

# **Captivating Cuba Limited**

Directors' report and financial statements  
for the year ended 31 October 2011

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**Company number: 05521197**

## Company information

<b>Company number</b>	05521197
<b>Registered office</b>	Farm Cottage Heath House Wedmore BS28 4UG
<b>Directors</b>	J G Carroll J C Fraser (resigned 26 March 2012) A Cobbold (appointed 9 January 2012)
<b>Company secretary</b>	R G Hall
<b>Bankers</b>	Barclays Bank plc Pall Mall Corporate Group 80 Pall Mall London SW1A 1QA
<b>Solicitors</b>	DLA Piper UK LLP 3 Noble Street London EC2V 7EE
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 10 Bricket Road St Albans Hertfordshire AL1 3JX

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## **Directors' report**

The directors present their report and the audited financial statements of the company for the year ended 31 October 2011

### **Business review, principal activity and future outlook**

Captivating Cuba Limited arranges tailor made holidays to Cuba in the capacity of tour operator and travel agent

Turnover was £1,970,481 (2010 £2,616,130), a decrease of 25% on the turnover recorded in the year to 31 October 2010. The gross margin on the turnover has decreased from 20% in the prior year to 12% for the year ended 31 October 2011.

The company had a loss after tax for the financial year of £16,471 (2010 profit of £15,176). It has been a difficult year with the general economic conditions and an unstable market. This is reflected in the decrease in turnover and gross margin. As a result of the difficult conditions some staff restructuring took place and the company paid £2,997 in redundancy costs. The directors do not recommend a dividend (2010 £nil).

In light of the uncertain economic outlook, Captivating Cuba Limited will be controlling its cost base tightly over the next financial year. This prudent approach is required because revenues are not expected to show significant growth. The company will be adopting an aggressive marketing strategy to its existing customer base, but this will be controlled, and there will not be substantial efforts made to attract new customers. Future revenues are expected to be broadly in line with the current results.

### **Financial risk management objectives and policies**

Captivating Cuba Limited's financial risk profile is set within the context of the group, Travelzest plc. The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review of the consolidated group financial statements. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Chief Executive Officer's Review therein.

The company uses financial instruments including cash and various items, such as trade creditors that arise directly from its operations. The main purpose of these financial instruments is to enable the company to manage its day to day operations effectively, and provide for working capital requirements. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

### **Principal risks and uncertainties**

The nature of the industry that the Company operates in has considerable political, economic and environmental risks. The various environmental risks such as hurricanes, volcanic eruptions or any event that causes the closure or disruption of travel capabilities is an unknown risk to the Company. Political and economic risks are difficult to predict however management has the ability to mitigate the impact of these risks on the business.

### **Key performance indicators**

Management reviews a number of indicators when assessing the performance of the Company. Key amongst these indicators are turnover and gross profit.

## **Directors' report (continued)**

### **Going concern**

The Company is dependent on its ultimate parent company Travelzest plc for financial support. The directors of Travelzest plc have prepared a cash flow forecast based on the approved budgets to June 2013 of both it and its subsidiary companies (together "the Group") and have considered the forecast covenant position at each of the quarterly testing points from April 2012. The ability to meet these future cash flow and covenant forecasts is dependent on the Group's ability to raise additional finance to partially repay debts and provide adequate working capital to continue its operations following the signing of these financial statements. However, there is a risk that the raising of additional finance will be unsuccessful, and this represents a material uncertainty which may cast significant doubt about the ability of Travelzest plc and of this Company to continue as a going concern. The directors have a reasonable expectation that funding will be obtained and as a result have adopted the going concern basis in preparing the financial statements of Travelzest plc and the financial statements of the Company. The financial statements of the Company do not include the adjustments that would result if the Company were unable to continue as a going concern.

### **Credit risk**

The company operates advance payment for all tours in order to reduce credit risk.

### **Directors**

The directors who served the company during the year and up to the date of approval of these financial statements were as follows:

J C Fraser (resigned 26 March 2012)  
J G Carroll  
A Cobbold (appointed 9 January 2012)

### **Directors' indemnities**

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. Directors' and officers' liability insurance was purchased on behalf of the Company by a fellow group company.

### **Political and charitable contributions**

The company made no political or charitable contributions during the year (2010 £nil).

### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

## Directors' report (continued)

### **Statement of directors' responsibilities (continued)**

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Disclosure of information to auditors**

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

### **Independent auditors**

The auditors PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD



A Cobbold

**Director**

12 April 2012

## **Independent auditors' report to the members of Captivating Cuba Limited**

We have audited the financial statements of Captivating Cuba Limited for the year ended 31 October 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 and 6 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the Basis of Preparation within the Principal Accounting Policies to the financial statements, concerning the Company's ability to continue as a going concern. The Company is dependent on its ultimate parent company Travelzest plc for financial support. Travelzest plc expects to raise additional funds following the signing of these financial statements which will allow it to partially repay its third party loan, provide adequate working capital to continue its operations and meet its financial covenants.

## **Independent auditors' report to the members of Captivating Cuba Limited (continued)**

### **Emphasis of matter (continued)**

However, there is a risk that raising these additional funds will be unsuccessful and this represents a material uncertainty which may cast significant doubt about the ability of Travelzest plc and of the Company to continue as a going concern. The financial statements of the Company do not include the adjustments that would result if the Company were unable to continue as a going concern.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **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



James French (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans  
12 April 2012



## Principal accounting policies

### **Basis of accounting**

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

### **Going concern**

The Company is dependent on its ultimate parent company Travelzest plc for financial support. The directors of Travelzest plc have prepared a cash flow forecast based on the approved budgets to June 2013 of both it and its subsidiary companies (together "the Group") and have considered the forecast covenant position at each of the quarterly testing points from April 2012. The ability to meet these future cash flow and covenant forecasts is dependent on the Group's ability to raise additional finance to partially repay debts and provide adequate working capital to continue its operations following the signing of these financial statements. However, there is a risk that the raising of additional finance will be unsuccessful, and this represents a material uncertainty which may cast significant doubt about the ability of Travelzest plc and of this Company to continue as a going concern. The directors have a reasonable expectation that funding will be obtained and as a result have adopted the going concern basis in preparing the financial statements of Travelzest plc and the financial statements of the Company. The financial statements of the Company do not include the adjustments that would result if the Company were unable to continue as a going concern.

### **Related party transactions**

As the Company is a wholly owned subsidiary of Travelzest plc, advantage has been taken of paragraph 3 of FRS 8 'Related party disclosures' not to disclose transactions with other group companies.

### **Cash flow statement**

The company is a wholly owned subsidiary company of a group headed by Travelzest plc, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash flow statements'.

### **Turnover**

Turnover represents the sales of holidays, insurance, and other related services, net of VAT, and is recognised on the date of travel.

Where the company acts as an agent, turnover represents commission earned less amounts due or paid or any commissions shared.

### **Tangible fixed assets**

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

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

Motor vehicles	- 3 to 5 years
Plant and machinery	- 3 to 5 years

## Principal accounting policies (continued)

### **Taxation**

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date

### **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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements

A net deferred tax asset is regarded 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 future taxable profits from which the reversal of the 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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

### **Operating leases**

Expenditure in respect of operating leases is included in profit on ordinary activities before taxation

Rentals payable under operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account on a straight line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

### **Foreign currencies**

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

### **Client monies received in advance**

Client monies relating to holidays commencing after the year end are included in creditors

## Profit and loss account for the year ended 31 October 2011

	Note	31 October 2011 £	31 October 2010 £
<b>Turnover</b>	1	1,970,481	2,616,130
Cost of sales		(1,724,528)	(2,102,254)
Gross profit		<u>245,953</u>	<u>513,876</u>
Administrative expenses		(262,429)	(498,789)
<b>Operating (loss)/profit</b>	2	<u>(16,476)</u>	<u>15,087</u>
Interest receivable and similar income		5	89
<b>(Loss)/profit on ordinary activities before taxation</b>		<u>(16,471)</u>	<u>15,176</u>
Tax on (loss)/profit on ordinary activities	5	-	-
<b>(Loss)/profit for the financial year</b>	11	<u>(16,471)</u>	<u>15,176</u>

All of the activities of the company are classed as continuing. There is no material difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical equivalents.

The company has no recognised gains or losses other than the results for the year as set out above.

