Hotelplan Limited

Annual report and financial statements

for the year ended 31 October 2015

Company number: 00350786

Hotelplan Limited

Annual report and financial statements

for the year ended 31 October 2015

Contents

Hotelplan Limited

Directors and advisers

Directors
A Perrin
A Stewart (appointed 04/01/2016)
T Stirnimann (resigned 04/01/2016)
M Glesti (resigned 04/01/2016)

Company secretary
A Stewart

Registered office
Mountain House
Station Road
Godalming
Surrey
GU7 1EX

Independent auditor
KPMG LLP
Chartered Accountants and Statutory Auditor
Gateway House
Tollgate
Chandlers Ford
SO53 3TG

Bankers
Barclays Bank
Level 27
1 Churchill Place
London
E14 5HP

Company number
00350786

Directors' report for the year ended 31 October 2015

The directors present their report and the audited financial statements of the company for the year ended 31 October 2015. Details of the Company's principal activity, performance, principal risks and uncertainties and risk management can be found in the Strategic Report on pages 4 to 7.

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

A Perrin
A Stewart (appointed 04/01/2016)
M Glesti (resigned 04/01/2016)
T Stirnimann (resigned 04/01/2016)

Statement of 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
KPMG LLP have indicated their willingness to accept reappointment as auditors. 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.

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements
The directors are responsible for preparing the Strategic Report, 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.

Directors' report for the year ended 31 October 2015 (continued)

Statement of directors' responsibilities in respect of the directors' report and the strategic report and directors' report and the financial statements (continued)

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.

Qualifying third party indemnity

As permitted by the articles of association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Overseas branches

The company has overseas branches in France and Austria trading under the name Hotelplan Limited.

By order of the Board

A Stewart
Director
Mountain House
Station Road
Godalming
Surrey
GU7 1EX

29 March 2016

Strategic report for the year ended 31 October 2015

Principal activities
Hotelplan Limited is the main trading company in the Hotelplan (U.K. Group) Limited group of companies, and its strategies and risks are closely aligned between the company and the group. The company's principal activity is that of tour operating. Hotelplan Limited operates ski holidays to Europe and North America under the brands 'Inghams Ski', 'Esprit Ski' and 'Ski Total', plus two non-skiing winter programmes to Finland – a short break family programme under the brand 'Santa's Lapland', and 'Inghams Lapland' adventure and experience holidays. The company also offers summer holidays to Europe under the brands 'Inghams Lakes & Mountains', 'Inghams Italy' and 'Esprit Sun'.

Review of the business
Despite a number of external challenges outlined below, the company delivered a significantly improved financial performance, with £7.5m EBITDA (2014: £2.9m), representing a +£4.6m improvement over the previous year.

Winter 2014/15 saw a second consecutive year of late snowfalls at the start of the season, which undermined demand in the key November/December selling period, although conditions then improved considerably as the season progressed. The first heavy snowfalls however unfortunately arrived at the most disruptive time possible, namely the weekend on which the entire European ski market was heading back home after the Christmas week, plus peak volumes of new guests simultaneously arriving for the New Year week, leading to widespread and heavily publicised transport difficulties across the entire French and Swiss Alps. The resultant flight and road transport delays, diverted flights and missed flight departures led to considerable unbudgeted repatriation and welfare costs for the company, in looking after our guests who were caught up in this unprecedented transport disruption.

Separately, the Swiss National Bank withdrew from its currency peg to the Euro, resulting in the exchange rate initially plummeting from CHF1.55/£1 to only CHF1.20/£1. This had a significant knock-on impact on demand for both winter and summer holidays to Switzerland, as the unavoidable price increases necessary to absorb this change made all holidays to Switzerland (which was already not a 'cheap' destination) increasingly uncompetitive against Eurozone countries. The Group and the wider UK ski industry also continue to encounter increasing challenges from political and tax authorities in some of our European destinations, which has resulted in significantly increased operating costs.

The group successfully weathered all these challenges, thanks in part to a strategic decision to reduce slightly our committed aircraft and chalet-bed capacities for winter 2014/15. Consequently, whilst the trading environment did weaken significantly following the poor early snowfalls, the Group had fewer committed aircraft seats and beds to sell into this distressed and severely discounted market. This position was further aided by the rising strength of the British Pound, especially against the Euro, following a number of positive improvements in the UK economy. Whilst overall passenger numbers reduced as planned, this enabled the group to achieve strong growth in both average selling prices and aircraft and bed load factors, delivering higher margins per passenger across all our winter programmes as a result.

