Captivating Cuba Limited
Financial statements
For the year ended 31 October 2010

Company No. 05521197

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Company registration number	05521197
Registered office	Farm Cottage Heath House Wedmore BS28 4UG
Directors	J G Carroll J C Fraser
Company secretary	R G Hall
Bankers	Barclays Bank plc Pall Mall Corporate Group 80 Pall Mall London SW1A 1QA
Solicitors	DLA Piper UK LLP 3 Noble Street London EC2V 7EE
Auditor	PricewaterhouseCoopers LLP 10 Bricket Road St Albans Hertfordshire AL1 3JX

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 October 2010

Principal activity

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

Business review and future outlook

Turnover was £2,616,130, an increase of 14% on the turnover recorded in the year to 31 October 2009 The gross margin on the turnover remained at 20% year over year The company had profit after tax for the year of £15,176 (2009 loss of £260,388) Whilst the UK market remains less buoyant than previous years, the company is actively implementing key strategic initiatives to accelerate revenue and profit development The directors do not recommend a dividend (2009. £nil)

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 accounts 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 review a number of indicators when assessing the performance of the Company Key amongst these indicators are turnover and gross profit

Liquidity risk

The group meets its day to day working capital requirements through an overdraft facility The current economic conditions create uncertainty particularly over (a) the level of demand for the group's products, and (b) the exchange rate between sterling and, in the case of Captivating Cuba, the US dollar and the Cuban peso, and thus the consequence for the group's cost of sales The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facility

Liquidity risk (continued)

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

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 accounts were as follows.

S D Diederich (resigned 1 August 2010)
J C Fraser
J G Carroll

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 (2009 £nil).

Directors' responsibilities

The directors are responsible for preparing 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 elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to 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 judgments 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

Directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records that 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

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 to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

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

BY ORDER OF THE BOARD

J C Fraser
Director
28 March 2011

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 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Principal accounting policies 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 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 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

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 2010 and of its profit 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

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

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

James French (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
28 March 2011

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

The directors consider that it is appropriate to prepare the accounts on a going concern basis as its ultimate parent company Travelzest plc has confirmed that it is its present intention to provide sufficient finance for the company, for a period of at least twelve months from the date of signing the accounts.

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 directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent publishes a consolidated cash flow statement

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 assets

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

Depreciation is provided on all tangible 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

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

Principal accounting policies (continued)

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

Income and 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 in 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

	Notes	31 October 2010 £	31 October 2009 £
Turnover	1	**2,616,130**	2,294,704
Cost of sales		**(2,102,254)**	(1,842,928)
Gross profit		**513,876**	451,776
Administrative charges		**(498,789)**	(713,110)
Operating profit/(loss)	2	**15,087**	(261,334)
Interest receivable and similar income		**89**	946
Profit/(loss) on ordinary activities before taxation		**15,176**	(260,388)
Tax on profit/(loss) on ordinary activities	5	**-**	-
Profit/(loss) for the financial year	10	**15,176**	(260,388)

All of the activities of the company are classed as continuing

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

Balance sheet

	Notes	31 October 2010 £	31 October 2009 £
Tangible assets			
Tangible assets	6	**2,449**	8,936
		2,449	8,936
Current assets			
Debtors	7	**337,730**	95,916
Cash at bank		**102,072**	164,691
		439,802	260,607
Creditors: amounts falling due within one year	8	**(629,883)**	(472,351)
Net current liabilities		**(190,081)**	(211,744)
Net liabilities		**(187,632)**	(202,808)
Capital and reserves			
Called-up equity share capital	9	**780,000**	780,000
Profit and loss account	10	**(967,632)**	(982,808)
Shareholder's deficit	12	**(187,632)**	(202,808)

These financial statements were approved by the directors on 28 March 2011 and are signed on their behalf by

J G Carroll
Director

J C Fraser
Director

Company registered number 05521197

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 profit/(loss)

Operating profit/(loss) is stated after charging

	31 October 2010 £	31 October 2009 £
Depreciation of owned tangible assets	9,042	2,960
Auditors' remuneration – audit of the financial statements	11,000	5,000
Auditors' remuneration – other services relating to taxation	4,000	-
Operating lease rentals - other	24,754	32,562
Net loss on foreign currency translation	1,613	-

3 Employees

The average number of staff employed by the company during the financial year amounted to

	31 October 2010 No.	31 October 2009 No
Sales	4	3
Management and administration	1	2
	5	5

The aggregate payroll costs of the above were.