**Captivating Cuba Limited****Balance sheet as at 31 October 2011**

	Note	31 October 2011 £	31 October 2010 £
<b>Fixed assets</b>			
Tangible assets	6	2,302	2,449
<b>Current assets</b>			
Debtors	7	1,401,829	337,730
Cash at bank and in hand		<u>41,435</u>	<u>102,072</u>
		1,443,264	439,802
<b>Creditors: amounts falling due within one year</b>	8	<u>(1,362,669)</u>	<u>(629,883)</u>
<b>Net current assets/(liabilities)</b>		<u>80,595</u>	<u>(190,081)</u>
<b>Total assets less current liabilities</b>		82,897	(187,632)
<b>Creditors: amounts falling due in more than one year</b>	9	<u>(287,000)</u>	-
<b>Net liabilities</b>		<u>(204,103)</u>	<u>(187,632)</u>
<b>Capital and reserves</b>			
Called-up share capital	10	780,000	780,000
Profit and loss account	11	<u>(984,103)</u>	<u>(967,632)</u>
<b>Total shareholders' deficit</b>	12	<u>(204,103)</u>	<u>(187,632)</u>

The financial statements on pages 9 to 18 of Captivating Cuba Limited (company number 05521197) were approved by the Board of directors and authorised for issue on 12 April 2012. They were signed on its behalf by

  
J G Carroll  
Director

  
A Cobbold  
Director

# Notes to the financial statements

## 1 Turnover

Turnover and profit on ordinary activities before taxation is attributable to the one principal activity of the company, that of tour operations

All turnover is derived from activities based in Cuba

## 2 Operating (loss)/profit

Operating (loss)/profit is stated after charging

	31 October 2011 £	31 October 2010 £
Depreciation of owned tangible assets	683	9,042
Auditors' remuneration – audit of the financial statements	6,400	11,000
Auditors' remuneration – other services relating to taxation	1,600	4,000
Operating lease rentals – other	-	24,754
Net loss on foreign currency translation	3,717	1,613
Provision for irrecoverable group debtor	1,329	-

## 3 Staff costs

The average monthly number of employees was

	31 October 2011 Number	31 October 2010 Number
Sales	-	4
Management and administration	1	1
	<u>1</u>	<u>5</u>

Their aggregate remuneration comprised

	31 October 2011 £	31 October 2010 £
Wages and salaries	24,118	147,956
Social security costs	2,709	12,175
	<u>26,827</u>	<u>160,131</u>

## Notes to the financial statements (continued)

### 4 Directors' remuneration

Remuneration in respect of directors was as follows

	31 October 2011 £	31 October 2010 £
Aggregate emoluments	-	45,833

No director (2010 none) is accruing benefits under either a defined benefit or a defined contribution pension scheme

The directors did not receive any emoluments in respect of their services to the company (2010 £nil)

### 5 Tax on (loss)/profit on ordinary activities

The tax charge comprises

	31 October 2011 £	31 October 2010 £
<b>Current tax</b>		
UK Corporation tax	-	-
Total current tax	-	-

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before taxation is as follows

	31 October 2011 £	31 October 2010 £
(Loss)/profit on ordinary activities before taxation	(16,471)	15,176
(Loss)/profit on ordinary activities multiplied by the standard rate of tax in the UK of 26.8% (2010 28%)	(4,414)	4,249
Effects of		
Expenses not deductible for tax purposes	356	(4,249)
Depreciation in excess of capital allowances for the year	183	-
Unrecognised tax losses	3,393	-
Other timing differences	482	-
Total current tax	-	-

## Notes to the financial statements (continued)

### 5 Tax on (loss)/profit on ordinary activities (continued)

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28 per cent to 26 per cent from 1 April 2011. As this occurred during the financial year a blended rate of 26.8% has been applied.

In the March 2012 Budget Statement, a further reduction of 2 per cent to 24 per cent from 1 April 2012 was announced with further reductions to the main rate proposed to reduce the rate by 1 per cent per annum thereafter to 22% from 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The overall impact is not expected to be material to these financial statements.

The Company has unrecognised deferred tax assets in respect of tax losses of £180,560 (2010: £195,000). These have not been recognised on the basis that it is not certain when the Company will make taxable profits.

