

AAT King's Tours (UK) Limited

**Directors' report and financial
statements**

Registered number 2813876

31 December 2016

SATURDAY



A6BNZFQ0

A12

29/07/2017

COMPANIES HOUSE

#236

Contents

	Page
Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Independent auditor's report to the members of AAT King's Tours (UK) Limited	3
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of financial position	7
Statement of cash flows	8
Notes	9

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2016.

Principal activity

The principal activity of the company is the sale of Australian coach tours and other holiday arrangements.

Business review

Both the year-end financial position and the level of business were considered satisfactory and the directors expect that the present level of activity will be maintained for the foreseeable future.

Results and dividends

The profit for the year, after taxation, amounted to £195,475 (2015: £20,238). Directors do not recommend the payment of a dividend (2015: £nil).

Financial instruments

Details of the company's financial risk management objectives and policies are included in note 16 to the accounts.

Directors

The directors who held office during the year were as follows:

DID Howie
A Chapman

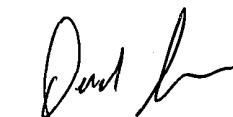
Disclosure of information to the auditor

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 auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Derek Howie
Director

15 Grosvenor Place
London
SW1X 7HH

6 June 2017

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

One Saint Peter's Square
Manchester
M2 3AE
United Kingdom

Independent auditor's report to the members of AAT King's Tours (UK) Limited

We have audited the financial statements of AAT King's Tours Limited for the year ended 31 December 2016 set out on pages 5 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' Report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of AAT King's Tours Limited *(continued)*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.



Liam Finnigan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Saint Peter's Square
Manchester
M2 3AE

12th June 2017

Statement of comprehensive income
for the year ended 31 December 2016

	<i>Note</i>	2016 £	2015 £
Revenue	2	2,392,463	2,246,059
Cost of sales		(2,150,990)	(2,223,344)
Gross profit		241,473	22,715
Finance income	5	3,589	3,093
Profit before tax		245,062	25,808
Taxation	6	(49,587)	(5,570)
Profit for the year		195,475	20,238
Total comprehensive income for the year		195,475	20,238

The results in the current and preceding year relate to continuing operations.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 9 to 22 form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2016

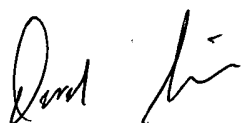
	Share capital £	Retained earnings £	Total £
Balance at 1 January 2015	50,000	683,171	733,171
Total comprehensive income for the year	-	20,238	20,238
Balance at 31 December 2015	50,000	703,409	753,409
Total comprehensive income for the year	-	195,475	195,475
Balance at 31 December 2016	50,000	898,884	948,884

The notes on pages 9 to 22 form an integral part of these financial statements.

Statement of financial position
 at 31 December 2016

	Note	2016 £	2015 £
Non-current assets			
Plant and equipment	7	1,387	2,856
Deferred tax asset	11	697	616
		<u>2,084</u>	<u>3,472</u>
Current assets			
Amounts due from related parties	8	7,882	127
Trade and other receivables	9	652,883	636,867
Cash and cash equivalents	10	1,790,020	1,325,945
		<u>2,450,785</u>	<u>1,962,939</u>
Total assets		<u>2,452,869</u>	<u>1,966,411</u>
Current liabilities			
Amounts due to related parties	12	(959,204)	(774,716)
Trade and other payables	13	(495,112)	(432,650)
Taxation payable		(49,669)	(5,636)
		<u>(1,503,985)</u>	<u>(1,213,002)</u>
Net assets		<u>948,884</u>	<u>753,409</u>
Equity			
Share capital	14	50,000	50,000
Retained earnings		898,884	703,409
		<u>948,884</u>	<u>753,409</u>
Total equity		<u>948,884</u>	<u>753,409</u>

These financial statements were approved by the board of directors on 6 June 2017 and were signed on its behalf by:



Derek Howie
 Director

The notes on pages 9 to 22 form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2016

	<i>Note</i>	2016 £	2015 £
Cash flows from operating activities			
Profit for the year		195,475	20,238
<i>Adjustments for:</i>			
Depreciation	7	1,468	1,626
Finance income	5	(3,589)	(3,093)
Taxation	6	49,669	5,570
		<hr/>	<hr/>
		243,023	24,341
 (Increase)/decrease in trade and other receivables		 (23,771)	129,417
Increase in trade and other payables		246,951	8,242
Taxation paid		(5,717)	(6,334)
		<hr/>	<hr/>
Net cash from operating activities		460,486	155,666
		<hr/>	<hr/>
Cash flows from investing activities			
Interest received	5	3,589	3,093
Acquisition of plant & equipment	7	-	(659)
		<hr/>	<hr/>
Net cash from investing activities		3,589	2,434
		<hr/>	<hr/>
Net increase in cash and cash equivalents		464,075	158,100
Cash and cash equivalents at 1 January 2016	10	1,325,945	1,167,845
		<hr/>	<hr/>
Cash and cash equivalents at 31 December 2016	10	1,790,020	1,325,945
		<hr/>	<hr/>

The notes on pages 9 to 22 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

AAT King's Tours (UK) Limited (the "company") is incorporated in the UK.

