

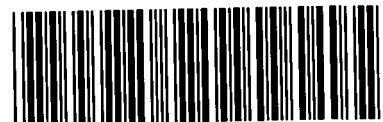
Trafalgar Retail Travel Limited

**Annual report and consolidated
financial statements**

Registered number 1514392

31 December 2017

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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 2017.

Principal activities

The principal activity of the group during the year was the provision of financial, accounting and data processing services for other members of its parent group.

Performance of the Business

The directors are satisfied with the results for the year and anticipate that the present levels of activity will be maintained for the foreseeable future. They have established a cost base that allows the group to respond quickly to changes in demand for its services. The directors constantly review all aspects of expenditure to ensure that they remain competitive.

The profit for the year, after taxation, was £5,005,172 (2016: £4,126,581).

No dividend was paid during the year (2016: £nil).

Key performance indicators

The key indicators of performance revolve around wages and salaries and other overhead costs. On both these measures, the directors are satisfied that budget assumptions are being met.

Principal Risks and Uncertainties

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 group operations. The main risk arising from the group'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 group'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.

Future developments

The directors aim to maintain the management policies which have resulted in the Group's results for the year. The directors believe that acceptable levels of operating profitability will be delivered in 2018.

By order of the board



DID Howie
Director

15 Grosvenor Place
London
SW1X 7HH

12th September 2018

Directors' report

The directors present their report for the year ended 31 December 2017.

Financial instruments

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

Directors and directors' interests

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

D.I.D. Howie

A. Chapman (resigned 19 February 2018)

B.R. Hall (appointed 19 February 2018)

None of the directors who held office at the end of the financial year had any interest in the shares of the Company (2016: *Nil*).

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.

Secretary

D.I.D. Howie served as secretary to the company throughout the current and prior periods.

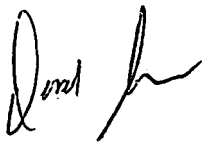
Disclosure of information to auditors

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 they ought to have taken as a director to make themselves 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

15 Grosvenor Place
London
SW1X 7HH

12th September 2018

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 group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.



KPMG LLP

1 St Peter's Square
Manchester, M2 3AE
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAFALGAR RETAIL TRAVEL LIMITED

Opinion

We have audited the financial statements of Trafalgar Retail Travel Limited ("the company") for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Statements 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 group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAFALGAR RETAIL TRAVEL LIMITED (*continued*)

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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 group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

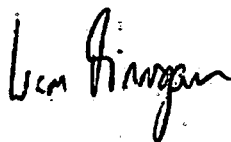
Auditor's responsibilities

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.

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.



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

12 September 2018

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

	<i>Note</i>	2017 £	2016 £
Revenue	2	28,677,024	27,586,466
Cost of sales		(3,382,271)	(3,362,169)
		<hr/>	<hr/>
Gross profit		25,294,753	24,224,297
Administrative expenses		(19,186,376)	(18,924,470)
		<hr/>	<hr/>
Operating profit	3,4	6,108,377	5,299,827
Finance income	6	218,124	2,089
Finance expense	6	(46,971)	(49,153)
		<hr/>	<hr/>
Profit before tax		6,279,530	5,252,763
Taxation	7	(1,274,358)	(1,126,182)
		<hr/>	<hr/>
Profit for the year and total comprehensive income		5,005,172	4,126,581
		<hr/>	<hr/>

All 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 10 to 28 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

	Share capital	Retained earnings	Total
	£	£	£
At 1 January 2016	469,000	10,257,601	10,726,601
Profit for the year	-	4,126,581	4,126,581
At 1 January 2017	469,000	14,384,182	14,853,182
Profit for the year	-	5,005,172	5,005,172
At 31 December 2017	469,000	19,389,354	19,858,354

Company Statement of Changes in Equity
for the year ended 31 December 2017

	Share capital	Retained earnings	Total
	£	£	£
At 1 January 2016	469,000	(325,060)	143,940
Profit for the year	-	(144,318)	(144,318)
At 1 January 2017	469,000	(469,378)	(378)
Loss for the year	-	(132,035)	(132,035)
At 31 December 2017	469,000	(601,413)	(132,413)

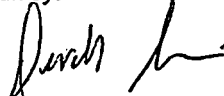
The notes on pages 10 to 28 form an integral part of these consolidated and company financial statements.