### 6 Tangible fixed assets

	Motor vehicles £	Plant and machinery £	Total £
<b>Cost</b>			
At 1 November 2010	21,451	60,244	81,695
Additions	-	536	536
Disposals	(18,896)	(50,244)	(69,140)
<b>At 31 October 2011</b>	<b>2,555</b>	<b>10,536</b>	<b>13,091</b>
<b>Accumulated depreciation</b>			
At 1 November 2010	19,002	60,244	79,246
Charge for the year	638	45	683
Disposals	(18,896)	(50,244)	(69,140)
<b>At 31 October 2011</b>	<b>744</b>	<b>10,045</b>	<b>10,789</b>
<b>Net book value</b>			
<b>At 31 October 2011</b>	<b>1,811</b>	<b>491</b>	<b>2,302</b>
<b>At 31 October 2010</b>	<b>2,449</b>	<b>-</b>	<b>2,449</b>

## Notes to the financial statements (continued)

### 7 Debtors

	31 October 2011 £	31 October 2010 £
Trade debtors	-	214
Amounts owed by group undertakings	1,362,039	275,940
Other debtors	1,531	11,234
Prepayments and accrued income	38,259	50,342
	<u>1,401,829</u>	<u>337,730</u>

Amounts owed by group undertakings are interest-free and repayable on demand

### 8 Creditors: amounts falling due within one year

	31 October 2011 £	31 October 2010 £
Trade creditors	142	-
Amounts owed to group undertakings	1,166,557	179,359
Other creditors	-	25,145
Accruals and deferred income	195,970	425,379
	<u>1,362,669</u>	<u>629,883</u>

Amounts owed to group undertakings are interest-free and repayable on demand. There is no security on the amounts owed to group undertakings.

### 9 Creditors: amounts falling due in more than one year

	31 October 2011 £	31 October 2010 £
Amounts owed to group undertakings	287,000	-
	<u>287,000</u>	<u>-</u>

Amounts owed to group undertakings are subordinated loans and are interest-free. There is no security on the amounts owed to group undertakings.



## Notes to the financial statements (continued)

### 10 Called up share capital

#### Authorised.

	31 October 2011 £	31 October 2010 £
1,030,000 (2010 1,030,000) ordinary shares of £1 each	1,030,000	1,030,000
10,000 (2010 10,000) preference shares of £1 each	10,000	10,000
	<u>1,040,000</u>	<u>1,040,000</u>

The preference shares are 0% non-voting cumulative redeemable preference shares which can only be redeemed at the option of the company at any time. These shares are classified as equity since they do not have any of the characteristics of debt.

#### Allotted and fully paid:

	31 October 2011 £	31 October 2010 £
Ordinary shares of £1 each	770,000	770,000
Preference shares of £1 each	10,000	10,000
	<u>780,000</u>	<u>780,000</u>

### 11 Profit and loss account

	31 October 2011 £	31 October 2010 £
At 1 November	(967,632)	(982,808)
(Loss)/profit for the financial year	(16,471)	15,176
At 31 October	<u>(984,103)</u>	<u>(967,632)</u>

### 12 Reconciliation of movements in shareholders' deficit

	31 October 2011 £	31 October 2010 £
Shareholders' deficit at 1 November	(187,632)	(202,808)
(Loss)/profit for the financial year	(16,471)	15,176
Shareholders' deficit at 31 October	<u>(204,103)</u>	<u>(187,632)</u>

## Notes to the financial statements (continued)

### 13 Operating lease commitments

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

	31 October 2011		31 October 2010	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date				
- within one year	-	-	2,063	-

### 14 Contingent liabilities

Barclays Bank plc holds an unlimited debenture over the assets of the company in respect of overdraft, forward exchange and bonding facilities

### 15 Related party transactions

As a wholly-owned subsidiary of Travelzest plc, the company is exempt from the requirements of FRS 8 'Related party disclosures' to disclose transactions with other members of the group headed by Travelzest plc on the grounds that financial statements are publicly available

### 16 Ultimate parent company and controlling party

Travelzest plc is the company's ultimate controlling related party by virtue of its 100% ownership of the ordinary share capital of the immediate parent Travelzest Holdings UK Limited. Travelzest Holdings UK Limited is the immediate parent by virtue of its 100% ownership of the ordinary share capital of the company.

The largest and smallest group of undertakings for which group financial statements have been drawn up is that headed by Travelzest plc. Copies of group financial statements can be obtained from Travelzest plc, 2<sup>nd</sup> floor Delta Place, 27 Bath Road, Cheltenham, Gloucestershire, GL53 7TH.