The company 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 under the historical cost accounting rules.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Revenue

The revenue shown in statement of comprehensive income represents amounts derived from ordinary activities, and is stated after trade discounts, other taxes, and net of VAT. Revenue represents the income earned from the sale of travel arrangements which have departed at the statement of financial position date plus fees from services provided to other group companies.

Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the statement of comprehensive income. Exchange differences arising on non-monetary items, carried at fair value, are included in the statement of comprehensive income, except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recorded in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Office equipment 25% straight line

Notes (continued)
(forming part of the financial statements)

1 Accounting policies (continued)

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates in force for the year 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 following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 statement of financial position 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 asset can be utilised.

Employee benefits

Defined benefit plans

The company participates in a group defined benefit pension scheme, which was closed to new members from 1 May 2004 and closed to further accrual from 1 May 2011. The assets of the scheme are held separately from those of the company in separate trustee administered funds. The pension scheme is a group plan and AAT Kings Tours (UK) Limited is not the sponsoring entity. Consequently, the scheme is accounted for as defined contribution scheme and obligations for contributions are recognised as an expense in the statement of comprehensive income as incurred. The net defined benefit cost of the pension plan is therefore recognised fully by the sponsoring employer, which is another member of the group.

Defined contribution plans

From 1 May 2004 the company participated in a group defined contribution scheme, open to all employees subject to scheme rules. The assets of the scheme are held separately from those of the company in separate trust administered funds. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

Notes (continued)
(forming part of the financial statements)

1 Accounting policies (continued)

Expenses

Operating lease payments

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

Financing income and expenses

Financing expenses comprise interest payable and interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Capital management

The company's objective when managing capital is to safeguard the entity's ability to continue as a going concern.

The company has no external debt as at 31 December 2016 and is not subject to externally imposed capital requirements; management of capital therefore focuses around its ability to generate cash from its operations.

New standards and interpretations not yet adopted

A number of new standards, amendments and interpretations have been issued but are not yet effective and have not therefore been applied in preparing these financial statements:

- IFRS 15 Revenue from Contracts with Customers: this standard deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard was endorsed on 22 September 2016 with an effective date of 1 January 2018. It is not expected to have a material impact on the Company.
- IFRS 9 Financial Instruments: this standard was endorsed on 22 November 2016 with an effective date of 1 January 2018. The revised standard replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new guidance for classification and measurement, impairment of financial instruments and hedge accounting. It is not expected to have a material impact on the Company.
- IFRS 16 Leases: issued in January 2016 with an effective date of 1 January 2019, is not yet EU endorsed. This standard eliminates the current IAS 17 dual accounting model which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases, and instead introduces a single on-balance sheet accounting model that is similar to current finance lease accounting. Management are currently in the process of assessing the potential impact of the adoption of this standard.

2 Revenue

Revenue represents commission earned on sales of tours operated in Australia, plus service fees for marketing and data processing, at invoice value, exclusive of VAT. Revenue arose exclusively from operations in the United Kingdom and Europe.

3 Expenses and auditor's remuneration

Included in profit are the following:

	2016 £	2015 £
Depreciation	1,468	1,626
Operating lease charge	3,536	8,793
Gain on foreign currency translation	(616)	(6,625)
	<hr/>	<hr/>

Notes (continued)
(forming part of the financial statements)

3 Expenses and auditor's remuneration (continued)

Auditor's remuneration:

	2016 £	2015 £
Audit of these financial statements	7,500	7,500

4 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	Number of employees 2016	Number of Employees 2015
Sales	2	2

The aggregate payroll costs of these persons were as follows:

	2016 £	2015 £
Wages and salaries	76,187	57,474
Social security costs	8,165	5,965
Other pension costs	20,566	19,421
	104,918	82,860

No director was remunerated by this group company during the year (2015: £nil).

