the public and may be obtained from Rewe ZentralFinanz EG, Domstraße 20, 50668 Köln.

### 31 Related party transactions

#### *Key management personnel*

Key management personnel costs are disclosed in note 11.

#### *Other related parties*

The Company has taken advantage of the exemption available in FRS 101 8(k) whereby it has not disclosed transactions with any wholly owned subsidiary undertaking of the Group.

During the year, the Group entered into the following transactions with related parties:

Kuoni Reisen CH (a fellow group company incorporated in Switzerland) – During the course of the year the Group acquired IT related services of £121,159 (2015 - £76,000). As at 31 December 2016, the Group held liabilities of £27,740 (2015 - £76,000.) against this expense.

Apollo (a fellow group company incorporated in Sweden) – During the course of the year the Group acquired IT related services of £Nil (2015 - £61,000). As at 31 December 2016, the Group held liabilities of £Nil (2015 - £61,000) against this expense.

Der Touristik GMBH (a fellow group company incorporated in Germany) – During the course of the year the Group acquired management services of £1,908,163 (2015 - £237,000). As at 31 December 2016, the Group held liabilities of £1,908,163 (2015 - £237,000) against this expense.

Rewe International Finance B.V (a fellow group company incorporated in the Netherlands) – During the course of the year the Group received interest of £331,959 in respect of a centralised cash pooling arrangement. (2015 £30,000). As at 31 December 2016 Rewe International Finance BV were holding £29,877,000 (2015 - £31,502,000) of on short term cash deposits for the Group.

Go Vacation Spain (a fellow group company incorporated in Spain) – During the course of the year the group acquired hotel services of £92,466 (2015 - £Nil) as at 31 December 2016, the group held liabilities of £82,635 (2015 - £Nil) against this expense.

Rewe-Versicherungsdienst Gasellschaft GmbH (a fellow group company incorporated in Germany) – During the course of the year the group acquired insurance services of £34,366 (2015 - £Nil). As at 31 December 2016, the group held liabilities of £34,366 against this expense.