Consolidated and Company Statement of Financial Position

As at 31 December 2017

	Note	Group		Company	
		2017	2016	2017	2016
		£	£	£	£
Non-current assets					
Property, plant and equipment	8	2,533,828	3,020,954	1,610,329	1,733,149
Investments in subsidiaries	9	-	-	151,560	151,560
		<u>2,533,828</u>	<u>3,020,954</u>	<u>1,761,889</u>	<u>1,884,709</u>
Current assets					
Amounts due from related parties	18	20,778,052	13,782,298	94,892	84,000
Trade and other receivables	11	1,335,816	951,335	77,284	78,457
Cash and cash equivalents	12	1,125,923	2,237,877	304,178	275,406
		<u>23,239,791</u>	<u>16,971,510</u>	<u>476,354</u>	<u>437,863</u>
Total assets		<u>25,773,619</u>	<u>19,992,464</u>	<u>2,238,243</u>	<u>2,322,572</u>
Current liabilities					
Amounts due to related parties	18	(3,241,873)	(2,936,014)	(2,362,678)	(2,316,726)
Trade and other payables	13	(1,332,359)	(1,014,501)	(7,978)	(6,224)
Taxation		(1,338,638)	(1,185,277)	-	-
		<u>(5,912,870)</u>	<u>(5,135,792)</u>	<u>(2,370,656)</u>	<u>(2,322,950)</u>
Non-current liabilities					
Deferred tax	10	(2,395)	(3,490)	-	-
Total Liabilities		<u>(5,915,265)</u>	<u>(5,139,282)</u>	<u>(2,370,656)</u>	<u>(2,322,950)</u>
Net assets / (liabilities)		<u>19,858,354</u>	<u>14,853,182</u>	<u>(132,413)</u>	<u>(378)</u>
Equity					
Share capital	19	469,000	469,000	469,000	469,000
Retained earnings		19,389,354	14,384,182	(601,413)	(469,378)
Shareholders' funds / (deficit)		<u>19,858,354</u>	<u>14,853,182</u>	<u>(132,413)</u>	<u>(378)</u>

These financial statements were approved by the board of directors on 12 Sept 2018 and were signed on its behalf by:


DID Howie
Director

The notes on pages 10 to 28 form an integral part of these consolidated and company financial statements.

Consolidated and Company Statement of Cash Flows
for the year ended 31 December 2017

	Note	Group 2017 £	2016 £	Company 2017 £	2016 £
Cash flows from operating activities					
Profit/(loss) for year		5,005,172	4,126,581	(132,035)	(144,318)
Adjustments for:					
Depreciation	8	767,196	886,549	122,820	122,702
Financial income	6	(218,124)	(2,089)	-	-
Financial expense		46,971	49,153	46,971	49,153
Taxation	7	1,274,358	1,126,182	-	-
		<u>6,875,573</u>	<u>6,186,376</u>	<u>37,756</u>	<u>27,537</u>
Increase in trade and other receivables		(7,380,235)	(2,973,928)	(9,719)	(80,547)
Increase/(decrease) in trade and other payables		623,718	(581,957)	47,706	49,745
		<u>119,056</u>	<u>2,630,491</u>	<u>75,743</u>	<u>(3,265)</u>
Cash generated from/(used in) operations					
Interest paid		(46,971)	(49,153)	(46,971)	(49,153)
Tax paid		(1,122,093)	(1,167,783)	-	-
		<u>(1,050,008)</u>	<u>1,413,555</u>	<u>28,772</u>	<u>(52,418)</u>
Net cash (used in)/generated from operating activities					
		<u>(1,050,008)</u>	<u>1,413,555</u>	<u>28,772</u>	<u>(52,418)</u>
Cash flows from investing activities					
Purchase of property, plant and equipment	8	(280,070)	(102,559)	-	(1,570)
Interest received	6	218,124	2,089	-	-
		<u>(61,946)</u>	<u>(100,470)</u>	<u>-</u>	<u>(1,570)</u>
Net cash used in investing activities					
		<u>(61,946)</u>	<u>(100,470)</u>	<u>-</u>	<u>(1,570)</u>
Net (decrease)/increase in cash and cash equivalents					
Cash and cash equivalents at 1 January	12	2,237,877	924,792	275,406	329,394
		<u>1,125,923</u>	<u>2,237,877</u>	<u>304,178</u>	<u>275,406</u>
Cash and cash equivalents at 31 December	12				
		<u>1,125,923</u>	<u>2,237,877</u>	<u>304,178</u>	<u>275,406</u>

The notes on pages 10 to 28 form an integral part of these consolidated and company financial statements.