The summer was dominated by geopolitical events, ranging from the tragic Tunisia terrorist attacks in late June to the growing refugee crisis in the Mediterranean. Mainstream competitor operators had

1. EBITDA represents 'Earnings Before Interest, Tax, Depreciation & Amortisation'

Strategic report for the year ended 31 October 2015 (continued)

Review of the business (continued)

little choice but to discount their North African, Greek and Turkish holiday packages heavily to mitigate the damage, which in turn impacted on pricing and consumer price expectations right across the wider summer holiday market, including Inghams. Similarly to the Ski season, on the back of a difficult summer 2014, the Directors accordingly took a cautious approach to flight capacity management, which provided some insulation to these wider market challenges. Late booking demand for holidays was also helped in part by a very wet British summer (with conversely generally good weather in mainland Europe), and by household budgets seeing some improvement as inflation dropped on the back of considerable reductions in the price of oil.

The directors employ a number of KPIs to monitor the performance of the business on a daily, weekly and monthly basis. The KPIs employed range from financial indicators such as margin per passenger, gross margin and EBITDA, through to non-financial monitoring via sales volumes, average selling prices, the load factors of both aircraft seats and winter committed beds, and guest satisfaction rates.

Results and dividends

Despite challenging trading conditions and passenger volumes and revenues, the company's delivered a 36.5% improvement in gross margin to £23.0m (2014: £16.9m), as the strategic decision to focus on improving margin per passenger through increased aircraft and bed utilisation and higher average selling prices across the programmes bore fruit. The prior year comparative included a £0.8m provision for historic overseas taxes thereby partially distorting comparisons. Administrative costs saw a 12.1% rise to £16.3m (2014: £14.5m) as the company continue to invest in additional staff and training to help deliver further digital marketing, IT and website enhancements and drive more sales. Operating profits consequently increased to £6.8m profit (2014: £2.4m). The operating profit includes depreciation and amortisation charges of £680k (2014: £455k), which result in an EBITDA of £7.5m (2014: £2.9m) when these accounting charges are added back. With respect to the balance sheet, net current assets increased to £4.8m (2014: £0.3m) due to the retained profits generated during the financial year.

An interim dividend of £nil (2014: £nil) was paid during the year. The directors do not recommend payment of a final dividend for the current year (2014: £nil).

Business development

The group continues to review new business opportunities on a regular basis. On the 1st December 2015, Hotelplan (U.K. Group) Limited acquired 100% of the issued share capital of Explore Worldwide Limited, a provider of escorted tours in over 120 countries around the globe and its subsidiary, Regal Diving and Tours Limited, which sells hotel and liveaboard diving holidays across the world. This acquisition forms part of the group's wider strategic positioning within the niche adventure travel sector.

Future outlook

The travel industry continued to see a gradual improvement in consumer confidence and demand, aligned to the recovering UK economy, improved household discretionary income, low inflation and the strengthening of the Pound/Euro exchange rate year on year. However, the regularity of geopolitical events around the world continues to give some cause for concern to the all sectors of the travel market.

Strategic report for the year ended 31 October 2015 (continued)

Future outlook (continued)

The directors continue to review the company's product offering to ensure the range is aligned to expected UK demand. Current load factors and average selling prices across all brands for the financial year ending 31 October 2016 are trading at improved levels year on year, albeit the company continues to take a prudent approach to passenger growth expectations for the foreseeable future.

Principal risks and uncertainties

As in any business within the travel industry, the company is exposed to a number of risks. Key amongst these, other than geopolitical events which remain outside our control, continue to be ensuring high load factors on chartered aircraft, committed beds and transfer coaches, while ensuring average selling prices exceed inflationary cost pressures and take account of exchange rate volatility. Whilst we have witnessed considerable improvements in the UK economy, global economic concerns and uncertainty caused by the looming "Brexit" referendum remain and continue to place household budgets and discretionary spend, such as holiday purchases, under pressure. These risks are mitigated through tight purchasing controls and appropriate pricing, and are managed through close monitoring of the company's KPI's and general market conditions, as well as fixed price contracts with key suppliers. The company also looks to secure its costing rates through prudent currency hedging, using forward currency exchange contracts for a period up to 18 months prior to departure.

Financial risk management

The company's operations expose it to a variety of financial risks, which include the effects of foreign exchange, liquidity and supplier risks. The company has in place risk management procedures that seek to limit the adverse effects on the financial performance of the company. Given the size and structure of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. Policies are in accordance with guidelines issued by the ultimate parent undertaking, the Federation of Migros Co-operatives.

