

Abercrombie & Kent Europe Limited

Annual report & financial statements

Registered number 2261264

31 December 2017



Contents

Strategic report	1
Directors' report	2 - 3
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	4
Independent auditor's report to the members of Abercrombie and Kent Europe Limited	5 - 6
Profit and Loss Account and Other Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes	10 - 21

Strategic report

Business review and principal activities

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

Sales in 2017 were £19,730,000 (2016: £16,980,000), 16% above the 2016 level performing steadily following the 14% growth seen in 2016 compared to 2015. 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 2017 achieving 21.6% (2016: 21.2%). 2016 included additional staff costs which were not repeated to the same extent in 2017. The company performance was impacted by changes in foreign exchange rates during the year, whereby an FX gain of £883,000 (2016: £1,259 loss) was recognised.

The net current liability position improved during the year reducing to £1,245,000 (2016: £3,468,000).

The first quarter of 2018 have been encouraging with bookings exceeding budget which 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 margins 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 and the strength of the euro are continuing risks for the company, which could result in it losing sales volumes to key competitors and other destinations around the world. The company manages these risks 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.

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.

European Union

The negotiations around Britain's exit from the European Union and the subsequent uncertainties into the future economic outlook are being carefully monitored. The company believes it is agile enough to respond and mitigate any negative outcomes and to take advantage of any positive outcomes.

On behalf of the Board

RG Perry
Director



2nd May 2018

St Georges House
Ambrose Street
Cheltenham
Gloucestershire
GL50 3LG

Directors' report

The directors present their report and the financial statements of the company for the year ended 31 December 2017.

Results

The profit and loss account is set out on page 7 and shows the profit after tax for the year of £230,000 (2016: loss of £2,000,000).

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

Since the balance sheet date the company has opened a wholly owned subsidiary operating in Spain & Portugal, the new entity began trading in February 2018.

The directors would like to take this opportunity to thank everyone in the company for their continued support and contribution during 2017.

Proposed dividend

The directors do not recommend the payment of a dividend (2016: £nil).

Directors

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

BE Fichte	
RA Brown	(resigned 31 July 2017)
C Martindale	
JP White	
RG Perry	(appointed 31 July 2017)

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 (2016: £nil). Donations to Abercrombie & Kent Philanthropy totalled £9,000 in the year to 31 December 2017 (2016: £2,000).

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 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.

Directors' report *(continued)*

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



RG Perry
Director

St Georges House
Ambrose Street
Cheltenham
Gloucestershire
GL50 3LG

2nd May 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 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), including FRS 101 *Reduced Disclosure Framework*.

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;
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP
66 Queen Square
Bristol
BS1 4BE
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABERCROMBIE AND KENT EUROPE LIMITED

Opinion

We have audited the financial statements of Abercrombie and Kent Europe Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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.

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.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABERCROMBIE AND KENT EUROPE LIMITED *(continued)*

- 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 4, 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.

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.

Kate Teal

Kate Teal (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

4 May 2018

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Turnover	<i>1,2</i>	19,730	16,980
Cost of sales		(15,460)	(13,388)
		<hr/>	<hr/>
Gross profit		4,270	3,592
Administrative expenses		(4,874)	(4,793)
		<hr/>	<hr/>
Operating loss	<i>3</i>	(604)	(1,201)
Interest receivable / (payable) and similar expenses	<i>7</i>	883	(1,259)
		<hr/>	<hr/>
Profit/(loss) before taxation		279	(2,460)
Tax (charge)/credit on profit/(loss)	<i>8</i>	(49)	460
		<hr/>	<hr/>
Profit/(loss) after taxation		230	(2,000)
		<hr/>	<hr/>
Other comprehensive income for the year, net of income tax		-	-
		<hr/>	<hr/>
Total comprehensive income for the year		230	(2,000)
		<hr/>	<hr/>


The notes on pages 10 to 21 form an integral part of these financial statements.