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

Trafalgar Retail Travel Limited ("the Company") is a company incorporated in the UK. The registered number is 01514392 and the registered address is 15 Grosvenor Place, London, SW1X 7HH.

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

Basis of preparation

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards ("IFRS").

On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

These consolidated financial statements are presented in UK Sterling Pounds (£), which is the Company's functional currency.

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on page 2. In addition, notes 1 and 15 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. TTC Travel Group Limited has confirmed that it will support the company for the foreseeable future, and at a minimum up to twelve months after these financial statements have been approved. Based on this undertaking the directors are of the opinion that the going concern assumption is appropriate for the basis of preparation of these financial statements.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS 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 statements.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements include Trafalgar Retail Travel Limited and its significantly controlled subsidiaries. The results of the subsidiaries are included from the effective dates of control until the effective dates of loss of control.

Notes (continued)

1 Accounting policies (continued)

Basis of consolidation (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Trafalgar Retail Travel Limited.

All inter-company transactions, balances, income and expenses are eliminated upon consolidation.

Revenue

Revenue represents the provision of financial, accounting and data processing services plus acting as travel agents. Revenue shown in the income statement is the amount derived from ordinary activities, and is stated after trade discounts and other sales taxes, and is net of VAT.

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.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Impairment

The carrying amounts of the Group's assets other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Investments

All investments are initially recorded at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. All purchases and sales of investments are recognised using trade date accounting.

Property, plant and equipment

Property, plant and equipment are 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 property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Notes (continued)

1 Accounting policies (continued)

Property, plant and equipment (continued)

Leasehold refurbishments	-	10% or life of lease where less than 10 years
Fixtures & fittings	-	10% to 25%
Motor vehicles	-	25%, with a residual value of 20%
Leasehold property	-	5%

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

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.

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 Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Capital Management

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

The Group is not subject to externally imposed capital requirements; management of capital therefore focuses around its ability to generate cash from its operations.

Employee entitlements

Defined benefit plans

The Group 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 two of the Group subsidiaries, Travcorp Management Services Limited and Travcorp UK Limited are participating employers. Consequently, the scheme is accounted for as defined contribution scheme and obligations for contributions are recognised as an expense in the income statement as incurred.

Defined contribution plans

From 1 May 2004 the Group subsidiaries, Travcorp Management Services Limited and Travcorp UK Limited 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 income statement as incurred.

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 in force for the year and any adjustment to tax payable in respect of previous years.

Notes (continued)

1 Accounting policies (continued)

Taxation (continued)

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.

Net financing costs

Net financing costs comprise interest payable, finance charges on shares classified as liabilities and finance leases, interest receivable on funds invested, dividend income, 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. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

New standards and interpretations not yet adopted

There are no new standards, amendments or interpretations adopted by the Company in the year ended 31 December 2017.

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements.

- IFRS 9 Financial Instruments will be applicable for periods beginning after 1 January 2019, it was introduced in 2014 as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. We do not expect this new standard to have a material impact on the financial statements.
- IFRS 15 Revenue from Contracts with Customers is mandatory for financial years commencing on or after 1 January 2018. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. This new standard applies to all contracts with customers except those that are financial instruments, leases or insurance contracts and will result in increased disclosure requirements. Based on our assessment to date on each revenue stream we do not expect the new standard to have a material impact on the financial statements.
- IFRS 16 Leases will be applicable after 1 January 2019. This standard will significantly affect the presentation of the Group financial statements with all leases apart from short term leases being recognised as on-balance sheet finance leases with a corresponding liability being the present value of lease payments. The Group will adopt the modified retrospective approach for all eligible leases, whereby the liability will be calculated based on the remaining lease cash flows at the transition date and set the asset and liability equal to that amount. We are currently in the process of collating all lease agreements in place across the Group in order to assess the expected impact of this new standard on both the Statement of Financial Position and the Statement of Comprehensive Income.

Notes (continued)

2 Revenue

The revenue of the Group is attributable to its principal activities, being provision of financial, accounting and data processing services. All revenue within the Group arises in the United Kingdom.

