

COMPANIES HOUSE  
EDINBURGH

30 SEP 2019

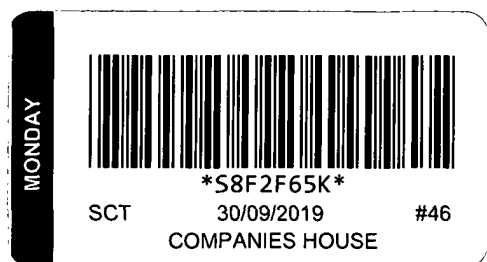
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Morag's Lodges Limited

Annual report and financial statements

Registered number SC192271

For the year ended 31 December 2018



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## Strategic report

The directors present their annual strategic report, directors' report and the audited financial statements for the year ended 31 December 2018.

### Principal activity

The principal activity of the company is the operation of tourist accommodation and licensed premises.

### Performance of the business

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

The profit for the year after taxation was £62,519 (2017: £75,533).

No dividends were paid in the year (2017: *Nil*).

### Key performance indicators

The key indicators of performance revolve around bed nights, passenger revenue and other overhead costs. On all these measures, the directors are satisfied that budget assumptions are being met.

### Principal risks

The company uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The main risk arising from the company's financial instruments is credit risk. The directors review and agree policies for managing financial risks as summarised below.

Credit risk is managed by agreeing payment terms in advance and by having in place appropriate credit control procedures. Where credit risk is considered to be higher than acceptable, payment must be provided in advance. The company's transactions are undertaken predominantly in sterling and therefore the Directors do not consider that foreign currency risk is significant, although this will be kept under review.

Whilst the outcome and impact of Brexit is unknown, the Directors have considered the possible impact on the company and consider that, due to the nature of the business, they believe that the outcome is unlikely to be significant.

### Future developments

The directors aim to maintain the management policies which have resulted in the Company's results for the year.

The directors believe that acceptable levels of operating profitability will be delivered in 2019.

By order of the board



Derek Howie  
Director

Atholl Exchange,  
6 Canning Street,  
Edinburgh,  
EH3 8EG

## Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2018.

### Going concern

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.

### Financial instruments

Details of the company's financial risk management objectives and policies are included in note 15 to the financial statements.

### Directors

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

Derek Howie  
Christopher Graeme Ward

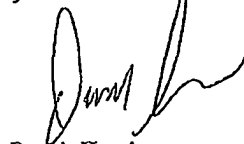
### Disclosure of information to auditors

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 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.

### Auditor

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

Atholl Exchange,  
6 Canning Street,  
Edinburgh,  
EH3 8EG

## **Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements**

The directors are responsible for preparing the Strategic Report, 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 International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

## **Independent auditor's report to the members of Morag's Lodges Limited**

### **Opinion**

We have audited the financial statements of Morag's Lodges Ltd ("the company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the carrying value of assets and liabilities and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## **Independent auditor's report to the members of Morag's Lodges Limited (*continued*)**

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **Independent auditor's report to the members of Morag's Lodges Limited (*continued*)**

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



30/9/19

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



**Statement of comprehensive income**  
*for the year ended 31 December 2018*

	<i>Note</i>	2018 £	2017 £
Revenue	2	708,027	564,275
Cost of sales		(150,966)	(137,124)
<b>Gross profit</b>		<b>557,061</b>	<b>427,151</b>
Administrative expenses	3	(476,725)	(329,804)
<b>Operating profit</b>		<b>80,336</b>	<b>97,347</b>
<b>Profit before taxation</b>		<b>80,336</b>	<b>97,347</b>
Taxation	5	(17,817)	(21,814)
<b>Profit for the year</b>		<b>62,519</b>	<b>75,533</b>
<b>Total comprehensive income for the year</b>		<b>62,519</b>	<b>75,533</b>

All of the activities of the company are classed as continuing.

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

The notes on pages 11 to 23 form an integral part of these financial statements.

