Abercrombie & Kent Europe Limited

Directors' report and financial statements

Registered number 2261264

Year ended 31 December 2014

Contents

Directors' report

Directors' report

The directors present their report and the financial statements of the company for the year ended 31 December 2014.

Results and dividends

The profit and loss account is set out on page 6 and shows the profit after tax for the year of £256,000 *(2013: £773,000)*. The directors do not recommend the payment of a dividend *(2013: £Nil)*.

The company continues to enjoy the full support of its parent.

There have been no significant events since the balance sheet date.

The directors would like to take this opportunity to thank everyone in the company for their continued support and contribution during 2014.

Directors and directors' interests

The directors who served the company during the year were as follows:

JB Kent
TD Holderness-Roddam
BE Fichte
JP White
C Martindale – appointed 06.10.14
RA Brown – appointed 06.10.14

Employees

Abercrombie & Kent Europe Limited is an equal opportunities employer.

The company maintains close consultation with its employees on matters that are likely to affect their interests and is committed to involving them in the performance and development of the business. Periodic presentations are made to all staff by the directors and at these sessions, questions and issues raised by staff are answered.

Political and charitable donations

The company made no political donations during the year *(2013: £Nil)*. No charitable donations were made during the year *(2013: £Nil)* and a charitable collection for £4,772 will be payable to A&K Philanthropy in 2014 *(2013: £3,348)*.

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 auditors are 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 auditors are aware of that information.

Directors' report *(continued)*

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.

On behalf of the Board

RA Brown

RA Brown
Director

St Georges House
Ambrose Street
Cheltenham
Gloucestershire
GL50 3LG

23rd June 2015

Strategic report

Business review and principal activities

The company continues to operate DMC (Destination Management Company) services within the luxury leisure travel industry across 24 European and neighbouring countries.

Sales in 2014 were 7% above the 2013 level performing steadily following the 56% growth seen in 2013 compared to 2012. As with all travel sector companies, gross margins have been under pressure as a result of high competition for travelling clients. The company has maintained good margins throughout 2014.

The 2014 operating profit of £949,000 is a 5% improvement on the operating profit of £901,000 made in 2013.

The 2014 results include the non-recurring impairment of the outstanding balance of £ 0 *(2013: £3,000)* due from a subsidiary, Abercrombie & Kent Croatia doo. Abercrombie & Kent Croatia doo ceased trading at the end of 2013.

The first eight weeks of 2015 have been encouraging with bookings of £5,928,000. This gives the directors confidence of a continuing good performance for the company in the coming year.

The business is controlled by monitoring key performance indicators such as conversion rates and weekly bookings. These are commercially sensitive and consequently have not been reproduced here.

Principal risks and uncertainties

Competitive pressure within the travel industry in Europe is a continuing risk for the company, which could result in it losing sales volumes to key competitors. The company manages this risk by providing high quality innovative travel products and added value services, ensuring fast response times not only in supplying detailed travel itineraries but in handling all customer queries and by maintaining strong relationships with both customers and suppliers.

The company buys and sells in various foreign currencies and is therefore exposed to the movements against sterling and the euro. The company matches buy and sell currencies where possible to eliminate this risk and where this cannot be done the company's treasury function looks to take out forward exchange contracts to manage the risk.

The company has no external borrowings or long term deposits so is not exposed to fluctuations in bank base rate movements.

Expansion and future prospects

The company continues to research Europe and its neighbouring countries for new and exciting travel products and unique insider access opportunities. This involves the investment in sending staff to both existing and new destinations and training staff, guides and tour directors to the highest standards.

On behalf of the Board

RA Brown RABrown
Director

St Georges House
Ambrose Street
Cheltenham
Gloucestershire
GL50 3LG

23rd June 2015

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

KPMG

Independent auditors' report to the members of Abercrombie & Kent Europe Limited

We have audited the financial statements of Abercrombie & Kent Europe Limited for the year ended 31 December 2014 set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Abercrombie & Kent Europe Limited *(continued)*

Matters on which we are required to report by exception

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

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

Nicholas Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

15 July 2015

Profit and loss account
for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover	2	**11,793**	11,037
Cost of sales		**(9,133)**	(8,540)
Gross profit		**2,660**	2,497
Administrative expenses		**(1,711)**	(1,596)
Operating profit		**949**	901
Other interest receivable and similar income	6	**-**	80
Interest payable and similar charges	7	**(615)**	-
Profit on ordinary activities before taxation	1-5	**334**	981
Tax on profit on ordinary activities	8	**(78)**	(208)
Profit for the financial year		**256**	773

A statement of total recognised gains and losses has not been included as part of these financial statements as the company made no gains or loss in the year other than those disclosed above in the profit and loss account.