3 Expense and Auditor's remuneration

	2017	2016
	£	£
<i>Included in the profit for the year are the following:</i>		
Depreciation of owned assets	767,196	886,549
Operating lease costs:		
- Others	1,301,682	971,955
Net (profit) / loss on foreign currency translation	(32)	(1,117)
	<hr/>	<hr/>
<i>Auditor's remuneration</i>		
- Group audit	35,200	27,600
	<hr/>	<hr/>

4 Staff numbers and costs

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

	Number of employees 2017	2016
Reception and seasonal staff	24	29
Management and administration	274	268
	<hr/>	<hr/>
	298	297
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£	£
Wages and salaries	12,446,874	12,805,201
Social security costs	1,394,982	1,427,535
Other pension costs	839,270	849,569
Private medical insurance	41,100	35,456
	<hr/>	<hr/>
	14,722,226	15,117,761
	<hr/>	<hr/>

Notes (continued)

5 Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2017 £	2016 £
Emoluments receivable	143,502	126,828

The number of directors who accrued benefits under Company pension schemes was as follows:

	2017 £	2016 £
Defined benefit schemes	2	2

6 Finance income and expense

	2017 £	2016 £
<i>Finance income</i>		
Bank interest receivable	470	2,089
Other	217,654	-
	218,124	2,089
<i>Finance expense</i>		
Interest on intercompany loans	46,971	49,153

7 Taxation

Income tax charged in the Statement of Comprehensive Income

	2017 £	2016 £
<i>Current tax expense</i>		
Current year	1,308,628	1,126,138
Adjustments in respect of prior year	640	762
	1,309,268	1,126,900
<i>Deferred tax expense</i>		
Origination/reversal of timing differences	(34,910)	(718)
Tax on profit on ordinary activities	1,274,358	1,126,182

Notes (continued)

7 Taxation (continued)

Reconciliation of effective tax rate

The tax charge for the year is higher (2016 – higher) than the effective rate of standard corporation tax in the year of 19.25% (2016: 20.0%). The differences are explained below:

	2017 £	2016 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	6,279,530	5,252,763
	<hr/>	<hr/>
Tax on profit on ordinary activities 19.25% (2016: 20.0%)	1,208,810	1,079,416
<i>Effects of:</i>		
Depreciation on non-qualifying assets	134,980	42,121
Non-deductible expenditure	6,827	3,739
Income not taxable	(41,989)	-
Deferred tax recognised in year	(34,910)	144
(Under)/over provision in prior years	640	762
	<hr/>	<hr/>
Tax on profit on ordinary activities	1,274,358	1,126,182
	<hr/>	<hr/>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2016) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2016, and 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 liability at 31 December 2017 has been calculated based on these rates.

Notes (continued)

8 Property, plant & equipment - Group

	Leasehold refurbishments £	Fixtures & fittings £	Motor vehicles £	Leasehold property £	Total £
<i>Cost</i>					
At 1 January 2016	2,128,857	5,534,311	30,895	2,264,815	9,958,878
Additions	-	102,559	-	-	102,559
Disposals	(14,183)	(2,824,730)	(30,895)	-	(2,869,808)
At 31 December 2016	2,114,674	2,812,140	-	2,264,815	7,191,629
At 1 January 2017	2,114,674	2,812,140	-	2,264,815	7,191,629
Additions	148,525	131,545	-	-	280,070
Disposals	-	-	-	-	-
At 31 December 2017	2,263,199	2,943,685	-	2,264,815	7,471,699
<i>Depreciation</i>					
At 1 January 2016	1,480,134	4,174,110	30,895	468,776	6,153,915
Charge for year	211,529	559,629	-	115,391	886,549
Disposals	(14,183)	(2,824,711)	(30,895)	-	(2,869,789)
At 31 December 2016	1,677,480	1,909,028	-	584,167	4,170,675
At 1 January 2017	1,677,480	1,909,028	-	584,167	4,170,675
Charge for year	189,728	462,077	-	115,391	767,196
Disposals	-	-	-	-	-
At 31 December 2017	1,867,208	2,371,105	-	699,558	4,937,871
<i>Net book value</i>					
At 31 December 2017	395,991	572,580	-	1,565,257	2,533,828
At 31 December 2016	437,194	903,112	-	1,680,648	3,020,954

Notes (continued)