Balance Sheet
at 31 December 2017

	<i>Note</i>	2017	2016
		£000	£000
Fixed assets			
Tangible assets	9	55	32
Investments	10	1,048	1,048
		<u>1,103</u>	<u>1,080</u>
Current assets			
Debtors	11	10,548	10,095
Cash at bank and in hand		561	1,798
		<u>11,109</u>	<u>11,893</u>
Creditors: amounts falling due within one year	12	<u>(12,354)</u>	<u>(15,361)</u>
Net current liabilities		<u>(1,245)</u>	<u>(3,468)</u>
Total assets less current liabilities		<u>(142)</u>	<u>(2,388)</u>
Creditors: amounts falling due after more than one year	13	<u>(1,921)</u>	<u>-</u>
Net liabilities		<u>(2,063)</u>	<u>(2,388)</u>
Capital and reserves			
Called up share capital	15	10	10
Capital contribution reserve	16	95	-
Profit and loss account		(2,168)	(2,398)
Shareholders' deficit		<u>(2,063)</u>	<u>(2,388)</u>

The notes on pages 10 to 21 form part of the financial statements.

These financial statements were approved by the board of directors on ²⁴ May 2018 and were signed on its behalf by:


RG Perry
Director

Company registered number: 2261264

Statement of Changes in Equity

	Called up Share capital £000	Capital contribution reserve	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	10	-	(398)	(388)
Total comprehensive income for the period				
Loss for the period	-	-	(2,000)	(2,000)
Other comprehensive income	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	(2,000)	(2,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	10	-	(2,398)	(2,388)
	<hr/>	<hr/>	<hr/>	<hr/>

	Called up Share capital £000	Capital contribution reserve	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	10	-	(2,398)	(2,388)
Total comprehensive income for the period				
Profit for the period	-	-	230	230
Other comprehensive income	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	230	230
Capital contribution received	-	95	-	95
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	95	-	95
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	10	95	(2,168)	(2,063)
	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 10 to 21 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Abercrombie & Kent Europe Limited (the “Company”) is a company incorporated, domiciled and registered in the UK. The registered number is 2261264 and the registered address is St Georges House, Ambrose Street, Cheltenham, GL50 3LG.

As a wholly owned subsidiary of Abercrombie & Kent Group of Companies SA (see note 19) 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.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”). The amendments to FRS 101 (2015/15 Cycle) issued in July 2017 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company’s ultimate parent undertaking, Abercrombie & Kent Group of Companies S.A includes the Company in its consolidated financial statements. The consolidated financial statements of Abercrombie & Kent Group of Companies S.A are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Registre de Commerce et des Sociétés, L-2961, Luxembourg.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Abercrombie & Kent Group of Companies S.A. include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 31 December 2017 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through the profit or loss.

1.2 Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on page 1. Notwithstanding the net liability position, which is covered by a letter of support from Abercrombie & Kent Group of Companies S.A, the company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements. The directors, having assessed the responses of the directors of the company's parent, Abercrombie & Kent Group of Companies S.A, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Abercrombie & Kent Group of Companies S.A to continue as a going concern or its ability to continue with the current banking arrangements. On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Abercrombie & Kent Group of Companies S.A, the company's directors have a reasonable expectation that the company will be able 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.

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 including covering third party obligations as they fall due.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Investments

Investments are stated at amortised cost less impairment.

Notes (continued)

1 Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Leasehold improvements	- 6.67% - 16.67% straight line
Fixtures and fittings	- 12.5% - 20% straight line
Computer equipment	- 20% - 33.33% straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.6 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.7 Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes (continued)

1 Accounting policies (continued)

1.7 Employee benefits (continued)

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.9 Turnover

Turnover relating to the sale of tours organised by the company is recognised as the total amount receivable by the company for goods supplied and service provided, excluding Value Added Tax.

Part of the company's business is to act as a travel agent. Revenue from these transactions is recognised through the commission that the company earns.

In both instances, revenue is recognised on the date of holiday departure and related costs of holidays are charged to the profit and loss account on the same basis.

1.10 Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.11 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination 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 temporary difference can be utilised.