The results for the year as disclosed in the profit and loss account are on a historical cost basis.

The results for the current year and preceding financial period all arise from continuing operations.

Balance sheet
at 31 December 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Tangible assets	*9*		**27**		38
Investments	*10*		**1,048**		1,048
			1,075		1,086
Current assets					
Debtors	*11*	**7,274**		6,452	
Cash at bank and in hand		**486**		174	
		7,760		6,626	
Creditors: amounts falling due within one year	*12*	**(9,051)**		(8,184)	
Net current liabilities			**(1,291)**		(1,558)
Net liabilities			**(216)**		(472)
Capital and reserves					
Called up share capital	*14*		**10**		10
Profit and loss account	*15*		**(226)**		(482)
Shareholder's deficit			**(216)**		(472)

The notes on pages 10 to 18 form part of these financial statements.

These financial statements were approved by the board of directors on 23rd June 2015 and were signed on its behalf by:

RABrown

RA Brown
Director

Reconciliation of movements in shareholder's deficit
at 31 December 2014

	2014 £000	2013 £000
Profit for the financial year	**256**	773
Opening shareholder's deficit	**(472)**	(1,245)
Closing shareholder's deficit	**(216)**	(472)

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

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

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £1,291,000 and net liabilities of £216,000 (included within these amounts is net £1,041,000 owed to group undertakings), which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds currently provided to it by A&K Sarl – formally Abercrombie & Kent Group of Companies SA ("the Group"), the company's intermediate parent. The directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. On the basis of this cash flow information, the directors consider that the company will operate without the need for any additional funding; assuming the current funding provided by the Group is not called upon. The Group has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that the Group will not both be able to support, and will support, the company for the foreseeable future.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

The company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The company is controlled by Abercrombie & Kent Group of Companies S.A, the parent company. The consolidated financial statements of the group can be obtained from the address given in note 19.

Fixed assets and depreciation

Depreciation is provided to write off the cost, less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	6.67% - 16.67% straight line
Fixture and fittings	-	12.5% - 20% straight line
Equipment	-	20% - 33.3% straight line

Leases

Assets held under hire purchase agreements are capitalised and the outstanding hire purchase obligations are shown in creditors.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes *(continued)*

1 Accounting policies *(continued)*

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposal of fixed asset investments are treated as part of the result from ordinary activities.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are taken into account in arriving at the operating result.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting policies.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Recognition of income and expenditure

Income and expenditure is recognised by reference to the first day a holiday commences, excluding Value Added Tax and trade discounts, with any items relating to the following year's holiday season being carried forward and taken to the profit and loss account of the relevant period.

Notes *(continued)*

2 Analysis of turnover

Turnover relates to the wholesaling of holiday itineraries in European and bordering countries and is invoiced to geographical markets as follows:

	2014	2013
	£000	£000
United Kingdom	**305**	248
United States of America	**9,848**	9,100
Rest of the World	**1,640**	1,689
	11,793	11,037

3 Profit on ordinary activities before taxation

	2014	2013
	£000	£000
Profit on ordinary activities before taxation is stated after charging:		
Deprecation of owned fixed assets	**19**	19
Non-recurring impairment of amounts owed by Abercrombie & Kent Croatia doo	**-**	3
Auditor's remuneration:		
Audit of these financial statements	**26**	26
Other services - taxation	**4**	5

4 Remuneration of directors

	2014	2013
	£000	£000
Directors emoluments	**87**	67
Company contributions to money purchase pension schemes	**16**	11
	103	78

Retirement benefits are accruing to three directors under money purchase schemes *(2013: one)*.

The aggregate of emoluments of the highest paid director was £46,000 *(2013: £67,000)*, and company pension contributions of £13,000 *(2013: £11,000)* were made to a money purchase scheme on his behalf.