**Statement of changes in equity**  
*for the year ended 31 December 2018*

	Share capital	Retained earnings	Total
	£	£	£
At 1 January 2017	2	337,848	337,850
Total comprehensive income for the year	-	75,533	75,533
At 31 December 2017	2	413,381	413,383
Total comprehensive income for the year	-	62,519	62,519
At 31 December 2018	2	475,900	475,902

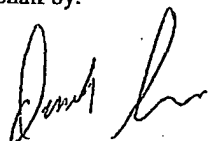
The notes on pages 11 to 23 form an integral part of these financial statements.

**Statement of financial position**  
*as at 31 December 2018*

	<i>Note</i>	2018 £	2017 £
<b>Non-current assets</b>			
Property, plant and equipment	6	565,532	567,263
<b>Current assets</b>			
Inventory	8	4,956	6,354
Trade and other receivables	9	2,505	3,166
Cash and cash equivalents	10	336,998	164,799
Deferred tax assets	7	2,126	2,748
		346,585	177,067
<b>Total assets</b>		<b>912,117</b>	<b>744,330</b>
<b>Non-current liabilities</b>			
Amounts due to related parties	11	(340,739)	(256,760)
<b>Current liabilities</b>			
Amounts due to related parties	11	(100)	-
Trade and other payables	12	(77,933)	(53,346)
Tax payable		(17,443)	(20,841)
		(95,476)	(74,187)
<b>Total liabilities</b>		<b>(436,215)</b>	<b>(330,947)</b>
<b>Net assets</b>		<b>475,902</b>	<b>413,383</b>
<b>Equity</b>			
Share capital	14	2	2
Retained earnings		475,900	413,381
<b>Total equity</b>		<b>475,902</b>	<b>413,383</b>

The notes on pages 11 to 23 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 20 September 2019 and were signed on its behalf by:



**Derek Howie**  
*Director*

**Statement of cash flows**  
*for the year ended 31 December 2018*

	<i>Note</i>	<b>2018</b> £	<b>2017</b> £
<b>Cash flows from operating activities</b>			
Profit for the year		62,519	75,533
<i>Adjustments for:</i>			
Depreciation	6	32,578	28,692
Taxation	5	17,817	21,814
		<u>112,914</u>	<u>126,039</u>
Decrease in trade and other receivables	9	661	9,907
Decrease/(increase) in stock	8	1,398	(768)
Increase in trade and other payables	12	24,587	36,070
		<u>139,560</u>	<u>171,248</u>
Tax paid		(20,593)	(18,696)
<b>Net cash generated from operating activities</b>		<u>118,967</u>	<u>152,552</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	6	(30,847)	(27,551)
<b>Net cash used in investing activities</b>		<u>(30,847)</u>	<u>(27,551)</u>
<b>Cash flows from financing activities</b>			
Increase/(decrease) in amounts due to related parties	11	84,079	(72,011)
<b>Net cash generated from/(used in) financing activities</b>		<u>84,079</u>	<u>(72,011)</u>
Net increase in cash and cash equivalents		172,199	52,990
Cash and cash equivalents at 1 January	10	164,799	111,809
<b>Cash and cash equivalents at 31 December</b>	10	<u>336,998</u>	<u>164,799</u>

The notes on pages 11 to 23 form an integral part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Morag's Lodges Limited ("the company") is a company incorporated in the UK. The registered number is SC192271 and the registered address is Atholl Exchange, 6 Canning Street, Edinburgh, EH3 8EG.

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 the historical cost convention.

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

#### *Going concern*

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors. 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 on-going 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 statements.

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 date accommodation is provided.

#### *Revenue*

Revenue represents the income earned from the provision of tourist accommodation and licensed premises. Revenue is recognised at the point in time when the service is provided.

#### *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 balance sheet 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 income statement. Exchange differences arising on non-monetary items, carried at fair value, are included in the income statement, 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.

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise 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.

**Notes (continued)**  
**(Forming part of the financial statements)**

**1 Accounting policies (continued)**

*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.

*Plant and equipment*

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

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

Buildings	over 50 years
Property improvements	over 10 years
Fixtures and fittings	over 3 to 5 years

*Inventory*

Inventories are measured at the lower of cost and net realisable value. The costs of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

*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 new accruals 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 Morag Lodges Limited is not the sponsoring entity. Consequently, the scheme is accounted for as a 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)**

***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement 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 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 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 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 asset can be utilised.

***Expenses***

***Operating lease payments***

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.