Credit and interest rate risk

The company invests surplus funds with financial institutions and has interest-bearing deposits with the intermediate parent undertaking, Hotelplan Management A.G. The returns on these deposits are subject to risks arising from interest rate movements. Large sums are not deposited with any one institution, other than the ultimate parent undertaking, the Federation of Migros Co-operatives. The company limits its exposure to trade credit risk by requiring all consumers to pay for their holidays before departure and by limiting its dealings with agents that are not members of recognised trade bodies or who do not have suitable schemes in place to protect customers' money.

Foreign exchange risk

The company primarily offers its products for sale in British Pounds but pays suppliers in a variety of currencies. This risk is managed by a combination of purchasing sufficient forward contracts in major trading currencies to cover forecast liabilities arising from each brochure edition and amending prices as required to take account of currency fluctuations.

Liquidity risk

The company's overall objective is to ensure that it is at all times able to meet its financial commitments as and when they fall due. Accordingly the maturity dates for the investments of surplus funds are set in line with expected cash flows. Liquidity improved during the year principally due to continued profitability filtering through to retained earnings.

Strategic report for the year ended 31 October 2015 (continued)

Supplier risk

The principal supplier risks relate to committed airline seats and accommodation providers. All aircraft seats and fuel are purchased at fixed prices well in advance for the relevant season and the directors only work with established charter and scheduled airline operators. Hotel accommodation is non-committed; with annual reviews of agreed contract prices and allocations, whilst chalets are typically contracted on a fixed price rental contract denominated in foreign currency.

By order of the Board

A Stewart
Director
Mountain House
Station Road
Godalming
Surrey
GU7 1EX

29 March 2016

KPMG LLP
Gateway House
Tollgate
Chandlers Ford
SO53 3TG

Independent auditor's report to the members of Hotelplan Limited

We have audited the financial statements of Hotelplan Ltd for the year ended 31 October 2015 set out on pages 10 to 33. 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 pages 2 and 3, 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 October 2015 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 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 Hotelplan 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.

W. Smith.

William Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
SO53 3TG

30th March 2016.

Hotelplan Limited

Profit and loss account for the year ended 31 October 2015

	Note	2015 £'000	2014 £'000
Turnover	2	**181,433**	188,622
Cost of sales		**(158,409)**	(171,757)
Gross profit		**23,024**	16,865
Administrative expenses		**(16,272)**	(14,516)
Other operating income	3	**67**	78
Operating profit	4	**6,819**	2,427
Profit/(loss) on sale of fixed assets	4	**2**	(125)
Profit on ordinary activities before interest		**6,821**	2,302
Interest receivable and similar income	6	**128**	171
Interest payable and similar charges	7	**(333)**	(725)
Other finance income	20	**151**	122
Profit on ordinary activities before taxation		**6,767**	1,870
Tax on profit on ordinary activities	8	**(1,307)**	(409)
Profit for the financial year	19	**5,460**	1,461

There is no material difference between profit on ordinary activities before taxation and the retained profit for the financial years stated above and the historical cost equivalent.

All amounts for the financial year arise from the company's continuing operations

The notes on pages 13 to 33 form an integral part of these financial statements.

Statement of total recognised gains and losses for the year ended 31 October 2015

	Note	2015 £'000	2014 £'000
Profit for the financial year		**5,460**	1,461
Other translation adjustments	19	**-**	318
Actuarial losses on pension scheme	20	**(767)**	(168)
Deferred tax arising on changes in actuarial benefits	20	**154**	34
Impact of change in tax rate on deferred tax		**3**	26
Total recognised gains and losses for the financial year		**4,850**	1,671

The notes on pages 13 to 33 form an integral part of these financial statements.

Balance sheet as at 31 October 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	**2,648**	2,499
Investments	11	**7,077**	7,077
		9,725	9,576
Current assets			
Stock	12	**147**	181
Debtors	13	**13,406**	12,070
Cash at bank and in hand		**36,392**	27,004
		49,945	39,255
Creditors: amounts falling due within one year	14	**(45,157)**	(38,925)
Net current assets		**4,788**	330
Total assets less current liabilities		**14,513**	9,906
Provisions for liabilities	15	**(540)**	(863)
Net assets excluding pension asset		**13,973**	9,043
Net pension asset	20	**529**	610
Net assets including pension asset		**14,502**	9,653
Capital and reserves			
Called up share capital	17	**1,000**	1,000
Profit and loss account	18	**13,502**	8,653
Total shareholders' funds	19	**14,502**	9,653

The notes on pages 13 to 33 form part of the financial statements and were approved by the Board of directors and authorised for issue on 29 March 2016 and are signed on its behalf by:

A Perrin
Director

Notes to the financial statements for the year ended 31 October 2015

1 Accounting policies

Basis of accounting
The financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been applied consistently are set out below.

