Contiki Services Limited

Directors' report and financial statements

Registered number 01552103

31 December 2018

Contents

Directors' report

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

The directors have taken advantage of the small companies' exemption from the requirement to prepare a strategic report provided under the Companies Act 2006.

Principal activities

The principal activities of the company continue to be the processing and controlling of tour and hotel reservations and to provide advisory and other ancillary services to fellow subsidiary undertakings.

A significant part of the company's business is with fellow group undertakings within the Contiki group. 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.

Results and dividends

The profit for the year after taxation amounted to £513,303 *(2017: £562,569)*. A dividend of £nil was declared in 2018 *(2017: £nil)*.

Financial instruments

Details of the company's financial risk management objectives and policies are included in note 17 to the accounts.

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

B R Hall
S M Clayton
T R Lewis (appointed 13 February 2018 and resigned 29 May 2019)

Political contributions

The company made no political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

By order of the board

S M Clayton
Director

Wells House
15 Elmfield Road
Bromley
Kent
BR1 1LS

12th June 2019

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditor's report to the members of Contiki Services Limited

Opinion

We have audited the financial statements of Contiki Services Limited ("the company") for the year ended 31 December 2018 which comprise the statement of total comprehensive income, statement of changes in equity, statement of financial position, 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 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.

Directors' report

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

Independent auditor's report to the members of Contiki Services Limited *(continued)*

Directors' report *(continued)*

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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.

Independent auditor's report to the members of Contiki Services 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.

Will Baker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Date 13th June 2019

Statement of total comprehensive income

for the year ended 31 December 2018

	Note	**2018**	2017
		£	£
Revenue	*1,2*	**4,344,504**	4,417,391
Cost of sales		**(7,320)**	(16,385)
Gross profit		**4,337,184**	4,401,006
Administrative expenses		**(3,694,543)**	(3,692,919)
Operating profit	*3,4*	**642,641**	708,087
Finance income	*5*	**3,056**	765
Profit before tax		**645,697**	708,852
Taxation	*6*	**(132,394)**	(146,283)
Profit for the year		**513,303**	562,569
Total comprehensive income for the year		**513,303**	562,569

All results relate to continuing operations.

The company has no recognised other comprehensive income other than the results for the year as set out above.

The notes on pages 10 to 26 are an integral part of the financial statements.

Statement of changes in equity

	Share capital £	Retained earnings £	Total £
At 1 January 2017	10,000	2,124,594	2,134,594
Total comprehensive income for the financial year	-	562,569	562,569
At 1 January 2018	10,000	2,687,163	2,697,163
Total comprehensive income for the financial year	-	513,303	513,303
At 31 December 2018	**10,000**	**3,200,466**	**3,210,466**

The notes on pages 10 to 26 are an integral part of these financial statements.

Statement of financial position
at 31 December 2018

	Note	2018	2017
		£	£
Non-current assets			
Property, plant and equipment	7	**631,889**	706,886
		631,889	706,886
Current assets			
Inventories	9	**52,113**	57,374
Trade and other receivables	10	**2,876,489**	1,878,424
Cash and cash equivalents	11	**131,690**	615,567
		3,060,292	2,551,365
Total assets		**3,692,181**	3,258,251
Non-current liabilities			
Deferred tax	8	**(3,022)**	(3,580)
Current liabilities			
Trade and other payables	12	**(478,693)**	(409,572)
Corporation tax payable		-	(147,936)
Total liabilities		**(481,715)**	(561,088)
Net assets		**3,210,466**	2,697,163
Equity			
Share capital	14	**10,000**	10,000
Retained earnings	14	**3,200,466**	2,687,163
Total equity		**3,210,466**	2,697,163

The notes on pages 10 to 26 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 12th June 2019 and were signed on its behalf by:

S M Clayton
Director
Registered company 01552103

Statement of cash flows
for the year ended 31 December 2018

	Note	2018	2017
		£	£
Cash flows from operating activities			
Total comprehensive income for the year		**513,303**	562,569
Adjustments for:			
Depreciation	*7*	**104,866**	111,313
Finance income	*5*	**(3,056)**	(765)
Loss on sale of property, plant and equipment	*3*	**555**	2,377
Taxation	*6*	**132,394**	146,283
		748,062	821,777
(Increase) in amounts due from related party		**(962,095)**	(433,058)
(Increase) in trade and other receivables		**(30,958)**	(19,342)
Decrease/(increase) in inventories		**5,262**	(26,894)
Increase/(decrease) in in amounts due to related party		**46,038**	(3,469)
Increase in trade and other payables		**23,083**	24,627
		(170,608)	363,641
Tax paid		**(285,901)**	(106,971)
Net cash from operating activities		**(456,509)**	256,670
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**306**	3,080
Interest received	*5*	**3,056**	765
Acquisition of property, plant and equipment	*7*	**(30,730)**	(25,256)
Net cash used in investing activities		**(27,368)**	(21,411)
Net decrease in cash and cash equivalents		**(483,877)**	235,259
Cash and cash equivalents at 1 January	*12*	**615,567**	380,308
Cash and cash equivalents at 31 December	*12*	**131,690**	615,567

The notes on pages 10 to 26 are an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Contiki Services Limited ("the company") is a private company, limited by shares, incorporated, domiciled and registered in the UK. The registered number is 01552103. The address of the company's registered office is Wells House, 15 Elmfield Road, Bromley, Kent, BR1 1LS.

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").

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Adoption of IFRS

The company has adopted the following IFRSs in these financial statements:

- IFRS 9: Financial Instruments (see note 19)
- IFRS 15: Revenue from Contract with Customers (see note 19)

Going concern

The company's principal business activities are set out in the Directors' report on page 1. Note 15 to the financial statements includes details of the company's financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The company has adequate financial resources, and continues to be profit making. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

Use of estimates and judgements

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

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

The Directors do not consider there to be any significant areas of estimation uncertainty in relation to these financial 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 company recharges its costs to other Group Companies at the point at which the performance obligation is satisfied. The revenue is recognised after the recharges are raised quarterly. The Directors have made judgements based mainly on the percentage of passenger numbers travelled across the operating companies to determine how the costs are invoiced between the different Group companies.

Revenue

Revenue represents the income earned from providing central management services to other group companies. Revenue is recognised upon delivery of that service to the customer as this is considered the point at which the performance obligation is satisfied. All revenue excludes value added tax.

Functional and presentation currency

These financial statements are presented in pound sterling, which is the company's functional currency.

Notes *(continued)*

1 Accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Short leasehold property improvements	10 years
Computer equipment	3-4 years
Office equipment	4 or 10 years
Motor vehicles	4 years

Financial instruments (policy applicable from 1 January 2018)

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

(b) Subsequent measurement and gains and losses

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

Financial instruments (policy applicable from 1 January 2018) (continued)

Financial liabilities and equity

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Defined benefit plan

The company participated in a group defined benefit pension scheme, which was closed to new members from 1 May 2004.

From 1 May 2011, this group defined benefit pension scheme was curtailed to the extent that the accrual in the defined benefit scheme ceased. The assets and liabilities of the group's defined benefit pension scheme continue to exist, from which retirement payments will be made. All future contributions made by employees are into the group's defined contribution scheme.

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 Contiki Services Limited is not the sponsoring entity. Consequently, Contiki Services Limited accounts for the scheme for as defined contribution scheme and obligations for contributions are recognised as an expense in the statement of total comprehensive income as incurred.

Defined contribution plans

From 1 May 2004 the company participated in a group defined contribution scheme, open to all employees subject to scheme rules. From 1 May 2011 all employees formerly members of the group's defined contribution scheme have also become members of the group's defined contribution scheme.

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 total comprehensive income as incurred.

Provisions

A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Operating lease payments

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

Finance income and expenses

Finance income comprises interest income and is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings and are recognised in the statement of total comprehensive income using the effective interest method

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position 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 statement of financial position date.

