

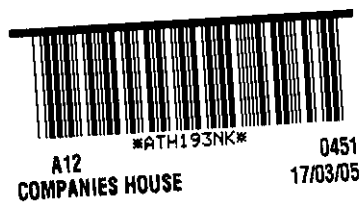
1990682

# Hays Travel Limited

## Report and Group Financial Statements

31 October 2004

 ERNST & YOUNG



# Hays Travel Limited

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Registered No: 1990682

## **Directors**

Mr J Hays  
Mrs J L Gardner  
Ms C Powell  
Mr D Wheatley

## **Secretary**

Mrs P S Coates

## **Auditors**

Ernst & Young LLP  
Citygate  
St James' Boulevard  
Newcastle upon Tyne  
NE1 4JD

## **Bankers**

Barclays Bank PLC  
53 Fawcett Street  
Sunderland  
Tyne and Wear  
SR1 1SD

## **Registered Office**

25 Vine Place  
Sunderland  
Tyne and Wear  
SR1 3NA

## Directors' report

The directors submit their report and group financial statements for the year ended 31 October 2004.

### Results and dividends

The group profit for the year, after taxation and minority interests, amounted to £1,139,376 (2003: £1,306,470). The directors propose the payment of a final ordinary dividend of £880,000 (2003: £880,000).

### Principal activity and review of the business

The group's principal activity during the year continued to be that of a travel agent operating 31 retail branches and 4 call centres in the north east of England. In addition the group operates the Independence Group (IG). The IG consists of independent travel agents throughout the country who operate under licence. The IG currently has 108 members.

The directors are satisfied with the group's performance during the year and intend to continue with the profitable development of its activities.

During the financial year ended 31 October 2004 there were commissions totalling £2,952,236 (2003: £2,458,637) which related to holidays booked in the year but, in line with the group's accounting policy, the commissions have not yet been brought into profit.

### Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

### Employee involvement

During the year, the policy of providing employees with information about the company has been continued. Regular meetings are held to allow a free flow of information and ideas.

### Directors and their interests

The directors who served throughout the year and their interests in the ordinary share capital of the company were as follows:

	<i>At 31 October 2004</i>	<i>At 31 October 2003</i>
Mr J Hays	45,500	45,500
Mrs J L Gardner	-	-
Mr H Thomas (resigned 4 February 2004)	-	-
Ms C Powell	-	-
Mr D Wheatley (appointed 4 February 2004)	-	-

Mr H Thomas, Ms C Powell and Mr D Wheatley served as non-executive directors and are employees of First Choice Holidays plc.

## Directors' report

### Creditor payment policy and practice

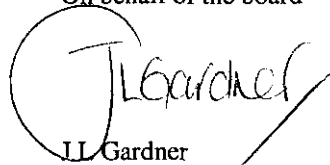
It is the group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers provided that all trading terms and conditions have been met.

At 31 October 2004, the group had an average of 34 days (2003: 33 days) purchases outstanding in trade creditors.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



J.L. Gardner  
Director

14 March 2005

## **Statement of directors' responsibilities in respect of the financial statements**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report**

**to the members of Hays Travel Limited**

We have audited the group's financial statements for the year ended 31 October 2004 which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows, and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

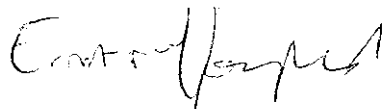
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report**  
to the members of Hays Travel Limited (continued)

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 October 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Newcastle upon Tyne

14 March 2005

# Group profit and loss account

for the year ended 31 October 2004

	Notes	2004 £	2003 £
<b>Gross value of sales</b>	2	181,437,848	145,812,324
Turnover: Group and share of joint venture	2	18,964,346	16,506,218
Less: share of joint venture's turnover		-	(93,292)
Group turnover		18,964,346	16,412,926
Operating expenses	3	(18,093,906)	(15,071,159)
Other operating income	4	111,858	109,457
<b>Group operating profit</b>	4	982,298	1,451,224
Share of operating profit in joint venture		-	6,068
<b>Total operating profit: group and share of joint venture</b>		982,298	1,457,292
Bank interest receivable - Group		684,612	419,008
- Joint Venture		-	246
Interest payable and similar charges - Group		-	(346)
- Joint venture		-	(51)
<b>Profit on ordinary activities before taxation</b>		1,666,910	1,876,149
Tax on profit on ordinary activities - Group	7	(527,534)	(568,529)
- Joint venture		-	(1,150)
<b>Profit on ordinary activities after taxation</b>		1,139,376	1,306,470
Minority interests - equity		-	-
<b>Profit for the financial year attributable to members of the parent company</b>		1,139,376	1,306,470
Ordinary dividend on equity shares	8	(880,000)	(880,000)
<b>Retained profit for the year</b>	17	£259,376	£426,470

There are no recognised gains or losses other than those dealt with in the profit and loss account.