Going concern
The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of the business on page 4. The financial position of the company, its cash flows and liquidity position are described in the Strategic Report on pages 4 to 7. In addition, the Strategic Report also includes the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The company has considerable financial resources together with long term contracts with a number of key suppliers across the different geographic areas offered to our customers. The company continues to maintain high customer satisfaction scores and loyalty resulting in a favourable and early repeat booking cycle. The company delivered considerable profit growth in the year thanks to careful yield management and capacity decisions with respect to the product offering, which has been supported by a gradual improvement in the UK economy and household discretionary spend. The directors believe that the company is well placed to manage its business risks successfully in the current economic climate and deliver further improvements in margins per passenger and gradual passenger volume increases.

At the financial year end, the company has favourable forward sales for the coming winter and summer seasons giving good visibility over future cash flows. This is supported by the 3 year long range plan which forecasts further profitability improvements flowing through to a more positive working capital and net current assets position. The directors consequently 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.

Revaluation gains and losses
At the year end, all balances denominated in foreign currencies are revalued from the accounting rate to the spot rate prevailing at the year end, resulting in a gain or loss. These gains and losses are recognised in interest receivable and similar income or interest payable and similar charges.

Cash in transit
Cash in transit reflects client monies paid by credit or debit card in respect of the settlement of their holiday balance. These monies take approximately 3 to 4 working days to arrive in Hotelplan Limited's bank account from date of payment and are consequently disclosed within trade debtors.

Notes to the financial statements for the year ended 31 October 2015 (continued)

1 Accounting policies (continued)

Cash flow statement

The company is a wholly owned subsidiary company of a group headed by Federation of Migros Co-operatives, a co-operative incorporated in Switzerland, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption within Financial Reporting Standard 1 (revised 1996) 'Cash flow statements' from preparing a cash flow statement.

Group financial statements

The company is a wholly-owned subsidiary undertaking of Hotelplan (U.K. Group) Limited which prepares group financial statements as required by section 400 of the Companies Act 2006, and accordingly the company is exempt from the obligation to prepare and deliver group financial statements. Consequently, the financial statements provide information about the company as an individual undertaking only.

Turnover

Turnover is the aggregate value receivable, net of discounts, from inclusive tours, travel agency commissions and other travel services in addition to sales made locally in resort. Turnover is recognised on the date of departure.

Other operating income

Operating income is income derived from the purchase of flights using a third party online reservation system.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on acquisitions has been capitalised and is being amortised over a period not exceeding 20 years, being the period expected to benefit. The company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use

Notes to the financial statements for the year ended 31 October 2015 (continued)

1 Accounting policies (continued)

Depreciation
Depreciation is provided on a straight line basis on all tangible fixed assets over their expected useful economic life.

Fixtures and fittings	useful economic life 3 - 9 years
Motor vehicles	useful economic life 6 years
Computer software	useful economic life 5 years

Fixed asset investments
Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Foreign currencies
Monetary assets and liabilities expressed in foreign currencies are translated into British Pounds at rates of exchange ruling at the date of the balance sheet. Transactions in foreign currency are converted to British Pounds at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account.

Operating lease agreements
Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs
For eligible employees the company pays for employee pension benefits by contributing to a company defined benefit pension scheme. The scheme assets are held independently of the company. The expected future costs of providing pensions for employees under the company's defined benefits pension scheme are provided in the balance sheet of the company, net of assets held by the pension scheme and the value of any expected tax liability or relief. Costs relating to

Notes to the financial statements for the year ended 31 October 2015 (continued)

1 Accounting policies (continued)

Pension costs (continued)
employees service are charged to the profit and loss account. Gains and losses arising from actuarial revaluations are charged or credited to the statement of total recognised gains and losses. Returns on the assets of the pension scheme and notional interest on the liabilities of the scheme are credited or charged to other finance income or expense in the profit and loss account. Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability.

Following the closure of the company defined benefit pension scheme to new entrants in 2007, the company introduced the Hotelplan Limited Group Stakeholder Pension Plan for new employees which was closed to new entrants in 2010. All other remaining eligible employees were auto-enrolled on 1st May 2014 into a Group Personal Pension Plan in accordance with new pension legislation. The assets of both latter the scheme are held separately from those of the company in an independently administered fund.