Notes (continued)

1 Accounting policies (continued)

1.12 Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Where the borrowing is provided by a group company and has no interest rate, the loan has been recognised at fair value using an equivalent market rate of interest. The credit arising from the difference between the amount lent and the fair value on initial recognition is reflected in equity due to the favourable terms reflecting a shareholder acting in capacity of a shareholder. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

2 Turnover

	2017 £000	2016 £000
Rendering of services	19,730	16,980
By Geographical market		
	2017 £000	2016 £000
United Kingdom	113	565
United States of America	16,663	14,271
Rest of the World	2,954	2,144
	19,730	16,980

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 £000	2016 £000
Depreciation of owned fixed assets	22	20
<i>Auditor's remuneration:</i>		
Audit of these financial statements	27	27
Amounts receivable by the company's auditor and its associates in respect of: Taxation compliance services	5	5

Notes (continued)

4 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	
	2017	2016
Operating and quoting	64	48
Administration	2	9
Selling and distribution	2	2
	<hr/>	<hr/>
	68	59
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	2,372	1,775
Social security costs	212	318
Contributions to defined contribution plans	73	116
Share based payment	472	1,729
	<hr/>	<hr/>
	3,129	3,938
	<hr/>	<hr/>

5 Employee benefits

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £73,000 (2016: £116,000).

Notes *(continued)*

6 Directors' remuneration

	2017 £000	2016 £000
Directors' remuneration	888	2,110
Company contributions to money purchase pension plans	34	69
	<u>922</u>	<u>2,179</u>

The aggregate of remuneration of the highest paid director was £759,000 (2016: £1,998,000), and company pension contributions of £10,000 (2016: £58,000) were made to a money purchase scheme on their behalf. During the year, the highest paid director exercised share options under a long term incentive scheme.

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2
	<u>2</u>	<u>2</u>

The number of directors who exercised share options were 1 (2016: 1).

7 Interest receivable/(payable) and similar expenses

	2017 £000	2016 £000
Net foreign exchange gain/(loss)	883	(1,259)
	<u>883</u>	<u>(1,259)</u>

Notes (continued)

8 Taxation

Recognised in the profit and loss account

Analysis of (credit)/charge in the year

	2017 £000	2016 £000
<i>UK Corporation tax</i>		
Current tax on income for the period	-	-
Adjustment in respect of prior periods	(1)	11
	<hr/>	<hr/>
Total current tax (credit) / charge	(1)	11
Deferred tax		
Origination and reversal of timing differences	49	(471)
Adjustment in respect of prior periods	1	-
	<hr/>	<hr/>
Total tax charge / (credit)	49	(460)
	<hr/>	<hr/>

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit/(loss) for the year	230	(2,000)
Total tax expense/(credit)	49	(460)
	<hr/>	<hr/>
Profit/(loss) excluding taxation	279	(2,460)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19.25 % (2016: 20.0%)	54	(556)
Expenses not deductible for tax purposes	2	2
Adjustment to tax charge in respect of previous periods – deferred tax	1	-
Reduction in tax rate on deferred tax balances	(7)	83
Adjustment in respect of prior periods	(1)	11
	<hr/>	<hr/>
Total current tax charge/(credit) (see above)	49	(460)
	<hr/>	<hr/>

A reduction in the UK corporation tax rates from 20% to 19% (effective from 1 April 2017), and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on these rates

Notes (continued)

9 Tangible fixed assets

	Leasehold improvements £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost				
Balance at 1 January 2017	28	147	764	939
Acquisitions	-	2	43	45
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	28	149	807	984
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment				
Balance at 1 January 2017	26	132	749	907
Depreciation charge for the year	1	4	17	22
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	27	136	766	929
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 1 January 2017	2	15	15	32
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	1	13	41	55
	<hr/>	<hr/>	<hr/>	<hr/>

10 Fixed asset investments

	Shares in group undertakings £000
Cost	
At the beginning and end of year	1,048
	<hr/>
Net book value	
At 31 December 2017	1,048
	<hr/>
At 31 December 2016	1,048
	<hr/>

Notes (continued)

10 Fixed asset investments (continued)

The Company has the following investments in subsidiaries.