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees 2014	2013
Operating and quoting	**40**	32
Administration	**9**	6
Selling and marketing	**2**	2
	51	40

The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
Wages and salaries	**1,019**	879
Social security costs	**111**	94
Other pensions costs	**34**	23
	1,164	996

6 Other interest receivable and similar income

	2014 £000	2013 £000
Net gain on foreign currency translation	**-**	80

7 Interest payable and similar charges

	2014 £000	2013 £000
Net loss on foreign currency translation	**(615)**	-

Notes *(continued)*

8 Taxation

	2014	2013
	£000	£000
Current tax		
Current tax on profit for the financial year	**78**	205
Deferred tax		
Origination and reversal of timing differences (see note 13)	**-**	3
Tax on profit on ordinary activities	**78**	208

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2013: *lower*) than the standard rate of corporation tax in the UK 21.5 % *(2013: 23.25%)*. The differences are explained below:

	2014	2013
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**334**	981
Current tax at 21.5 % *(2013: 23.25%)*	**72**	228
Effects of		
Disallowable expenses	**6**	11
Reduction in tax losses brought forward	**-**	(34)
Total current tax charge (see above)	**78**	205

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

Notes *(continued)*

9 Tangible fixed assets

	Leasehold improvements £000	Fixtures and fitting £000	Computer equipment £000	Total £000
Cost				
At beginning of year	28	129	733	890
Additions	-	3	4	7
At end of year	28	132	737	897
Depreciation				
At beginning of year	22	125	705	852
Charge for year	1	3	14	18
At end of year	23	128	719	870
Net book value				
At 31 December 2014	**5**	**4**	**18**	**27**
At 31 December 2013	6	4	28	38

10 Investments

	Shares in group undertakings £000
Cost	
At beginning and end of year	1,048
Impairment	
At beginning and end of year	-
Net book value	
At 31 December 2014	**1,048**
At 31 December 2013	1,048

Notes *(continued)*

10 Investments *(continued)*

The companies in which the company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held	
Abercrombie & Kent Italy Srl	Italy	Ground handling services	Ordinary	100%
Abercrombie & Kent Croatia doo	Croatia	Dormant	Ordinary	100%
Sanctuary Retreats Limited	United Kingdom	Marketing	Ordinary	100%
Russian Way Ltd	United Kingdom	Tour Operator	Ordinary	100%
Russian Way LLC	Russia	Ground Handling Services	Ordinary	100%

In 2008 the Directors assessed the projected position and performance of Abercrombie & Kent Croatia doo and took the decision to fully impair the investment. The reasons for the impairment remain at the current year end.

11 Debtors

	2014 £000	2013 £000
Amounts owed by group undertakings	**6,784**	6,351
Prepayments and accrued income	**476**	87
Deferred tax (note 13)	**14**	14
	7,274	6,452

12 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	**109**	108
Amount owed to group undertakings	**7,825**	6,963
Accruals and deferred income	**1,117**	1,113
	9,051	8,184

Notes *(continued)*

13 Deferred taxation

	2014 £000
Deferred tax asset at beginning of year	**14**
Deferred tax credit for the year (note 8)	**-**
Deferred tax asset at end of year	**14**

The elements of deferred taxation are as follows:

	2014 £000	2013 £000
Difference between accumulated depreciation and amortisation and capital allowances	**14**	14
Tax losses carried forward	**-**	-
Deferred tax asset	**14**	14

14 Called up share capital

	2014 £000	2013 £000
Authorised		
10,000 ordinary shares of £1 each	**10**	10
Allotted, called up and fully paid		
10,000 ordinary shares of £1 each	**10**	10

15 Reserves

	Profit and loss account £000
At beginning of year	(482)
Profit for the year	256
At end of year	**(226)**

Notes *(continued)*

16 Contingent liabilities

Abercrombie & Kent Europe Limited operates mainly as a wholesale tour operator, providing holidays in the UK, Europe and the bordering European countries.

The company is registered for VAT in the UK and accounts to HM Revenue & Customs for VAT both on holidays enjoyed within the UK and, in the case of holiday packages supplied direct to travellers, services that are enjoyed abroad. Having taken independent professional advice the directors are of the opinion that VAT registration in other European Union states is not required.

Due to the fact that European Union member states have adopted divergent interpretations of the Sixth VAT Directive the directors are unable to quantify the extent, if any, of any potential liability should registration be required in other European Union states.

17 Commitments

There were no capital commitments at the end of the financial year for which no provision had been made.

There were no annual commitments under non-cancellable operating leases.

18 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £34,000 *(2013: £23,000)*.

There were no outstanding prepaid contributions at either the beginning or end of the financial year.

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is controlled by Abercrombie & Kent Group of Companies S.A, the parent company. The ultimate controlling party is A&K Cayman LP. A&K Cayman LP is owned indirectly by funds managed by Fortress Investment Group LLC ("Fortress").

The largest group in which the results of the company are consolidated is that headed by Abercrombie & Kent Group of Companies S.A., incorporated in Luxembourg. The consolidated financial statements of the group are available to the public and may be obtained from Luxembourg "Registre de Commerce et des Societes".