8 Property, plant & equipment – Company

	Leasehold property £	Fixtures & fittings £	Total £
<i>Cost</i>			
At 1 January 2016	2,264,815	72,717	2,337,532
Additions	-	1,570	1,570
	<hr/>	<hr/>	<hr/>
At 31 December 2016	2,264,815	74,287	2,339,102
	<hr/>	<hr/>	<hr/>
At 1 January 2017	2,264,815	74,287	2,339,102
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2017	2,264,815	74,287	2,339,102
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2016	468,776	14,475	483,251
Charge for year	115,391	7,311	122,702
	<hr/>	<hr/>	<hr/>
At 31 December 2016	584,167	21,786	605,953
	<hr/>	<hr/>	<hr/>
At 1 January 2017	548,167	21,786	605,953
Charge for year	115,391	7,429	122,820
	<hr/>	<hr/>	<hr/>
At 31 December 2017	699,558	29,215	728,773
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2017	1,565,257	45,072	1,610,329
	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,680,649	52,500	1,733,149
	<hr/>	<hr/>	<hr/>

9 Investments in subsidiaries - Company

	Total £
<i>Cost</i>	
At beginning and end of year	151,560
<i>Impairment</i>	
At beginning and end of year	-
<i>Net book value</i>	
At 31 December 2017	151,560
At 31 December 2016	151,560

The Company owns 100% of the issued share capital of the companies listed below. The subsidiaries are predominantly concerned with the provision of financial, accounting and data processing services.

Name of company	Country of incorporation	Profit / (loss) for period £	Aggregate capital and reserves for the period £
Travcorp Management Services Limited	England and Wales	5,095,775	18,958,049
Travcorp UK Limited	England and Wales	35,152	1,115,103
Currency Paks Limited	England and Wales	-	-
TTC Group Services Limited	England and Wales	6,280	69,074

The registered address of all the above subsidiaries is 15 Grosvenor Place, London, SW1X 7HH.

10 Deferred tax

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	2017 £	Group 2016 £
Plant and equipment	(2,395)	(3,490)

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

The movement in deferred taxation during the year was:

	Group 2017 £	2016 £	Company 2017 £	2016 £
At 1 January	(3,490)	(4,209)	-	-
Recognised in income statement	1,095	719	-	-
Liability at 31 December	(2,395)	(3,490)	-	-

Notes (Continued)

11 Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade receivables	3,513	1,581	-	-
VAT receivable	193,524	129,727	-	-
Other receivables	327,422	212,677	62,260	64,451
Prepayments and accrued income	701,511	531,319	15,024	14,006
Deferred tax	109,846	76,031	-	-
	<u>1,335,816</u>	<u>951,335</u>	<u>77,284</u>	<u>78,457</u>

12 Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Cash at bank	1,125,923	2,237,877	304,178	275,406
	<u>1,125,923</u>	<u>2,237,877</u>	<u>304,178</u>	<u>275,406</u>

13 Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade payables	526,212	477,202	-	-
PAYE and social security	392,466	305,123	-	-
Other payables	356,030	185,681	1,706	1,606
Accruals and deferred income	57,651	46,495	6,272	4,618
	<u>1,332,359</u>	<u>1,014,501</u>	<u>7,978</u>	<u>6,224</u>

14 Pension fund

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 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 2017 £340,971 was charged against profits in respect of the defined benefit scheme (2016: £292,360) and £498,299 was charged against profits in respect of the defined contribution scheme (2016: £258,045).

Plan assets consist of the following:

Notes (Continued)

14 Pension fund (continued)

	2017 £000	2016 £000
Present value of funded defined benefit obligations	44,689	44,327
Fair value of plan assets	(27,331)	(25,295)
Net liability	<u>17,358</u>	<u>19,032</u>

Movement in the present value of the defined benefit obligation:

	2017 £000	2016 £000
Liability for defined benefit obligations at 1 January	44,327	34,802
Interest cost	1,140	1,279
Benefits paid by the plan	(964)	(489)
Actuarial gains / (losses) recognised in equity	186	8,735
Liability for defined benefit obligations at 31 December	<u>44,689</u>	<u>44,327</u>

Movement in fair value of plan assets:

	2017 £000	2016 £000
Fair value of plan assets at 1 January	25,295	21,420
Interest cost	656	799
Employer contributions	834	820
Benefits paid by the plan	(964)	(489)
Actuarial gains recognised in equity	1,510	2,745
Fair value of plan assets at 31 December	<u>27,331</u>	<u>25,295</u>

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 ultimate controlling party statement of comprehensive income

	2017 £000	2016 £000
Current service costs	<u>484</u>	<u>526</u>

Notes (Continued)