The pension cost charge disclosed in note 20 represents contributions payable by the company to the fund accounted for under Financial Reporting Standard 17 'Retirement benefits'.

Brochure and marketing costs
Brochure, sales and marketing costs are written off as incurred.

Related party transactions
The company has taken advantage of the exemption under paragraph 3(c) from the provisions of Financial Reporting Standard 8, 'Related party disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Hotelplan (U.K. Group) Limited, whose financial statements are publicly available.

Provisions
Provisions are recognised in the balance sheet when the company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Stock
Stock comprises raw materials and consumables. Stock is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Provisions, if necessary, are made for slow moving, obsolete and defective stock. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation.

2 Turnover

Turnover is attributable to one continuing activity, the provision of leisure travel services. An analysis of turnover by geographical market in which the turnover arose, is given below:

Notes to the financial statements for the year ended 31 October 2015 (continued)

2 Turnover (continued)

	2015 £'000	2014 £'000
United Kingdom	**168,594**	175,085
Rest of world	**12,839**	13,537
	181,433	188,622

3 Other operating income

	2015 £'000	2014 £'000
Commission from airline booking system	**67**	78

4 Operating Profit

	2015 £'000	2014 £'000
Operating Profit is stated after charging/(crediting):		
Auditor's remuneration		
– audit of these financial statements	**64**	63
Depreciation of owned fixed assets (note 10)	**680**	455
(Profit)/loss on disposal of tangible fixed assets	**(2)**	125
Operating lease charges		
- land and buildings	**18,670**	21,217
- other operating leases	**111**	111
Management fee receivable from subsidiary undertakings	**(19,252)**	(13,980)
Management fee payable to subsidiary undertakings	**1,166**	-
Management fee payable to parent undertaking	**547**	532

Management fee payable to parent undertaking relates to head office recharges. Disclosure of fees payable to the auditor and its associates for other (non-audit) services has not been made because the consolidated accounts of the company's parent are required to disclose other (non-audit) services on a consolidated basis.

Notes to the financial statements for the year ended 31 October 2015 (continued)

5 Staff costs

	2015	2014
	£'000	£'000
Wages and salaries	**6,561**	5,783
Social security costs	**796**	790
Other pension costs (note 20)	**244**	220
	7,601	6,793

	2015	2014
The average monthly number of persons employed (including directors on a service contract) by the company during the year was as follows:	**Number**	Number
Sales	**114**	104
Operations	**40**	39
IT	**9**	7
Finance and Administration	**19**	21
Total	**182**	171

The monthly average above excludes overseas resort and chalet staff on seasonal contracts.

	2015	2014
	£'000	£'000
Directors' emoluments included in the above:		
Directors' emoluments	**159**	124
Directors' pension contributions to money purchase schemes	**6**	5
	165	129

	2015	2014
	Number	Number
Number of directors accruing pension costs	**1**	1

Notes to the financial statements for the year ended 31 October 2015 (continued)

6 Interest receivable and similar income

	2015 £'000	2014 £'000
Bank interest receivable	**62**	75
Interest receivable from group undertakings	**66**	96
	128	171

7 Interest payable and similar charges

	2015 £'000	2014 £'000
Bank interest payable	**32**	41
Interest payable to group undertakings	**6**	-
Net exchange losses	**295**	684
	333	725

Notes to the financial statements for the year ended 31 October 2015 (continued)

8 Tax on profit on ordinary activities

(a) Analysis of charge in the period

	2015 £'000	2014 £'000
Current tax:		
United Kingdom corporation tax on profit of the year	**944**	391
Adjustments in respect of previous years	**(94)**	(202)
Double taxation relief	**(130)**	(110)
	720	79
Overseas corporation tax on profits for the year	**208**	168
Total current tax (note 8(b))	**928**	247
Deferred tax:		
Origination and reversal of timing differences (note 8 (c))	**161**	132
Pension payments in excess of pension costs	**136**	30
Total deferred tax	**297**	162
Total tax on profit/(loss) on ordinary activities	**1,307**	409

(b) Factors affecting current tax charge for the period:

The standard rate of Corporation Tax in the United Kingdom changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at an effective blended rate of 20.4% and will be taxed at 20% in the future.