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

Adopted IFRS not yet applied

The following adopted IFRSs have been issued but have not been applied in these financial statements.

IFRS 16 Leases

IFRS 16 Leases will be applicable after 1 January 2019. This standard will significantly affect the presentation of the Company 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 Company 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 Company in order to assess the expected impact of this new standard on both the Statement of Financial Position and the Statement of Comprehensive Income.

The company currently has three leases for Buildings and one for Machinery. At present these are being treated as operating leases. Under IFRS 16 these will be brought on as a right of use asset and a liability for the minimum lease payments. The profit and loss will have a depreciation charge and a finance charge rather than the current operating lease payment. The company intend to adopt the modified retrospective adoption method. We have yet to quantify the impact of these leases. We expected to claim the exemption on the office equipment as this is a short term and low value lease.

Notes *(continued)*

2 Revenue

The revenue and profit result are wholly attributable to the company's main activity of processing and controlling of tour and hotel reservations and providing advisory and other ancillary services to fellow subsidiary undertakings.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue.

	2018	2017
	£	£
Major products/service lines		
Management services	**4,283,309**	4,343,705
Sales of inventory	**3,788**	2,708
Sales of tourism services	**57,406**	70,978
Total	**4,344,504**	4,417,391

	2018	2017
	£	£
Primary geographical markets		
UK	**417,239**	569,329
Guernsey	**3,927,265**	3,848,062
Total	**4,344,504**	4,417,391

	2018	2017
	£	£
Timing of transfer of goods or services		
Products and services transferred at a point in time	**61,195**	73,686
Products and services transferred over time	**4,283,309**	4,343,705
Total	**4,344,504**	4,417,391

3 Expenses and auditor's remuneration

Included in total comprehensive income are the following:

	2018	2017
	£	£
Depreciation:		
Plant and machinery	**28,211**	35,094
Leasehold property	**76,655**	76,219
Operating lease payments:		
Office equipment	**5,082**	5,975
Land and buildings	**147,688**	152,607
Loss on disposal of property, plant and equipment	**555**	2,377

Auditor's remuneration:

Audit	**13,000**	11,500

Notes *(continued)*

4 Staff numbers and costs

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

	Number of employees	
	2018	2017
Administrative staff	**28**	27
Operations staff	**27**	30
	55	57

The aggregate personnel expenses were as follows:

	2018	2017
	£	£
Wages and salaries	**2,058,509**	1,972,120
Compulsory social security contributions	**217,227**	213,895
Other pension costs	**185,183**	175,586
	2,460,919	2,361,601

Directors' remuneration:

	2018	2017
	£	£
Directors' emoluments	**331,940**	308,999
Pension contributions	**15,487**	23,320
	347,427	332,319

There are retirement benefits accruing to two directors under a defined benefit scheme *(2017: two)*.

5 Finance income

	2018	2017
	£	£
Interest income on cash deposits	**3,056**	765

Notes *(continued)*

6 Taxation

Recognised in the statement of total comprehensive income

	2018	2017
	£	£
Current tax expense:		
Current year	**132,934**	147,936
Under provision in respect of prior year	**18**	(15,032)
	132,952	132,904
Deferred tax expense:		
Origination and reversal of temporary differences	**(513)**	13,010
Effect of decreased tax rate	**(45)**	369
Total tax in statement of total comprehensive income	**132,394**	146,283

Reconciliation of effective tax rate

	2018	2017
	£	£
Profit before tax	**645,697**	708,852
Tax using the UK corporation tax rate of 19% *(2017: 19.25%)*	**122,682**	136,454
Expenses not deductible for tax purposes	**4,582**	19,268
Under provision of tax in prior year	**18**	(15,032)
Reduction in tax rate on deferred tax balance	**(45)**	369
Depreciation on non-qualifying assets	**5,157**	5,224
Total tax in statement of total comprehensive income	**132,394**	146,283

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2016. Further reductions to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2016. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the future current tax charge accordingly.

