

AAT King's Tours (UK) Limited

**Directors' report and financial
statements**

Registered number 2813876

31 December 2013

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2013.

Principal activities

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 £76,165 (2012: £41,526). Directors do not recommend the payment of a dividend £nil (2012: £nil).

Financial instruments

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

Directors and directors' interests

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


DID Howie
Director

Wells House
15 Elmfield Road
Bromley
Kent
BR1 1LS

1 May 2014

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

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Navigation way
Preston
PR2 2YF
United Kingdom

Independent auditors' 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 2013 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 2013 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

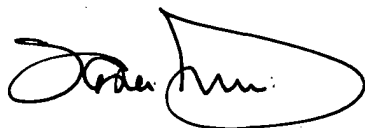
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 in not preparing a strategic report.



Stephen Dunn (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Edward VII Quay
Navigation Way
Ashton-on-Ribble
Preston
PR2 2YF

1 May 2014

Statement of comprehensive income
for the year ended 31 December 2013

	<i>Note</i>	2013 £	2012 £
Revenue	2	2,324,585	2,129,066
Cost of sales	3,4	(2,225,842)	(2,075,418)
Gross profit		98,743	53,648
Finance income	5	2,852	3,998
Profit before tax		101,595	57,646
Taxation	6	(25,430)	(16,120)
Profit for the year		76,165	41,526
Total comprehensive income for the year		76,165	41,526

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 2013

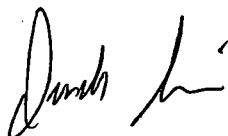
	Share capital	Retained earnings	Total
	£	£	£
Balance at 1 January 2012	50,000	547,786	597,786
Total comprehensive income for the year	-	41,526	41,526
Balance at 31 December 2012	50,000	589,312	639,312
Total comprehensive income for the year	-	76,165	76,165
Balance at 31 December 2013	50,000	665,477	715,477

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

Statement of financial position
at 31 December 2013

	<i>Note</i>	2013 £	2012 £
Non-current assets			
Plant and equipment	7	2,629	3,238
Deferred tax asset	11	599	599
		<u>3,228</u>	<u>3,837</u>
Current assets			
Amounts due from related parties	8	3,140	2
Trade and other receivables	9	646,123	393,244
Cash and cash equivalents	10	1,838,137	1,520,543
		<u>2,487,400</u>	<u>1,913,787</u>
Total assets		<u>2,490,628</u>	<u>1,917,624</u>
Current liabilities			
Amounts due to related parties	12	(1,202,073)	(731,460)
Trade and other payables	13	(547,675)	(530,870)
Taxation payable		(25,403)	(15,982)
		<u>(1,775,151)</u>	<u>(1,278,312)</u>
Total liabilities		<u>(1,775,151)</u>	<u>(1,278,312)</u>
Net assets		<u>715,477</u>	<u>639,312</u>
Equity			
Share capital	14	50,000	50,000
Retained earnings		665,477	589,312
		<u>715,477</u>	<u>639,312</u>
Total equity		<u>715,477</u>	<u>639,312</u>

These financial statements were approved by the board of directors 1 May 2014 and were signed on its behalf by:



DID 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 2013

	<i>Note</i>	2013 £	2012 £
Cash flows from operating activities			
Profit for the year		76,165	41,526
<i>Adjustments for:</i>			
Depreciation	7	1,394	763
Finance income	5	(2,852)	(3,998)
Taxation	6	25,430	16,120
		<hr/>	<hr/>
		100,137	54,411
 Increase in trade and other receivables		 (256,019)	 (123,398)
Increase in trade and other payables		487,418	255,197
Taxation paid		(16,009)	(3,578)
		<hr/>	<hr/>
Net cash from operating activities		315,527	182,632
		<hr/>	<hr/>
Cash flows from investing activities			
Interest received	5	2,852	3,998
Acquisition of plant & equipment	7	(785)	(2,403)
		<hr/>	<hr/>
Net cash from investing activities		2,067	1,595
		<hr/>	<hr/>
Net increase in cash and cash equivalents		317,594	184,227
Cash and cash equivalents at 1 January	10	1,520,543	1,336,316
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	10	1,838,137	1,520,543
		<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.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The directors do not consider there to be any significant areas of estimation uncertainty in relation to these financial statement.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements relate to revenue recognition. The directors have made the judgement to recognise revenue in full on the departure date of the tour. This policy also applies to cancellation revenue, which is not recognised until the departure date.