5 Finance income

	2016 £	2015 £
Bank interest receivable	3,589	3,093

6 Taxation

Recognised in the statement of comprehensive income

	2016 £	2015 £
<i>Current tax expense</i>		
Current year	49,669	5,636
	49,669	5,636
<i>Deferred tax expense</i>		
Origination/reversal of timing differences	(82)	(66)
Total tax in statement of comprehensive income	49,587	5,570

Notes (continued)
(forming part of the financial statements)

6 Taxation (continued)

Reconciliation of effective tax rate

	2016 £	2015 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	245,062	25,808
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 20.00% (2015: 20.25%)	49,012	5,226
	<hr/>	<hr/>
<i>Effects of:</i>		
Non-deductible expenses	575	344
	<hr/>	<hr/>
Total current tax in statement of comprehensive income	49,587	5,570
	<hr/>	<hr/>

The company is subject to income tax at a rate of 20%. [wording to be added when available]

Notes (continued)
(forming part of the financial statements)

7 Plant and Equipment

	Office Equipment £
Cost	
Balance at 1 January 2015	10,199
Additions	659
	<hr/>
Balance at 31 December 2015	10,858
	<hr/>
Balance at 1 January 2016	10,858
Additions	-
	<hr/>
Balance at 31 December 2016	10,858
	<hr/>
Depreciation	
Balance at 1 January 2015	6,376
Depreciation charge for the year	1,626
	<hr/>
Balance at 31 December 2015	8,002
	<hr/>
Balance at 1 January 2016	8,002
Depreciation charge for the year	1,467
	<hr/>
Balance at 31 December 2016	9,469
	<hr/>
At 31 December 2015	2,856
	<hr/>
At 31 December 2016	1,387
	<hr/>

8 Amount due from related parties

Amounts due from other members of The Travel Corporation Limited ("TTC") group, which are unsecured, non-interest bearing, and payable on demand are:

	2016 £	2015 £
Evan Evans Tours Limited	-	127
AAT Kings Tours International Limited	7,882	-
	<hr/>	<hr/>
	7,882	127
	<hr/>	<hr/>

The company's exposure to credit risk and impairment losses related to amounts due from related parties is disclosed in note 16.

Notes (continued)
 (forming part of the financial statements)

9 Trade and other receivables

	2016 £	2015 £
Trade receivables	328,527	432,456
VAT receivable	316,212	196,685
Prepayments and accrued income	8,144	7,726
	<u>652,883</u>	<u>636,867</u>

The company's exposure to credit risk and impairment losses related to trade receivables is disclosed in note 16.

10 Cash and cash equivalents

	2016 £	2015 £
Cash and cash equivalents	<u>1,790,020</u>	<u>1,325,945</u>

The company's exposure to credit, currency and interest rate risk is disclosed in note 16.

11 Deferred tax asset

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2016 £	2015 £
Plant and equipment	<u>697</u>	<u>616</u>

The deferred tax asset account consists of the tax effect and timing differences in respect of excess of taxation allowances over depreciation on plant and equipment.

The movement in the deferred taxation during the year:

	2016 £	2015 £
At 1 January 2016	616	550
Recognised in statement of comprehensive income	81	66
	<u>697</u>	<u>616</u>
At 31 December 2016		

Notes (continued)
(forming part of the financial statements)

12 Amounts due to related parties

Amounts owing to other members of the TTC group, which are unsecured, non-interest bearing, and payable on demand are:

	2016 £	2015 £
<i>Parent company</i>		
AAT King's Tours International Limited	704,527	352,575
<i>Other Group Companies</i>		
Contiki Services Limited	35	484
Insight Travel Services Limited	68,002	31,808
Insight Vacations Limited	3,538	3,538
Travcorp Management Services Limited	6,613	2,464
Radical Travel Group Limited	-	-
TTC Travel Group Limited	176,370	383,847
Trafalgar Tours Limited	119	-
	<u>959,204</u>	<u>774,716</u>

The company's exposure to liquidity risk related to amounts due to related parties is disclosed in note 16.

13 Trade and other payables

	2016 £	2015 £
Trade payables	5,959	4,971
Accruals and deferred income	489,152	427,679
	<u>495,112</u>	<u>432,650</u>

The company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 16.

14 Share Capital

	2016 No	2016	2015 No	2015 £
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each classified in shareholders' funds	50,000	50,000	50,000	50,000
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

Notes (continued)
(forming part of the financial statements)

15 Pension scheme

The company contributes to a group pension scheme open to all employees, subject to scheme rules. The scheme comprises a defined benefit scheme, which was closed to new members from 1 May 2004 and closed to further accrual from 1 May 2011, and a defined contribution scheme, which was opened on 1 May 2004. The assets of the scheme are held in separate trustee administered funds.