Notes to the financial statements for the year ended 31 October 2015 (continued)

8 Tax on profit on ordinary activities (continued)

The tax assessed for the year is lower (2014: lower) than the effective standard rate of corporation tax in the United Kingdom of 20.4% (2014: 21.8%). The differences are reconciled below:

	2015	2014
	£'000	£'000
Profit on ordinary activities before taxation	**6,767**	1,870
Profit on ordinary activities multiplied by the effective rate in the United Kingdom of 20.4% (2014: 21.8%)	**1,380**	408
Expenses not deductible for tax purposes	**4**	47
(Accelerated capital allowances)/ depreciation in excess of capital allowances	**(67)**	-
Other timing differences	**(78)**	133
Pension payments in excess of pension costs	**(136)**	(30)
Unrelieved foreign taxes	**78**	58
Adjustments in respect of prior years	**(94)**	(202)
Group relief claimed for nil payment	**(159)**	(167)
Total current tax charge	**928**	247

(c) Deferred tax

	2015	2014
	£'000	£'000
Capital allowances in excess of depreciation	**(45)**	51
Other timing differences	**108**	173
Total deferred tax asset (note 13)	**63**	224

Notes to the financial statements for the year ended 31 October 2015 (continued)

8 Tax on profit on ordinary activities (continued)

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 October 2015 has been calculated based on these rates as applicable to the expected period of reversal.

9 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 November 2014	1,550
Disposals	(1,550)
At 31 October 2015	-
Accumulated amortisation	
At 1 November 2014	1,550
Disposals	(1,550)
At 31 October 2015	-
Net book amount	
At 31 October 2015	-
At 31 October 2014	-

The disposal relates to Bladon Group PLC which was dissolved at Companies House on 5th December 2014.

Notes to the financial statements for the year ended 31 October 2015 (continued)

10 Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Motor vehicles	Computer software	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 November 2014	44	3,758	98	610	-	4,510
Additions	-	502	15	271	41	829
Disposals	-	-	-	-	-	-
At 31 October 2015	**44**	**4,260**	**113**	**881**	**41**	**5,339**
Accumulated depreciation						
At 1 November 2014	9	1,639	60	303	-	2,011
Charge for the year	4	546	16	114	-	680
Disposals	-	-	-	-	-	-
At 31 October 2015	**13**	**2,185**	**76**	**417**	**-**	**2,691**
Net book amount						
At 31 October 2015	**31**	**2,075**	**37**	**464**	**41**	**2,648**
At 31 October 2014	35	2,119	38	307	-	2,499

Notes to the financial statements for the year ended 31 October 2015 (continued)

11 Fixed asset investments

Shares in group companies	2015 £'000
Investment in subsidiary undertakings at cost:	
At 1 November 2014	7,077
Additions	-
At 31 October 2015	**7,077**

The directors believe that the carrying value of investments is supported by their underlying net assets.

Subsidiary undertakings:

The following companies are wholly-owned subsidiary undertakings and operate in the country of incorporation:

Name	% ownership of ordinary shares	Country of incorporation	Principal activity
Hotelplan (Transport) Limited	100%	England and Wales	Transport services
Hotelplan Inghams Sarl	100%	France	Dormant
Inter Chalet Ferienhaus A.G	100%	Switzerland	Provision of holiday accommodation
Inntravel Limited	100%	England and Wales	Tour operator
Hotelplan Travel Srl	100%	Italy	Provision of holiday accommodation
Inghams Canada Ltd	100%	Canada	Representative office
Itinerary Limited*	100%	England and Wales	Transport services

*Shareholding held by subsidiary of Hotelplan Limited.

Filoxenia Limited was dissolved at Companies House on the 5th December 2014 following a statutory entity rationalisation project designed to save administrative costs across the wider Group.

Notes to the financial statements for the year ended 31 October 2015 (continued)

12 Stock

	2015 £'000	2014 £'000
Raw materials and consumables	**147**	**181**

13 Debtors

	2015 £'000	2014 £'000
Trade debtors	**1,109**	864
Amounts owed by ultimate parent undertaking	**1,085**	-
Amounts owed by fellow subsidiary undertakings	**314**	891
Corporation tax	**-**	32
Deferred tax	**63**	224
Other debtors	**3,983**	3,514
Prepayments	**6,852**	6,545
	13,406	12,070

Amounts owed by fellow subsidiary undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements for the year ended 31 October 2015 (continued)

14 Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Trade creditors	**1,922**	890
Amounts owed to group undertakings	-	10
Amounts owed to fellow subsidiary undertakings	**2,833**	2,952
Payments in respect of future holidays	**35,348**	32,183
Corporation Tax	**378**	-
Taxation and social security	**179**	179
Accruals and deferred income	**4,497**	2,711
	45,157	38,925

Amounts owed to group undertakings and to fellow subsidiary undertakings are unsecured, interest free and repayable on demand.