	31 October 2010 £	31 October 2009 £
Wages and salaries	147,956	220,891
Social security costs	12,175	14,903
	160,131	235,794

4 Directors

Remuneration in respect of directors was as follows

	31 October 2010 £	31 October 2009 £
Aggregate emoluments	**45,833**	55,000

No director (2009: none) is accruing benefits under either a defined benefit or a defined contribution pension scheme

5 Taxation on ordinary activities

(a) Analysis of charge in the year:

	31 October 2010 £	31 October 2009 £
Current tax:		
UK corporation tax based on the results for the year at 28% (2009 28%)	-	-
Total current tax	-	-

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 28%)

	31 October 2010 £	31 October 2009 £
Profit/(loss) on ordinary activities before taxation	**15,176**	(260,388)
Profit/(loss) on ordinary activities multiplied by the standard rate of tax for the year of 28% (2009 28%)	**4,249**	(72,909)
Expenses not deductible for tax purposes	**(4,249)**	74,242
Depreciation in excess of capital allowances for the year	-	(1,333)
Total current tax	-	-

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 27 per cent from 1 April 2011 In the March 2011 Budget Statement, a proposal was made to reduce corporation tax from 28 per cent to 26 per cent from 1 April 2011 and to reduce this rate by 1 per cent per annum to 23 per cent by 1 April 2014. These 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

Taxation on ordinary activities (continued)

The Company has unrecognised deferred tax assets in respect of tax losses of £195,000 (2009. £195,000) These have not been recognised on the basis that it is certain when the Company will make taxable profits

6 Tangible assets

	Motor vehicles £	Plant & machinery £	Total £
Cost			
At 31 October 2009	18,896	60,244	79,140
Additions	2,555	-	2,555
At 31 October 2010	21,451	60,244	81,695
Depreciation			
At 31 October 2009	18,896	51,308	70,204
Charge for the period	106	8,936	9,042
At 31 October 2010	18,896	60,244	79,246
Net book value			
At 31 October 2010	**2,449**	**-**	**2,449**
At 31 October 2009	-	8,936	8,936

7 Debtors

	31 October 2010 £	31 October 2009 £
Trade debtors	**214**	6,214
Prepayments and accrued income	**50,342**	56,382
Amounts due from group undertakings	**275,940**	-
Other debtors	**11,234**	33,320
	337,730	95,916

Amounts due from group undertakings are interest-free and repayable on demand.

8 Creditors: amounts falling due within one year

	31 October 2010 £	31 October 2009 £
Amounts due to group undertakings	**179,359**	53,981
Other creditors	**25,145**	35,205
Accruals and deferred income	**425,379**	383,165
	629,883	472,351

Amounts due to group undertakings are interest-free and repayable on demand.

9 Share capital

Authorised share capital

	31 October 2010 £	31 October 2009 £
1,030,000 ordinary shares of £1 each	1,030,000	1,030,000
10,000 preference shares of £1 each	10,000	10,000
Total £1 shares	1,040,000	1,040,000

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, called up and fully paid

	31 October 2010 £	31 October 2009 £
Ordinary shares of £1 each	770,000	770,000
Preference shares of £1 each	10,000	10,000
Total £1 shares	780,000	780,000

10 Profit and loss account

	31 October 2010 £	31 October 2009 £
Balance brought forward	(982,808)	(722,420)
Profit/(loss) for the financial year	15,176	(260,388)
Balance carried forward	(967,632)	(982,808)

11 Operating lease commitments

At 31 October 2010 the company had annual commitments under non-cancellable operating leases as set out below

	31 October 2010		31 October 2009	
	Land & buildings £	Other items £	Land & buildings £	Other items £
Within one year	2,063	-	24,754	-
Within two to five years	-	-	2,063	-
After more than five years	-	-	-	-
	2,063	-	26,817	-

12 Reconciliation of movements in shareholder's funds

	31 October 2010 £	31 October 2009 £
Profit/(loss) for the financial year	15,176	(260,388)
Opening shareholder's (deficit)/funds	(202,808)	57,580
Closing shareholder's deficit	(187,632)	(202,808)

13 Contingent liabilities

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

14 Related party transactions

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

15 Ultimate parent company

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 accounts have been drawn up is that headed by Travelzest plc Copies of group accounts can be obtained from Travelzest plc, 2nd floor Delta Place, 27 Bath Road, Cheltenham, Gloucestershire, GL53 7TH