***Finance income and expense***

Finance expenses comprise interest payable, interest receivable on funds invested and dividend foreign exchange gains and losses that are recognised in the income statement

Interest income and interest payable is recognised in income statement 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 2018 and is not subject to externally imposed capital requirements; management of capital therefore focuses around its ability to generate cash from its operations.

***Standards, amendments and interpretations adopted during the period***

The Group has adopted the following standards, amendments and interpretations which have not had a significant impact on the Group's results:

**IFRS 15 'Revenue from Contracts with Customers'**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The standard introduces a new revenue recognition model that recognised revenue either at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. It has been determined that no changes are required to our current revenue recognition methods as these are still within material adherence of IFRS 15.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, and as the policies applied in the prior year were materially appropriate under IFRS 15 the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not been applied to comparative information.

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

**1 Accounting policies (continued)**

*New standards and interpretations adopted (continued)*

**IFRS 9 'Financial Instruments'**

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The main financial statement caption effected is receivables. As a result of the adoption of IFRS 9, the new single expected credit loss impairment model is now applied in calculating the provision for credit losses. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial assets or financial liabilities.

*Standards, amendments and interpretations not yet adopted during the period*

The Company has not yet adopted the following standard:

**IFRS 16 'Leases'**

IFRS 16 'Leases' – In January 2016, the IASB issued IFRS 16 and it is expected to apply to an entity's first annual statement beginning on or after 1 January 2019. It 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.

The Company currently has several operating leases for buildings and machinery, at adoption on 1 January 2019 this will be recognised on the Statement of Financial Position as a right of use asset and a liability for the minimum lease payments. There will also be an impact on profit before tax as a result of increased depreciation charges and finance costs. The Company is currently in the process of quantifying the impact of these changes. The option for transition to be taken by the Company is the modified retrospective approach under IFRS 16.

**2 Revenue**

Revenue represents the income earned from operating tourist accommodation and licensed premises, net of any value added tax or discounts.

Income received in respect of bookings for future accounting periods is treated as deferred revenue on the balance sheet.

**3 Expenses and auditor's remuneration**

	2018	2017
	£	£
<i>Included in the profit for the year are the following:</i>		
Depreciation of plant and equipment	32,578	28,692
Operating leases – property	42,500	-
Operating leases – equipment	7,216	5,054
Auditor's remuneration	7,500	5,000



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

**4 Staff numbers and costs**

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

	2018 No	2017 No
Operations	12	8

The aggregate payroll costs of these persons were as follows:

	2018 £	2017 £
Wages and salaries	226,711	156,051
Social security costs	17,077	12,100
Other pension costs	6,478	5,095
	<u>250,266</u>	<u>173,246</u>

Directors' remuneration of £3,000 (2017: £1,000) were borne by another group company without recharge.

**5 Taxation**

Recognised in the income statement

	2018 £	2017 £
<i>Current tax expense</i>		
Current year	17,443	20,611
Prior year adjustment	(248)	269
	<u>17,195</u>	<u>20,880</u>
<i>Deferred tax expense</i>		
Current year	622	934
	<u>622</u>	<u>934</u>
Total tax in income statement	<u>17,817</u>	<u>21,814</u>

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

**5 Taxation (continued)**

**Reconciliation of effective tax rate:**

	2018 £	2017 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	80,336	97,347
<i>Effects of:</i>		
Tax using UK corporation tax rate of 19% (2017: 19.25%)	15,264	18,739
Depreciation on non-qualifying assets	6,203	5,523
Capital allowances	(4,024)	(3,651)
Deferred tax recognised	622	934
Prior year adjustment	(248)	269
<b>Total tax in income statement</b>	<b>17,817</b>	<b>21,814</b>

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2018) with a further reduction to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2016. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