15 Provisions for liabilities

	Litigation	**Other provisions**	**Total**
	£'000	**£'000**	**£'000**
At 1 November 2014	826	37	863
Amounts utilised during the financial year	(287)	(37)	(324)
Amounts provided during the financial year	-	1	1
Unused provisions credited to the profit and loss account	-	-	-
At 31 October 2015	**539**	**1**	**540**

During the year, £285k of provisions were consumed in relation to Austria overseas taxes and a further £2k in respect to a historic pension matter. Other provisions relate to Austrian staff termination costs that are provided for based on years of service in line with local employment legislation.

Notes to the financial statements for the year ended 31 October 2015 (continued)

16 Operating lease commitments

At 31 October, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other operating leases	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Operating lease commitments which expire:				
Within one year	**9,098**	5,678	-	111
Between one and five years	**6,828**	10,795	-	-
In more than five years	**687**	1,438	-	-
	16,613	17,911	-	111

17 Called up share capital

	2015	2014
	£'000	£'000
Authorised		
1,000,000 ordinary shares of £1 each	**1,000**	1,000
Allotted and fully paid		
1,000,000 ordinary shares of £1 each	**1,000**	1,000

18 Profit and loss account

	Profit and loss account
	£'000
At 1 November 2014	8,653
Profit for the financial year	5,460
Other translation adjustments	(1)
Actuarial losses on pension scheme net of deferred tax	(767)
Deferred tax relief on actuarial loss	157
At 31 October 2015	**13,502**

Notes to the financial statements for the year ended 31 October 2015 (continued)

19 Reconciliation of movements in shareholders' funds

	2015	2014
	£'000	£'000
Profit for the financial year	**5,460**	1,461
Other translation adjustments	-	318
Actuarial losses on pension scheme	**(610)**	(108)
Net increase in shareholders' funds	**4,850**	1,671
Opening shareholders' funds	**9,653**	7,982
Closing shareholders' funds	**14,502**	9,653

20 Pension commitments

The company's defined benefits scheme was closed to new members with effect from 1 November 2007 and as a result, under the projected unit method, current service cost will increase as members approach retirement. This is a fully funded scheme with contributions paid by both the company and its employees. The most recent formal actuarial valuation was undertaken as at 1 November 2012, and updated to 1 November 2015, by a qualified independent actuary, Peter Cormack, of The Royal London Mutual Insurance Society Limited. The assumptions which had the most significant effect on the valuation were those relating to the rate of return on investments held with Legal and General and the rate of increases in salaries, which were assumed to be 4.9% and 3.4% per annum respectively.

Financial Reporting Standard 17 'Retirement benefits' disclosures are based on the policy that benefits are based on final pensionable salary. The assets of the scheme are held separately from those of the company.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The major assumptions used by the actuary based on the full actuarial valuation at 1 November 2012 and updated to take account of the liabilities of the scheme at 31 October 2015 were (in nominal terms):

Notes to the financial statements for the year ended 31 October 2015 (continued)

20 Pension commitments (continued)

	2015	2014
	%	%
Financial assumptions:		
Rate of increase in salaries	**3.40**	3.30
Rate of increase in pensions in payment		
Pension earned before 01/05/00 in excess of GMP	**5.00**	5.00
Pension earned between 01/05/00 and 05/04/05	**3.30**	3.20
Pension earned after 05/04/05	**2.50**	2.50
Discount rate	**3.80**	3.90
Inflation assumption	**3.30**	3.20

	2015	2014
Life expectancy assumptions:		
Member aged 65 at the effective date of calculations		
Male	**22.0**	22.2
Female	**24.0**	24.1
Member aged 65 at a date 20 years after the effective date of calculations		
Male	**23.3**	23.6
Female	**25.5**	25.6

Notes to the financial statements for the year ended 31 October 2015 (continued)

20 Pension commitments (continued)

The assets of the scheme and the expected rate of return at 31 October are:

	2015		2014	
	Long term rate of return expected	**Value**	Long term rate of return expected	Value
	%	**£'000**	%	£'000
Equities	**6.10**	**14,761**	6.50	14,255
Bonds	**3.40**	**4,028**	3.40	3,843
Property	**4.10**	**3,937**	4.50	3,484
Gilts	**2.10**	**2,458**	2.50	2,194
Cash (Trustee bank account) net of current liabilities	**2.30**	**(1,252)**	2.70	(662)
Insured pensioners	**3.60**	**3,415**	3.70	3,524
Total market value of assets		**27,347**		26,638
(Present value of scheme liabilities)		**(25,872)**		(25,440)
Surplus in the scheme		**1,475**		1,198
Restriction on excess		**(814)**		(436)
Adjusted surplus in the scheme		**661**		762
Related deferred tax liability		**(132)**		(152)
Net pension asset		**529**		610