14 Pension fund (continued)

Plan assets consist of the following:

	2017 £000	2016 £000
Equity securities	16,220	10,970
Bonds	8,348	10,331
Property	2,130	3,438
Cash	633	556
	<u>27,331</u>	<u>25,295</u>
	2017 £000	2016 £000
Actual return on plan assets	<u>2,166</u>	<u>3,544</u>

Actuarial assumptions:

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

	2017 %	2016 %
Discount rate	2.4	2.6
Future salary increases	3.1	3.3
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	2.1	2.3
Retail Price Inflation – pre-retirement	3.1	3.3
Retail Price Inflation – post-retirement	3.5	3.6
Consumer Price Inflation	<u>2.1</u>	<u>2.3</u>

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

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Present value of the defined benefit obligation	(44,689)	(44,327)	(34,802)	(36,797)	(30,474)
Fair value of plan assets	27,331	25,295	21,420	21,248	20,100
Deficit in the plan	(17,358)	(19,032)	(13,382)	(15,549)	(10,374)
Experience adjustments on plan liabilities	2.5%	0.4%	1.0%	(0.3)%	(0.30)%
Experience adjustments on plan assets	5.5%	10.9%	(1.3)%	0.4%	8.6%

Notes (Continued)

15 Financial risk management objectives and policies

The Group 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 receivables, trade payables, accruals and prepayments) arise directly from the Group's operations.

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

Credit risk

The Group 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 risk by the directors. Amounts disclosed as current assets in the balance sheet best represent the maximum credit risk exposure in the event of other parties failing to perform their obligations under financial instruments.

Credit risk with respect to trade receivables is monitored on an ongoing basis by the credit control team and finance management. The term of debt is within 30 days of recognition.

Based on historic default rates, the directors of the Group believe that no impairment allowance is necessary in respect of trade receivables at the yearend as all of this balance relates to customers that have a good track record with the Company.

Liquidity risk

The Group at all times maintains adequate committed credit facilities in order to meet all its commitments as and when they fall due. Trade payables of £526,212 (2016: £477,202) are payable within 6 months or less from the year end.

Amounts owed to related parties are repayable within one year.

Interest rate risk

The Group 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 in this rate would result in difference in annual pre-tax profit of £11,259 based on Group cash, cash equivalents and financial instruments at 31 December 2017 (2016 - £22,379). At the balance sheet date, £1,125,923 (2016 - £2,237,877) was invested with Lloyds TSB, this being the most invested with any bank.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Euros. Hedging instruments are not used to reduce risks arising from foreign currency fluctuations against the Group's own currency.

Notes (Continued)

15 Financial risk management objectives and policies (continued)

Exposure to currency risk:

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

	2017 £	2016 £
Cash and cash equivalents	10,144	6,611

The following significant exchange rates applied during the year:

	Average rate 2017	Average rate 2016	Reporting date spot rate 2017	Reporting date spot rate 2016
EUR	0.8870	0.8167	0.8334	0.8536

Sensitivity Analysis:

Euro balances are negligible. The exchange risk from holding Euros is therefore minimal for the Group.

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.

16 Commitments under operating leases

The Group has entered into short term leases in respect of properties it occupies. The total rentals commitments under the leases are as follows:

	2017 £	2016 £
No later than one year	1,031,656	1,047,906
Later than one year but not later than five years	2,391,808	3,078,908
In more than five years	474,509	474,509
	3,897,973	4,601,323

17 Contingencies

A subsidiary, Currency Paks Limited is acting as a guarantor in respect of a lease undertaken by a fellow subsidiary, Montague Travcorp Limited, guaranteeing that:

- the under tenant Montague Management Services Limited will comply with its obligations and should the under tenant assign its lease, to guarantee the performance of the obligations of the assignee. The principal obligation of the under tenant is to pay an annual basic rent of £630,000 (2016: £630,000) to the landlord.
- the tenant Montague Travcorp Limited will, if requested by the landlord, restore the premises to the state and condition it was in prior to any alterations having been made to the premises.

Notes (Continued)

17 Contingencies (continued)

A subsidiary, Travcorp Management Services Limited is acting as guarantor for the below companies:

- Guarantor in respect of a ten year lease undertaken by a fellow subsidiary, Evan Evans Tours Limited, guaranteeing that the tenant Evan Evans Tours Limited will comply with its obligations under the lease.
- The principal obligations of the tenant are to pay an annual basic rent of £60,000 (2016: £60,000) plus maintenance costs to the landlord, and account for all rates and taxes which fall due in respect of the property.