**6 Property, plant and equipment**

	Land and Buildings £	Property Improvements £	Fixtures & Fittings £	Motor Vehicles £	Total £
<i>Cost</i>					
Balance at 31 December 2017	693,261	63,728	140,166	14,793	911,948
Additions	-	17,685	13,162	-	30,847
Disposals	-	-	(7,597)	-	(7,597)
<b>Balance at 31 December 2018</b>	<b>693,261</b>	<b>81,413</b>	<b>145,731</b>	<b>14,793</b>	<b>935,198</b>
<i>Depreciation</i>					
Balance at 31 December 2017	198,117	17,432	125,364	3,772	344,685
Depreciation charge for the year	14,900	8,253	7,145	2,280	32,578
Eliminated on disposal	-	-	(7,597)	-	(7,597)
<b>Balance at 31 December 2018</b>	<b>213,017</b>	<b>25,685</b>	<b>124,912</b>	<b>6,052</b>	<b>369,666</b>
<i>Net book value</i>					
At 31 December 2017	495,144	46,296	14,802	11,021	567,263
<b>At 31 December 2018</b>	<b>480,244</b>	<b>55,728</b>	<b>20,819</b>	<b>8,741</b>	<b>565,532</b>

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

**7 Deferred tax assets**

Deferred tax assets are attributable to the following:

	2018 £	2017 £
Plant and equipment	2,126	2,748

The deferred tax asset 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:*

	2018 £	2017 £
At 1 January	2,748	3,682
Recognised in income statement	(622)	(934)
At 31 December	2,126	2,748

**8 Inventory**

Inventory relates to food and beverage items and fuel stock.

	2018 £	2017 £
Inventory	4,956	6,354

**9 Trade and other receivables**

	2018 £	2017 £
Trade debtors	83	530
Prepayments	2,422	2,636
	2,505	3,166

**10 Cash and cash equivalents**

	2018 £	2017 £
Cash and cash equivalents	336,998	164,799

The company's exposure to credit and interest rate risks related to cash and cash equivalents is disclosed in note 15.

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

**11 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:

	2018 £	2017 £
<i>Non-current liabilities</i>		
Radical Travel Group Limited	340,739	256,760
<i>Current liabilities</i>		
Travcorp Management Services Limited	100	-
	<u>340,839</u>	<u>256,760</u>

The company's exposure to liquidity risk related to amounts due to related parties is disclosed in note 15.

**12 Trade and other payables**

	2018 £	2017 £
<i>Current liabilities</i>		
Trade payables	6,793	6,127
Non-trade payables and accrued expenses	71,140	47,219
	<u>77,933</u>	<u>53,346</u>

The company's exposure to liquidity risk related to trade and other payables is disclosed in note 15.

**13 Employee benefits**

**Pension plans**

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.

The value of the scheme's assets at 1 May 2016 was £25,295,000 which represented 65% of the present value of past service liability, based on projected pensionable salaries.

To deal with the deficit, the participating employers have agreed to pay deficit contributions of £861,000 (2017: £834,000) per annum with effect from 1 May 2016 in order to eliminate the shortfall by 30 April 2026.

During the year ended 31 December 2018 £1,740 was charged against profits in respect of the defined benefit scheme (2017: £2,352), and £4,738 was charged against profits in respect of the defined contribution scheme (2017: £2,725).

The scheme holds 15% (as at the balance sheet date) of its invested assets in long-dated gilts, which reduce the scheme's interest-rate risk by approximately 16%.

**Notes (continued)**  
**(Forming part of the financial statements)**

**13 Employee benefits (continued)**

Plan assets consist of the following:

	2018 £000	2017 £000
Present value of funded defined benefit obligations	36,468	44,689
Fair value of plan assets	(22,651)	(27,331)
Net liability	13,817	17,358

*Movement in the present value of the defined benefit obligation:*

	2018 £000	2017 £000
Liability for defined benefit obligations at 1 January	44,689	44,327
Interest cost	998	1,140
Past service cost	361	-
Gain on settlement	(1,767)	-
Benefits paid by the plan	(4,335)	(964)
Actuarial (gains)/losses recognised in equity	(3,478)	186
Liability for defined benefit obligations at 31 December	36,468	44,689

*Movement in fair value of plan assets:*

	2018 £000	2017 £000
Fair value of plan assets at 1 January	27,331	25,295
Interest income	614	656
Employer contributions	861	834
Benefits paid by the plan	(4,335)	(964)
Actuarial (losses)/gains recognised in equity	(1,820)	1,510
Fair value of plan assets at 31 December	22,651	27,331

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.