Notes to the financial statements for the year ended 31 October 2015 (continued)

20 Pension commitments (continued)

The amounts recognised in the profit and loss are as follows:

	2015	2014
	£'000	£'000
Current service cost	**151**	122
Expected return on pension scheme assets	**(1,379)**	(1,452)
Effect of excess restriction recognised in P&L	**251**	342
Interest on pension scheme liabilities	**977**	988
Total	**-**	-
Actual return on plan assets	**905**	1,793

Actuarial gains and losses
The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £2,979k (2014: £2,212k).

Reconciliation of the present value of scheme liabilities:

	2015	2014
	£'000	£'000
1 November	**25,440**	23,187
Current service cost	**151**	122
Interest cost	**977**	988
Benefits paid	**(904)**	(556)
Actuarial losses	**166**	1,651
Contributions by employees	**42**	48
31 October	**25,872**	25,440

The current service cost £151k (2014: £122k) are included within administrative expenses in the profit and loss account.

Notes to the financial statements for the year ended 31 October 2015 (continued)

20 Pension commitments (continued)

Reconciliation of the fair value of scheme assets:

	2015	2014
	£'000	£'000
1 November	**26,638**	25,220
Expected return on scheme assets	**1,379**	1,452
Actuarial gain/(loss)	**(474)**	341
Benefits paid	**(904)**	(556)
Contributions paid by employer	**666**	133
Contributions paid by employees	**42**	48
31 October	**27,347**	26,638

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The directors together with the trustees of the pension scheme regularly review the expected level of contributions to be paid by the company into the defined benefit pension scheme. The directors' best estimate at the time of approval of these financial statements is for cash contributions of £160k (2014: £124k) will be required to be paid into the scheme for the year ending 31 October 2015. The actual contributions paid into the scheme may however differ from this amount.

Amounts for the current and previous four years are as follows:

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
(Defined benefit obligation)	**(25,872)**	(25,440)	(23,187)	(20,161)	(17,640)
Plan assets	**27,347**	26,638	25,220	22,517	20,863
Surplus	**1,475**	1,198	2,033	2,356	3,223
Experience adjustments on plan assets	**(474)**	341	2,126	722	(654)
Experience adjustments on plan liabilities	**(156)**	53	1,496	392	554
Total actuarial (losses)/gains	**(640)**	(1,310)	(598)	(1,191)	1,087
Restriction excess	**(127)**	1,142	486	442	(1,801)
Total actuarial losses recognised in the STRGL	**(767)**	(168)	(112)	(749)	(714)

Notes to the financial statements for the year ended 31 October 2015 (continued)

20 Pension commitments (continued)

Excess

Under Financial Reporting Standard 17 'Retirement benefits', excess should be recognised on the balance sheet to the extent that the excess can be recovered by way of reduced employer contributions in the future or through refunds from the scheme (Financial Reporting Standard 17 'Retirement benefits' para 37). This has given rise to "excess not recognised" in the financial statements.

Defined contribution scheme

The company commenced operating a defined contribution pension scheme during 2008 and introduced a Group Personal Pension Plan for auto enrolment purposes for all remaining eligible employees during 2014. The amount charged in the year represents the contributions payable to the schemes in respect of the accounting period and amounted to £93k (2014: £98k). No amounts remain outstanding as at 31st October 2015 in respect of either scheme (2014: Nil).

21 Foreign exchange commitments

At 31 October 2015, the company held foreign currency forward exchange contracts to the value £79.5m (2014: £93.2m).

22 Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Hotelplan (U.K. Group) Limited.

This ultimate parent undertaking and controlling party is the Federation of Migros Co-operatives, a co-operative incorporated in Switzerland.

The Federation of Migros Co-operatives is the parent undertaking for the largest group of undertakings to consolidate these financial statements at 31 October 2015. The consolidated financial statements of the Federation of Migros Co-operatives are available from 152 Limmatstrasse, CH8005, Zurich, Switzerland.

Hotelplan (U.K. Group) Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Hotelplan (U.K. Group) Limited can be obtained from Mountain House, Station Road, Godalming, GU7 1EX, United Kingdom.