Notes *(continued)*

7 Property, plant and equipment

	Short leasehold property improvements £	Computer equipment £	Motor vehicles £	Office equipment £	Total £
Cost					
Balance at 1 January 2017	768,194	135,979	28,970	126,610	1,059,753
Additions	11,983	8,782	-	4,491	25,256
Disposals	-	(4,280)	(18,270)	(1,822)	(24,372)
Balance at 31 December 2017	780,177	140,481	10,700	129,279	1,060,637
Balance at 1 January 2018	780,177	140,481	10,700	129,279	1,060,637
Additions	4,600	15,080	-	11,050	30,730
Disposals	-	(5,123)	-	(1,422)	(6,545)
Balance at 31 December 2018	784,777	150,438	10,700	138,907	1,084,822
Depreciation					
Balance at 1 January 2017	85,399	101,976	23,178	51,800	262,353
Depreciation charge for the year	76,219	21,104	-	13,990	111,313
Disposals	-	(3,635)	(14,616)	(664)	(18,915)
Balance at 31 December 2017	161,618	119,445	8,562	65,126	354,751
Balance at 1 January 2018	161,618	119,445	8,562	65,126	354,751
Depreciation charge for the year	76,655	13,751	-	14,460	104,866
Disposals	-	(4,890)	-	(794)	(5,684)
Balance at 31 December 2018	**238,273**	**128,306**	**8,562**	**78,792**	**453,933**
Net book value					
At 1 January 2017	682,795	34,003	5,792	74,810	797,400
At 31 December 2017 and 1 January 2018	618,559	21,036	2,138	64,153	705,886
At 31 December 2018	**546,504**	**22,132**	**2,138**	**60,115**	**630,889**

Notes *(continued)*

8 Deferred tax

Recognised deferred tax liability

Deferred tax liability is attributable to the following:

	2018	2017
	£	£
Property, plant and equipment	**(3,022)**	(3,580)

Movement in deferred tax during the year

	£
At 1 January 2017	9,799
Recognised in statement of total comprehensive income	(13,379)
At 31 December 2017	(3,580)
At 1 January 2018	(3,580)
Recognised in statement of total comprehensive income	558
At 31 December 2018	**(3,022)**

9 Inventories

	2018	2017
	£	£
Finished goods	**52,113**	57,374

10 Trade and other receivables

	2018	2017
	£	£
Prepayments	**91,228**	63,819
Other receivables	**12,522**	8,973
Amount due from related parties	**2,767,727**	1,805,632
Corporation Tax	**5,012**	-
Trade and other receivables	**2,876,489**	1,878,424

11 Cash and cash equivalents

	2018	2017
	£	£
Cash and cash equivalents per statement of financial position and statement of cash flows	**131,690**	615,567

Notes *(continued)*

12 Trade and other payables

	2018 £	2017 £
Trade payables	**80,771**	74,916
Other taxes and social security	**59,227**	55,714
Non-trade payables and accrued expenses	**91,015**	97,840
VAT	**33,695**	13,155
Amounts due to related parties	**213,985**	167,947
Trade and other payables	**478,693**	409,572

13 Employee benefits

UK Plan

The Company contributes to a UK pension scheme, open to all UK 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 from 1 May 2004. The assets are held in separate trustee administered funds.

The defined benefit group plan is accounted for as a defined contribution scheme in these accounts 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 2018 £113,438 was charged against profits in respect of the defined benefit scheme *(2017: £106,432)*, and £71,745 was charged against profits in respect of the defined contribution scheme *(2017: £69,154)*.
Defined benefit pension scheme:

Movement in the present value of the defined benefit obligation:

	2018 £	2017 £
At 1 January	**44,688,916**	44,327,056
Interest cost	**998,472**	1,139,972
Past service cost	**361,071**	-
Gain on settlement	**(1,767,611)**	-
Benefits paid by the plan	**(4,334,718)**	(963,950)
Actuarial gains/(losses)	**3,477,926**	185,838
Liability for defined benefit obligations at 31 December	**36,468,204**	44,688,916

Movement in fair value of plan assets:

	2018 £	2017 £
Fair value of plan assets at 1 January	**27,331,201**	25,295,097
Contributions paid into the plan	**861,176**	833,862
Benefits paid by the plan	**(4,334,718)**	(5,779)
Actuarial gains/(losses) recognised in equity	**(1,821,211)**	(2,428)
Interest income	**614,266**	819
Fair value of plan assets at 31 December	**22,650,714**	27,331,201

Notes *(continued)*

13 Employee benefits *(continued)*

Components of pension expense

	2018 £	2017 £
Interest cost	**361,071**	483,991
Past service cost	**384,205**	-
Gain on settlement	**(1,767,611)**	-
	(1,022,335)	483,991

The fair value of the plan assets consist of the following:

	2018 £	2017 £000
Equity securities	**17,191,799**	16,219,662
Bonds	**4,188,264**	8,349,014
Other	**523,449**	2,129,870
Cash	**747,203**	632,655
	22,651,715	27,331,201
Actual return on plan assets	**(1,206,945)**	2,166,192

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

	2018 %	2017 %
Discount rate	**2.80**	2.40
Future salary increases	**3.30**	3.10
Future pension increases on benefits accrued from 1997 to 2005	**3.80**	3.80
Future pension increases on benefits accrued post 2005	**3.30**	3.30
Rate of increase on deferred pensions	**2.30**	2.10
Inflation	**3.30**	3.10

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

- Current pensioner aged 65: 22.5 years (male) *(2017: 22.6)*, 24.4 years (female) *(2017: 24.7)*.
- Future retiree upon reaching 65: 23.9 years (male) *(2017: 24.4)*, 25.9 years (female) *(2017: 26.6)*.

At 31 December 2018, the weighted-average duration of the defined benefit obligation was 19.9 years (2017: 21.6 years).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/ (decreased) as a result of a change in the respective assumptions. These sensitivities have been calculated taking account of the full distribution of future cash flows from the Schemes.

Notes *(continued)*

13 Employee benefits *(continued)*

Sensitivity analysis (continued)

	2018	2017
	£	£000
Discount rate higher by 0.25% pa	**(1,695,004)**	(2,154,656)
Discount rate lower by 0.25% pa	**1,814,560**	2,314,351
Retail price inflation higher by 0.25%	**843,420**	1,133,808
Retail price inflation lower by 0.25%	**(891,602)**	1,079,192
Members live longer by 1 year	**1,494,349**	1,906,464
Members live 1 year less	**(1,407,865)**	(1,856,715)

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

	2018	2017	2016	2015
	£000	£000	£000	£000
Present value of the defined benefit obligation	**(36,468)**	(44,689)	(44,327)	(34,802)
Fair value of plan assets	**22,651**	27,331	25,295	21,420
Deficit in the plan	**(13,817)**	(17,358)	(19,032)	(13,382)
Experience adjustments on plan liabilities	**1.4%**	2.50%	0.40%	1.00%
Experience adjustments on plan assets	**(8.0)%**	5.50%	10.90%	(1.30)%

14 Share capital and reserves

Reconciliation of movement in capital and reserves

	Share capital	**Retained earnings**	**Total equity**
	£	**£**	**£**
Balance at 1 January 2017	10,000	2,124,594	2,134,594
Total comprehensive income for the financial year	-	562,569	562,569
Balance at 31 December 2017	10,000	2,687,163	2,697,163
Balance at 1 January 2018	10,000	2,687,163	2,697,163
Total comprehensive income for the financial year	-	513,303	513,303
Balance at 31 December 2018	**10,000**	**3,200,466**	**3,210,466**

Share capital

	2018	2017
	£	£
Allotted, called up and fully paid		
10,000 Ordinary shares of £1 each	**10,000**	10,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Notes *(continued)*

15 Financial instruments

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 and currency risks from its operations and from its sources of finance; and

c) for trading purposes.