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)

1 Accounting policies (continued)

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, 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 and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

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.

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)

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, finance charges on shares classified as liabilities and finance leases, interest receivable on funds invested, dividend income.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established.

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 2013 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 to standards and interpretations have been issued during the year ended 31 December 2013 but are not yet effective, and therefore have not yet been applied in preparing these financial statements:

Amendment to IAS 32 *Financial Instruments: Presentation* focusing on the offsetting of financial assets and financial liabilities – the amendments clarify the offsetting criteria in IAS 32 and addresses inconsistencies in application. These amendments are effective for annual periods beginning on or after 1 January 2014. Early adoption is permitted to allow application of amendments at the same time as first applying IFRS 10.

IFRS 9 'Financial instruments' (2010) – On 28 October 2010, the IASB published a revised version of IFRS 9 'Financial instruments'. The revised standard retains the requirements for classification and measurement of financial assets that were published in November 2009 but adds guidance on the classification and measurement of financial liabilities. As part of its restructuring of IFRS 9, the IASB also copied the guidance on derecognition of financial instruments and related implementation guidance from IAS 39 'Financial instruments: recognition and measurement to IFRS 9'. On 19 November 2011, the IASB issued 'Mandatory effective date and Transition Disclosures.' IFRS 9 has not yet been adopted by the EU and the effective date is currently unknown.

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:

	2013 £	2012 £
Depreciation	1,394	763
Operating lease charge	15,877	13,832
Gain on foreign currency translation	(21,193)	(5,765)
	<u> </u>	<u> </u>

Notes (continued)

4 Expenses and auditor's remuneration (continued)

Auditors' remuneration:

	2013 £	2012 £
Audit of these financial statements	8,355	6,540

5 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 2013	Number of Employees 2012
Sales	7	7

The aggregate payroll costs of these persons were as follows:

	2013 £	2012 £
Wages and salaries	201,496	190,869
Social security costs	22,927	19,104
Other pension costs	27,419	26,364
	251,842	236,337

No director was remunerated by this group company during the year (2012: nil).

6 Finance income

	2013 £	2012 £
Bank interest receivable	2,852	3,998

7 Taxation

Recognised in the statement of comprehensive income

	2013 £	2012 £
<i>Current tax expense</i>		
Current year	25,403	15,982
	25,403	15,982
<i>Deferred tax expense</i>		
Origination and reversal of timing differences	27	138
Total tax in statement of comprehensive income	25,430	16,120

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2013 £	2012 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	101,595	57,646
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 23.25% (2012: 24.5%)	23,620	14,123
Non-deductible expenses	1,810	1,997
	<hr/>	<hr/>
Total tax in statement of comprehensive income	25,430	16,120
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 31 December 2013 which has been calculated based on the rate of 20% substantively enacted at the statement of financial position date.

Notes (continued)

9 Plant and Equipment

	Office Equipment £
Cost	
Balance at 1 January 2012	4,087
Additions	2,403
	<hr/>
Balance at 31 December 2012	6,490
	<hr/>
Balance at 1 January 2013	6,490
Additions	785
	<hr/>
Balance at 31 December 2013	7,275
	<hr/>
Depreciation	
Balance at 1 January 2012	2,489
Depreciation charge for the year	763
	<hr/>
Balance at 31 December 2012	3,252
	<hr/>
Balance at 1 January 2013	3,252
Depreciation charge for the year	1,394
	<hr/>
Balance at 31 December 2013	4,646
	<hr/>
Net book value	
At 1 January 2012	1,598
	<hr/>
At 31 December 2012 and 1 January 2013	3,238
	<hr/>
At 31 December 2013	2,629
	<hr/>

10 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:

	2013 £	2012 £
Evan Evans Tours Limited	554	-
Travcorp Managament Services Limited	1,448	-
AAT Kings Tours (Deutschland) GMBH	1,138	-
	<hr/>	<hr/>
	3,140	-
	<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)

11 Trade and other receivables

	2013 £	2012 £
Trade receivables	428,197	338,153
VAT receivable	184,237	49,664
Prepayments and accrued income	33,689	5,427
	<u>646,123</u>	<u>393,244</u>

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

12 Cash and cash equivalents

	2013 £	2012 £
Cash and cash equivalents	1,838,137	1,520,543

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

13 Deferred tax asset

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2013 £	2012 £
Plant and equipment	599	599

11 Deferred tax asset (continued)

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:

	2013 £	2012 £
At 1 January 2013	599	737
Recognised in statement of comprehensive income	-	(138)
	<u>599</u>	<u>599</u>
At 31 December 2013	599	599

Notes (continued)

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:

	2013 £	2012 £
<i>Parent company</i>		
AAT King's Tours International Limited	1,073,572	662,748
<i>Other Group Companies</i>		
Contiki Services Limited	4,059	3,735
Insight Travel Services Limited	58,584	64,445
AAT Kings Tours (Deutschland) GMBH	-	350
Travcorp Management Services Limited	-	182
Radical Travel Group Limited	65,858	-
	<u>1,202,073</u>	<u>731,460</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

	2013 £	2012 £
Trade payables	95,711	17,356
Other payables	-	19,693
Accruals and deferred income	451,964	493,821
	<u>547,675</u>	<u>530,870</u>

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

14 Share Capital

	2013 £	2012 £
<i>Authorised</i>		
50,000 Ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
	2013 No	2013 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each classified in shareholders' funds	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

15 Pension scheme

The company contributes to a group pension scheme open to all employees, subject to scheme rules. The scheme comprises a group plan defined benefit scheme, which was closed to new members from 1 May 2004 and closed to further accrual from 1 May 2011 and a group plan defined contribution scheme, which was opened on 1 May 2004. The assets 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.

Notes (continued)

15 Pension scheme (continued)

During the year ended 31 December 2013 £15,288 was charged against profits in respect of the defined benefit scheme (2012: £13,387) and £12,131 was charged against profits in respect of the defined contribution scheme (2012: £11,093).

	2013 £000	2012 £000
Present value of funded defined benefit obligations	30,474	29,745
Fair value of plan assets	(20,100)	(17,243)
Net liability	10,374	12,502

Movement in the present value of the defined benefit obligation:

	2013 £000	2012 £000
Liability for defined benefit obligations at 1 January	29,745	24,976
Interest cost	1,213	1,169
Current service cost	-	-
Benefits paid by the plan	(321)	(217)
Members contributions	-	-
Curtailment	-	-
Actuarial losses/(gains) recognised in equity	(163)	3,817
Liability for defined benefit obligations at 31 December	30,474	29,745

Movement in fair value of plan assets:

	2013 £000	2012 £000
Fair value of plan assets at 1 January	17,243	14,989
Interest cost	716	715
Employer contributions	732	706
Member contributions	-	-
Benefits paid by the plan	(321)	(217)
Expected return on plan assets	-	-
Actuarial gains recognised in equity	1,730	1,050
Fair value of plan assets at 31 December	20,100	17,243

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)

15 Pension scheme (continued)

Expense recognised in statement of comprehensive income

	2013 £000	2012 £000
Current service costs	453	498
Interest on obligation	-	-
Expected return on plan assets	-	-
Curtailment	-	-
	<u>453</u>	<u>498</u>

Plan assets consist of the following:

	2013 £000	2012 £000
Equity securities	15,126	12,491
Bonds	3,076	2,495
Property	372	131
Cash	1,526	2,126
	<u>20,100</u>	<u>17,243</u>

	2013 £000	2012 £000
Actual return on plan assets	<u>2,445</u>	<u>1,766</u>

Actuarial assumptions:

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

	2013 %	2012 %
Discount rate	4.40	4.10
Expected return on plan assets	-	-
Future salary increases	3.50	4.00
Future pension increases on benefits accrued from 1997 to 2008	3.90	3.60
Future pension increases on benefits accrued post 2008	3.40	2.90
Rate of increase on deferred pensions	2.50	2.00
Retail Price Inflation - pre-retirement	3.50	3.00
Retail Price Inflation - post-retirement	3.70	3.00
Consumer Price Inflation - pre-retirement	2.50	2.00

Notes (continued)

15 Pension scheme (continued)

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

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Present value of the defined benefit obligation	(30,474)	(29,745)	(24,976)	(21,169)	(19,974)
Fair value of plan assets	20,100	17,243	14,989	15,382	13,010
Deficit in the plan	(10,374)	(12,502)	(9,987)	(5,787)	(6,964)
Experience adjustments on plan liabilities	(0.30%)	(1.90)%	(2.8)%	2.1%	(1.80)%
Experience adjustments on plan assets	-	4.80%	(12.7)%	5.2%	10.70%

16 Financial risk management objectives and policies

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

- to finance its operations;
- to manage its exposure to interest risk from its operations and from its sources of finance; and
- 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 2013 £	Carrying amount 2012 £
Amounts due from related parties	3,140	-
Trade receivables	428,197	338,153
Cash and cash equivalents	1,838,137	1,520,543
At 31 December	2,269,474	1,858,696

Notes (continued)

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 2013 £	Carrying amount 2012 £
United Kingdom	336,263	308,026
Australia	81,365	-
Europe	10,569	30,187
	<u>428,197</u>	<u>338,213</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 73% of the total trade receivables balance, and the largest individual balance was £109,948.

Receivables by age and impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2013 £	Impairment 2013 £	Gross 2012 £	Impairment 2012 £
Not past due	296,294	-	198,626	-
Past due 0-30 days	102,767	-	121,653	-
Past due 31-120 days	27,842	-	17,934	-
120 days +	1,294	-	-	-
	<u>428,197</u>	<u>-</u>	<u>338,213</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 £95,711 (2012: £17,356) and amounts due to related parties of £1,202,073 (2012: £731,461) 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 £18,381, based on company cash and cash equivalents and financial instruments at 31 December 2013.

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)

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:

	2013 GBP	2013 AUD	2013 EUR	2012 GBP	2012 AUD	2012 EUR
Trade receivables	336,263	81,365	10,569	298,079	32,588	7,486
Amounts due from related parties	3,140	-	-	-	-	-
Trade payables	(95,711)	-	-	(17,356)	-	-
Amounts due to related parties	(936,189)	(282,220)	16,336	(538,709)	(265,694)	72,942
Cash and cash equivalents	1,579,000	144,492	114,025	1,268,368	317,989	59,730
Gross statement of financial position exposure	886,503	(56,363)	140,930	1,010,382	84,883	140,158

The following significant exchange rates applied during the year:

	Average rate 2013	2012	Reporting date spot rate 2013	2012
AUD	0.617	0.653	0.540	0.639
EUR	0.563	0.811	0.832	0.811

Sensitivity analysis

A 10% strengthening of the pound against the following currencies at 31 December 2013 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 2012.

	2013 £	2012 £
AUD	5,636	(8,488)
EUR	(14,093)	(14,016)

A 10% weakening of the pound against the above currencies at 31 December 2013 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)

17 Commitments under operating leases

Non-cancellable operation lease rentals are payable as follows:

	2013 £	2012 £
Less than one year	8,764	12,909
Between two and five years	6,908	9,323
Over five years	-	-
	<u>15,672</u>	<u>22,232</u>

During the year £15,877 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2012: £13,832).

18 Related party transactions

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

	2013 £	2012 £
<i>Administrative expenses:</i>		
Insight Travel Services Limited	58,938	47,354
Contiki Services Limited	13,643	10,427
	<u>72,581</u>	<u>57,781</u>

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

	2013 £	2012 £
<i>Revenue:</i>		
<i>Parent Company</i>		
AAT King's Tours International Limited	2,324,585	2,117,175
	<u></u>	<u></u>

Guarantees

A bond for £737,400 (2012: £672,700) 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.