No liabilities are expected to arise under these guarantees, and no liabilities have been recognised in these financial statements.

18 Related party transactions

During the year the Group provided services to companies related by way of common control as follows:

	2017 £	2016 £
Provision of travel services		
Trafalgar Tours Limited	201,338	153,163
Insight Vacations Limited	63,988	58,713
Grand European Operations Limited	-	2,625
	<u>265,326</u>	<u>214,501</u>
Provision of administrative services		
Tracoin Services Limited	72,715	65,075
TTC Travel Group Limited	27,922,850	26,942,818
Red Carnation Hotels (UK) Limited	71,035	66,262
	<u>28,066,600</u>	<u>27,074,155</u>

During the year the Group received services from companies related by way of common control as follows:

	2017 £	2016 £
Tours Purchased		
Evan Evans Tours Limited	208,280	246,728
	<u>208,280</u>	<u>246,728</u>
Rent		
No Limits Limited	559,428	466,425
	<u>559,428</u>	<u>466,425</u>

Notes (continued)

18 Related party transactions (continued)

Balances with related parties - Group

	2017 £	2016 £
Administrative Services		
Insight Travel Services Limited	205,850	191,501
Radical Travel Group Limited	42,215	40,556
	<u>248,065</u>	<u>232,057</u>
	£	£
Tax Relief		
Red Carnation Hotels (U.K.) Limited	1,087,926	789,014

	2017 £	2016 £
Amounts owed by related parties:		
Trafalgar Tours International Limited	1,271	28,951
Trafalgar Tours Limited	476	10
Travel Projects Limited	510	57
Evan Evans Tours Limited	48,395	20,915
Evan Evans Transport Limited	-	2,036
Busabout Operations Limited	22,573	9,954
Radical Travel Group Limited	18,494	5,798
Morags Lodges Limited	-	1,070
Shamrock Adventures Limited	-	750
AAT Kings Tours (UK) Limited	1,674	6,613
Tracoin Services Limited	137,053	77,175
Insight Travel Group Limited	5,768	3,429
No Limits Limited	-	855
Kelburn Properties Limited	-	855
Atholl Exchange Limited	-	855
Travcorp Laggan Limited	-	855
Contiki Services Limited	30,633	35,759
Brendan Vacations Limited	4,018	-
Red Carnation Hotels (U.K.) Limited	86,626	62,302
The Travel Corporation Limited (BVI)	87,907	84,000
TTC Travel Group Limited	20,309,001	13,430,971
Uniworld River Cruises Limited	20,113	2,212
Travcorp Asia Limited	3,540	3,440
Travcorp France SAS	-	3,436
	<u>20,778,052</u>	<u>13,782,298</u>

Notes (continued)

18 Related party transactions (continued)

Amounts owed to related parties:	2017 £	2016 £
Trafalgar Tours International Limited	2,301,024	2,252,770
Trafalgar Tours Limited	112,245	34,358
Trafalgar Travel Limited	-	51
Insight Vacations Limited	19,600	19,495
Travcorp Asia Limited	-	682
Tracoin Services Limited	2,220	1,267
Grand European Operations Limited	-	3,220
Evan Evans Tours Limited	5,393	7,806
Insight Travel Services Limited	748,230	609,281
No Limits Limited	53,161	4,138
Busabout Operations Limited	-	2,946
	<u>3,241,873</u>	<u>2,936,014</u>

During the year the key management personnel compensation, including directors emoluments, comprised:

	2017 £	2016 £
Short term employee benefits	<u>495,726</u>	<u>479,057</u>

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers on behalf of other companies related by way of common control. The Group also contributes to a post-employment defined benefit plan for the directors and executive officers.

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of the Group.

Details of the company's immediate parent and of the ultimate controlling party are included in note 20.

Notes (continued)

19 Share capital

	2017		2016	
	£		£	
<i>Authorised</i>				
500,000 ordinary shares of £1 each		500,000		500,000
		<u> </u>		<u> </u>
	Group	Company	Group	Company
	2017	2017	2016	2016
	£	£	£	£
<i>Allotted, called up and fully paid</i>				
469,000 ordinary shares of £1 each	469,000	469,000	469,000	469,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

20 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 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 TTC Travel Group Limited, a company registered in Guernsey. The financial statements of the company are not available to the public.