In addition, various financial instruments (e.g. trade receivables and trade payables) 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

Financial risk management

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

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

Exposure to credit risk

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

	2018	2017
	£	£
Amounts due from related parties	**2,767,727**	1,805,632
	2,767,727	1,805,632

Liquidity risk

Financial risk management

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

The company at all times maintains adequate cash balances in order to meet all its commitments as and when they fall due. The company has no long term borrowings.

Exposure to liquidity risk

Payables mainly relate to trade payables, amounts due with respect to social security, corporation tax and accruals. All trade payables of £80,771 *(2017: £74,916)* are payable within six months or less from the year end.

Interest rate risk

The company invests its surplus cash in a premium deposit account with Barclays Bank in the UK, with an interest rate of 0.40% *(2017: 0.40%)* at the year end. Interest earned therefore closely follows movements in Bank of England base rate. A movement of 1 per cent on this rate would result in a difference in annual pre-tax profit of £2,124 *(2017: £5,158)* based on the balance in the account at 31 December 2018.

Notes *(continued)*

15 Financial instruments *(continued)*

Foreign currency risk

Financial risk management

The company is exposed to foreign exchange risk in respect of transactions involving the Euro. The company enters into transactions at contracted rates with other Group Companies, minimising its foreign exchange transaction risk.

The company does not use forward exchange contracts to hedge the company's exposure to foreign currency risk in the local reporting currency.

Exposure to currency risk

The company's exposure to foreign currency risk was as follows based on notional amounts (stated below in sterling):

	2018	2017
	EUR	EUR
Other receivables	**4,435**	2,730
Other payables	**(6,356)**	-
Net exposure	**(1,922)**	2,730

The following significant exchange rates applied during the year:

	Contracted rate		**Reporting date spot rate**	
	2018	2017	**2018**	2017
EUR	**1.0888**	1.0972	**1.1138**	1.1253

Sensitivity analysis

A 10% weakening in the Pound against the currencies above would increase equity and profit at the 2018 year-end by £192 *(2017: increase £27)* A 10% strengthening of the Euro against the Pound would have had the equal but opposite effect, on the basis that all other variables remain constant.

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 Operating leases

Non-cancellable operating lease rentals in respect of land and buildings are payable as follows:

	2018	2017
	£	£
Less than one year	**244,000**	247,600
Between one and five years	**848,500**	885,200
More than five years	**90,000**	210,000
	1,182,500	1,342,800

Notes *(continued)*

16 Operating leases *(continued)*

During the year £147,688 was recognised as an expense in the statement of total comprehensive income in respect of operating leases for land and buildings *(2017: £152,607)*.

Non-cancellable operating lease rentals in respect of office equipment are payable as follows:

	2018	2017
	£	£
Less than one year	**2,112**	2,662
Between one and five years	-	2,112
	2,112	4,774

The company has entered into a short term lease in respect of office machinery.

During the year £5,082 was recognised as an expense in the statement of total comprehensive income in respect of operating leases for office equipment *(2017: £5,975)*.

17 Related party transactions

Identity of related parties with which the Company has transacted

Other related parties are composed of other group companies. Services provided in the year to group companies represents Management Fee revenue.

Other related party transactions

	Sales to Related Parties	
	2018	2017
	£000	£000
Parent	-	-
Other related parties	**4,283,309**	4,343,705
	4,283,309	4,343,705

18 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 accounts of this company are not available to the public. The smallest group in which they are consolidated is that headed by Contiki (UK) Holdings Limited, a company registered in England and Wales. Copies of the consolidated accounts of Contiki (UK) Holdings Limited are available to the public from the Registrar of Companies.

Notes *(continued)*

19 Change in significant accounting policies

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement.*

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated however, there have been no differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018. There have been no changes to the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 in the current year.

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Trade and other receivables	*Loans and receivables*	*Amortised cost*
Cash and cash equivalents	*Loans and receivables*	*Amortised cost*
Financial liabilities		
Trade and other payables	*Other financial liabilities*	*Other financial liabilities*

IFRS 15 Revenue from Contracts with Customers

The Company has applied IFRS 15 using the retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. There have been no quantitative changes in applying IFRS 15.