*Expense recognised in statement of comprehensive income*

	2018 £000	2017 £000
Interest cost	384	484
Past service cost	361	-
Gain on settlement	(1,767)	-
	(1,022)	484

**Notes (continued)**  
*(Forming part of the financial statements)*

**13 Employee benefits (continued)**

*Plan assets consist of the following:*

	2018 £000	2017 £000
Equity securities	17,192	16,220
Bonds	4,188	8,348
Property	524	2,130
Cash	747	633
	<u>22,651</u>	<u>27,331</u>
	2018 £000	2017 £000
Interest credit (on plan assets)	614	656
Actual return on plan assets	<u>(1,207)</u>	<u>2,166</u>

*Actuarial assumptions:*

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

	2018 %	2017 %
Discount rate	2.8	2.4
Future salary increases	3.3	3.1
Future pension increases on benefits accrued from 1997 to 2008	3.8	3.8
Future pension increases on benefits accrued post 2008	3.3	3.3
Rate of increase on deferred pensions	2.3	2.1
Retail Price Inflation - pre-retirement	3.3	3.1
Retail Price Inflation - post-retirement	3.5	3.5
Consumer Price Inflation - pre-retirement	2.3	2.1

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

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Present value of the defined benefit obligation	(36,468)	(44,689)	(44,327)	(34,802)	(36,797)
Fair value of plan assets	<u>22,651</u>	<u>27,331</u>	<u>25,295</u>	<u>21,420</u>	<u>21,248</u>
Deficit in the plan	<u>(13,817)</u>	<u>(17,358)</u>	<u>(19,032)</u>	<u>(13,382)</u>	<u>(15,549)</u>
Experience adjustments on plan liabilities	1.4%	2.5%	0.4%	1.0%	(0.3%)
Experience adjustments on plan assets	(8.0%)	5.5%	10.9%	(1.3%)	0.4%

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

**14 Called up share capital**

	2018		2017	
	No	£	No	£
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	2	2	2	2

**15 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 additions, 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 has no external credit risk at the year end. The intercompany balances are not considered to represent a significant credit risk by the directors.

Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments. The maximum exposure at the reporting date was:

	2018 £	2017 £
Amounts due from trade debtors	83	530
Cash and cash equivalents	336,998	164,799
	<u>337,081</u>	<u>165,329</u>

**Liquidity risk**

The company at all times maintains adequate committed credit facilities in order to meet all its commitments as and when they fall due.

Trade and other payables of £6,793 (2017: £6,127) are payable within 6 months or less from the year end.

The company has unsecured borrowings with group undertakings which bear no interest.

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

**15 Financial risk management objectives and policies (continued)**

The following are the expected maturities of financial liabilities including interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>31 December 2018</b>							
Unsecured loan with group undertakings	340,739	340,739	-	-	-	-	340,739
<b>31 December 2017</b>							
Unsecured loan with group undertakings	256,760	256,760	-	-	-	-	256,760

**Interest rate risk**

There is no significant interest rate risk as all group borrowings are interest free and the interest earned on the current account deposits is negligible.

**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 recovery.

**Foreign exchange risk**

The company is not exposed to foreign exchange risk as all balances are denominated in pound sterling.

**16 Commitments under operating leases**

Non-cancellable operating lease rentals are payable as follows:

	2018 £	2017 £
Within one year	47,592	5,735
Between two and five years	181,252	15,786
More than five years	170,000	-
	<u>398,844</u>	<u>21,521</u>

During the year £49,716 was recognised as an expense in the income statement in respect of operating leases (2017: £5,054).



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

**17 Related party transactions**

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

	2018 £	2017 £
<i>Revenue</i>		
Radical Travel Group Limited	305,511	207,463

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

	2018 £	2017 £
<i>Cost of sales</i>		
Radical Travel Group Limited	78,752	62,385

**18 Ultimate parent company and parent company of a 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 by The Travel Corporation Limited, a company incorporated in the British Virgin Islands. The financial statements of this company are not available to the public. The smallest group in which they are consolidated is that headed by Insight Group Limited, a company registered in England and Wales. Copies of the consolidated financial statements of Insight Group Limited are available to the public from the Registrar of Companies.