The defined benefit group plan is accounted for as a defined contribution scheme as there is no contractual agreement allocating the cost of the scheme, although it is accounted for as a defined benefit scheme by the ultimate controlling party.

During the year ended 31 December 2016 £2,431 was charged against profits in respect of the defined benefit scheme (2015: £2,431) and £16,989 was charged against profits in respect of the defined contribution scheme (2015: £16,989).

Plan assets consist of the following:

	2016 £000	2015 £000
Present value of funded defined benefit obligations	44,327	34,802
Fair value of plan assets	(25,295)	(21,420)
Net liability	19,032	13,382

Movement in the present value of the defined benefit obligation:

	2016 £000	2015 £000
Liability for defined benefit obligations at 1 January	34,802	36,797
Interest cost	1,279	1,233
Benefits paid by the plan	(489)	(1,082)
Actuarial (gains)/losses recognised in equity	8,735	(2,146)
Liability for defined benefit obligations at 31 December	44,327	34,802

Movement in fair value of plan assets:

	2016 £000	2015 £000
Fair value of plan assets at 1 January	21,420	21,248
Interest cost	799	718
Employer contributions	820	810
Benefits paid by the plan	(489)	(1,082)
Actuarial (loss)/gains recognised in equity	2,745	(274)
Fair value of plan assets at 31 December	25,295	21,420

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Notes (continued)
(forming part of the financial statements)

15 Pension scheme (continued)

Expense recognised in statement of comprehensive income

	2016 £000	2015 £000
Interest cost	480	515
	<u>480</u>	<u>515</u>

Plan assets consist of the following:

	2016 £000	2015 £000
Equity securities	10,970	15,345
Bonds	10,331	4,053
Property	3,438	1,325
Cash	556	697
	<u>25,295</u>	<u>21,420</u>

	2016 £000	2015 £000
Interest credit (on plan assets)	799	718
Actual return on plan assets	3,544	443
	<u></u>	<u></u>

Actuarial assumptions:

Principal actuarial assumptions at the reporting date (expressed as weighted averages) were as follows:

	2016 %	2015 %
Discount rate	2.6	3.7
Future salary increases	3.3	3.2
Future pension increases on benefits accrued from 1997 to 2008	3.8	3.8
Future pension increases on benefits accrued post 2008	3.3	3.2
Rate of increase on deferred pensions	2.3	2.2
Retail Price Inflation - pre-retirement	3.3	3.2
Retail Price Inflation - post-retirement	3.6	3.5
Consumer Price Inflation - pre-retirement	2.3	2.2

Notes (continued)
(forming part of the financial statements)

15 Pension scheme (continued)

History of plans

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

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Present value of the defined benefit obligation	(44,327)	(34,802)	(36,797)	(30,474)	(29,745)
Fair value of plan assets	25,295	21,420	21,248	20,100	17,243
Deficit in the plan	(19,032)	(13,382)	(15,549)	(10,374)	(12,502)
Experience adjustments on plan liabilities	0.4%	1.0%	(0.3%)	(0.3%)	(1.9%)
Experience adjustments on plan assets	10.9%	(1.3%)	0.4%	8.6%	6.1%

16 Financial risk management objectives and policies

The company holds or issues financial instruments in order to achieve three main objectives, as follows:

- a) to finance its operations;
- b) to manage its exposure to interest risk from its operations and from its sources of finance; and
- c) for trading purposes.

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the company's operations.

Transactions in financial instruments result in the company assuming or transferring to another party in one or more of the financial risks described below.

Credit risk

The company monitors credit risk closely and considers that its current policies of credit checks meet its objectives of managing exposure to credit risk.

The intercompany balances are not considered to represent a significant credit risk by the directors. Amounts shown in the statement of financial position represent the maximum credit risk exposure in the event of other parties failing to perform their obligations under financial instruments. The maximum exposure at the reporting date was:

	Carrying amount 2016 £	Carrying amount 2015 £
Amounts due from related parties	7,882	127
Trade receivables	328,527	432,456
Cash and cash equivalents	1,790,020	1,325,945
At 31 December 2016	2,126,429	1,758,528

Notes (continued)
 (forming part of the financial statements)

16 Financial risk management objectives and policies (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount 2016 £	Carrying amount 2015 £
United Kingdom	239,448	353,327
Australia	63,452	58,615
Europe	25,627	20,514
	<u>328,527</u>	<u>432,456</u>

Credit risk with respect to trade receivables is monitored on an on-going basis by the credit control team and finance management. The term of debt is within 30 days of recognition. At the statement of financial position date, the 4 largest trade receivables, by customer, accounted for 23% (2015: 23%) of the total trade receivables balance.