	Country of Incorporation	Class of shares held	Ownership 2016	Ownership 2015
Abercrombie and Kent Italy srl	Italy	Ordinary	100%	100%
Sanctuary Retreats Limited	United Kingdom	Ordinary	100%	100%
Russian Way Limited	United Kingdom	Ordinary	100%	100%
Russian Way LLC	Russia	Ordinary	100%	100%

The Registered Office addresses are as follows:

Abercrombie and Kent Italy srl: 7, Piazza San Jacopino, Florence, Italy
Sanctuary Retreats Limited: St George's House, Ambrose Street, Cheltenham, United Kingdom
Russian Way Limited: St George's House, Ambrose Street, Cheltenham, United Kingdom
Russian Way LLC: Profsoyuznaya street, 142-181, Moscow, 117321, Russia

11 Debtors

	2017 £000	2016 £000
Amounts due from group undertakings	8,787	8,737
Other debtors	423	220
Deferred taxation (Note 14)	429	479
Prepayments and accrued income	909	659
	10,548	10,095

12 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Accruals and deferred income	1,882	2,289
Trade creditors	365	259
Amounts owed to group undertakings	10,107	12,813
	12,354	15,361

Notes (continued)

13 Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Accruals and deferred income	582	-
Amounts owed to group undertakings	1,339	-
	<u>1,921</u>	<u>-</u>

The amounts owed to group undertakings due after more than one year relate to a loan provided by A&K S.a.r.l. The loan is due for repayment in full in December 2019; the loan is interest free but in accordance with IFRS 7, the loan has been recognised at fair value using a market rate of 3.5%.

14 Deferred taxation

	2017 £000
Deferred tax asset at the beginning and end of the year	479
Deferred tax asset charge for the year (note 8)	(50)
Deferred tax asset at end of year	<u>429</u>

The elements of deferred taxation are as follows:

	2017 £000	2016 £000
Difference between accumulated depreciation and amortisation and capital allowances	11	8
Short term timing differences	107	-
Deferred taxes resulting from trade losses	311	471
	<u>429</u>	<u>479</u>

15 Capital

Called up share capital

	2017 £000	2016 £000
Authorised:		
10,000 ordinary shares of £1 each	10	10
	<u>10</u>	<u>10</u>
Allotted, called up and fully paid		
10,000 ordinary shares of £1 each	10	10
	<u>10</u>	<u>10</u>

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)

16 Capital contribution

	2017 £000	2016 £000
Fair value adjustment on long term loans	95	-

Capital contributions relate to a fair value adjustment on interest free loans from other group companies.

17 Related parties

The company has taken advantage of the exemptions conferred by FRS 101 and has therefore not disclosed transactions with wholly owned group companies or key management personnel compensation.

18 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.

19 Ultimate parent company and parent company of larger group

The company is controlled by Abercrombie & Kent Group of Companies S.A, the parent company, the registered office address of which is 124, Boulevard de la Petrusse, L-2330 Luxembourg. Until September 2017, the ultimate controlling party was Yan Zhao Global Limited which is incorporated in the British Virgin Islands. On October 1st, 2017, the ultimate controlling party restructured such that the new majority shareholder of the company is now Neo Dynasty Limited which is incorporated in the British Virgin Islands. Neo Dynasty Limited's ultimate beneficial owners are Zhonghong Holdings Limited a publicly traded entity on the SZX Stock Exchange in China under symbol 979.

The smallest and 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".

20 Accounting estimates and judgements

Impairment calculations

Abercrombie & Kent Europe Limited has a material investment in Abercrombie and Kent Italy srl, which has a year-end carrying value of £1,015,000 (2016: £1,015,000). An impairment review was undertaken and this was based on the assumption that it continued to generate strong net cash inflows for the foreseeable future. Post year end results were reviewed to corroborate this assumption and no material deviation was noted.