Receivables by age and impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2016 £	Impairment 2016 £	Gross 2015 £	Impairment 2015 £
Not past due	233,365	-	196,156	-
Past due 0-30 days	72,317	-	155,484	-
Past due 31-120 days	20,999	-	69,128	-
120 days +	1,846	-	11,688	-
	<u>328,527</u>	<u>-</u>	<u>432,456</u>	<u>-</u>

Based on historic default rates, the company believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to one year. All of this balance relates to customers that have a good track record with the company.

Liquidity risk

The company at all times maintains adequate committed cash in order to meet all its commitments as and when they fall due. Trade payables of £5,959 (2015: £4,971) and amounts due to related parties of £959,204 (2015: £774,716) are payable within six months or less from the year end.

Interest rate risk

The company invests its cash in a range of cash deposit accounts with UK Banks. Interest earned therefore closely follows movements in Bank of England base rates. A movement of 1 percent of this rate would result in a difference in annual pre-tax profit of £17,900 (2015: £13,259), based on company cash and cash equivalents and financial instruments at 31 December 2016.

Currency risk

The company is exposed to foreign exchange risk in respect of transactions involving Australian dollars and the Euro. The company does not use forward exchange contracts to hedge the company's exposure to foreign currency risk in the local reporting currency.

Notes (continued)
 (forming part of the financial statements)

16 Financial risk management objectives and policies (continued)

Exposure to currency risk

The company's exposure to foreign currency risk at the year-end is as follows:

	2016 GBP	2016 AUD	2016 EUR	2015 GBP	2015 AUD	2015 EUR
Trade receivables	239,438	63,462	25,627	353,326	58,657	20,514
Amounts due from related parties	-	-	7,882	127	-	-
Trade payables	5,959	-	-	(4,971)	-	-
Amounts due to related parties	512,728	446,476	-	352,133	358,574	(64,009)
Cash and cash equivalents	1,338,127	289,853	161,231	1,072,008	42,807	210,454
Gross statement of financial position exposure	2,096,252	799,791	194,740	1,772,623	460,038	166,959

The following significant exchange rates applied during the year:

	Average rate 2016	2015	Reporting date spot rate 2016	2015
AUD	0.551	0.492	0.587	0.493
EUR	0.819	0.726	0.856	0.737

Sensitivity analysis

A 10% strengthening of the pound against the following currencies at 31 December 2016 would have decreased profit or loss by the amounts shown below. This analysis assumes all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2015.

	2016 £	2015 £
AUD	10,149	(46,004)
EUR	(12,239)	(16,696)

A 10% weakening of the pound against the above currencies at 31 December 2016 would have had the equal but opposite effect of the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The company is not exposed to any currency risk in respect of balances due to or from related parties as all transactions during the year occur in Pounds Sterling and all balances at the year-end are denominated in Pounds Sterling.

Fair value

The directors are of the opinion that the carrying value of financial instruments approximates fair value.

Trade and other receivables are valued at amortised cost. Impairment losses are estimated at year end by reviewing amounts outstanding and assessing the likelihood of recoverability.

Notes (continued)
(forming part of the financial statements)

17 Commitments under operating leases

Non-cancellable operation lease rentals are payable as follows:

	2016 £	2015 £
Less than one year	3,479	2,232
Between two and five years	5,219	-
Over five years	-	-
	<u>8,698</u>	<u>2,232</u>

During the year £3,536 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2015: £8,793).

18 Related party transactions

During the year the company received services from other members of the group as follows:

	2016 £	2015 £
<i>Administrative expenses:</i>		
Insight Travel Services Limited	61,699	67,550
	<u>61,699</u>	<u>67,550</u>

During the year the company provided services to other members of the group as follows:

	2016 £	2015 £
<i>Revenue:</i>		
Parent Company		
AAT King's Tours International Limited	2,392,463	2,246,059
	<u>2,392,463</u>	<u>2,246,059</u>

Guarantees

A bond for £775,392 (2015: £774,998) given to ABTA by bankers on behalf of the company is secured by a specific counter indemnity given to those bankers by Contiki Tours International Limited.

Details of the company's immediate parent and of the ultimate controlling party are included in note 19.

19 Ultimate parent company and parent company of larger group

The company's ultimate parent undertaking is The Travel Corporation Limited, a company incorporated in the British Virgin Islands.

The largest group in which the results of the company are consolidated is that headed The Travel Corporation Limited, a company incorporated in the British Virgin Islands. The smallest group in which they are consolidated is that headed by AAT King's Tours International Limited, a company registered in the British Virgin Islands. Neither set of consolidated financial statements are available to the public.