**Group balance sheet**

at 31 October 2004

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Intangible assets	9	56,768	68,121
Tangible assets	10	1,765,674	1,584,148
		<u>1,822,442</u>	<u>1,652,269</u>
<b>Current assets</b>			
Stocks	12	22,765	19,214
Debtors	13	1,917,629	1,721,328
Cash at bank and in hand		15,247,174	12,428,235
		<u>17,187,568</u>	<u>14,168,777</u>
<b>Creditors:</b> amounts falling due within one year	14	16,091,171	13,158,514
		<u>1,096,397</u>	<u>1,010,263</u>
<b>Net current assets</b>			
<b>Total assets less current liabilities</b>		<u>2,918,839</u>	<u>2,662,532</u>
<b>Provision for liabilities and charges</b>			
Deferred taxation	15	(1,545)	(4,614)
		<u>£2,917,294</u>	<u>£2,657,918</u>
<b>Capital and reserves</b>			
Called up share capital	16	80,000	80,000
Profit and loss account	17	2,837,294	2,577,918
		<u>£2,917,294</u>	<u>£2,657,918</u>
<b>Equity shareholders' funds</b>	17	<u>£2,917,294</u>	<u>£2,657,918</u>

J Hays  
Director



14 March 2005

# Company balance sheet

at 31 October 2004

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Tangible assets	10	1,686,996	1,504,115
Investments	11	2,200	2,200
		<u>1,689,196</u>	<u>1,506,315</u>
<b>Current assets</b>			
Stocks	12	22,765	19,214
Debtors	13	2,075,217	2,052,183
Cash at bank and in hand		14,615,747	11,840,590
		<u>16,713,729</u>	<u>13,911,987</u>
<b>Creditors: amounts falling due within one year</b>	14	15,823,840	12,912,320
		<u>889,889</u>	<u>999,667</u>
<b>Net current assets</b>			
		<u>2,579,885</u>	<u>2,505,982</u>
<b>Total assets less current liabilities</b>			
<b>Provisions for liabilities and charges</b>			
Deferred taxation	15	-	-
		<u>£2,579,085</u>	<u>£2,505,982</u>
<b>Capital and reserves</b>			
Called up share capital	16	80,000	80,000
Profit and loss account	17	2,499,085	2,425,982
		<u>£2,579,085</u>	<u>£2,505,982</u>
<b>Equity shareholders' funds</b>	17		
		<u>£2,579,085</u>	<u>£2,505,982</u>



J Hays  
Director

14 March 2005

**Group statement of cash flows**

for the year ended 31 October 2004

	<i>Notes</i>	2004 £	2003 £
<b>Net cash inflow from operating activities</b>	18(a)	4,183,805	5,150,406
<b>Returns on investment and servicing of finance</b>	18(b)	700,727	419,705
<b>Taxation</b>	18(b)	(554,008)	(656,745)
<b>Capital expenditure and financial investment</b>	18(b)	(631,585)	(453,004)
<b>Acquisitions and disposals</b>	18(b)	-	53,846
<b>Equity dividends paid</b>		(880,000)	(800,000)
<b>Management of liquid resources</b>	18(b)	-	(1,500,000)
<b>Increase/(decrease) in cash</b>		<u>£2,818,939</u>	<u>£2,214,208</u>

**Reconciliation of net cash flow to movement in net funds**

	<i>Notes</i>	2004 £	2003 £
<b>Increase in cash</b>	18(c)	2,818,939	2,214,208
<b>Cash outflow from increase in liquid resources</b>		-	1,500,000
<b>Movement in net funds</b>		<u>2,818,939</u>	<u>3,714,208</u>
<b>Net funds at 1 November</b>	18(c)	12,428,235	8,714,027
<b>Net funds at 31 October</b>	18(c)	<u>£15,247,174</u>	<u>£12,428,235</u>

## Notes to the financial statements

at 31 October 2004

### 1. Accounting policies

#### *Accounting convention*

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

#### *Basis of consolidation*

The group financial statements consolidate the financial statements of Hays Travel Limited and all of its subsidiary undertakings drawn up to 31 October 2004. No profit and loss account is presented for Hays Travel Limited as permitted by Section 230 of the Companies Act 1985.

#### *Goodwill*

Goodwill, being the excess of acquisition consideration over the fair value of assets and liabilities acquired, is capitalised on the balance sheet. This is amortised through the profit and loss account over its useful economic life.

#### *Investments*

Investments are stated at cost less provision for diminution in value.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	over 25 years
Leasehold buildings	-	over the shorter of the lease term and 5 years
Computer equipment	-	over 5 years
Fixtures, fittings and office equipment	-	over 5 years
Motor vehicles	-	over 3 years
Freehold property improvements	-	over 5 years

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value.

#### *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 have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the exception of deferred tax assets. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

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

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities are denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

#### *Operating leases*

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

## Notes to the financial statements

at 31 October 2004

### 1. Accounting policies (continued)

#### *Pensions*

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

#### *Statement of cash flows*

Management of liquid resources reflects amounts which are not repayable on demand but are treated as cash in hand for statutory purposes.

### 2. Turnover

Gross value of sales represents the total amount receivable by the company from the sale of holidays and other services supplied.

Turnover represents commission earned as a travel agent, all of which is stated net of value added tax and arises from continuing operations. Commission earned on the sale of holidays and insurance is credited to the profit and loss account in line with receipt of payment from the customer. Insurance discounts are treated as a deduction to holiday commissions. Override commission is credited on an accruals basis. All turnover arises wholly within the UK.

### 3. Operating expenses

	2004 £	2003 £
Cost of sales	7,881,197	6,990,451
Distribution costs	2,270,989	1,351,333
Administrative expenses	7,941,720	6,729,375
	<u>£18,093,906</u>	<u>£15,071,159</u>

### 4. Operating profit

	2004 £	2003 £
This is stated after charging:		
Auditors' remuneration	15,375	16,568
Depreciation of owned fixed assets	452,238	428,687
Amortisation of goodwill	11,353	11,353
Operating lease rentals - plant and machinery	-	-
- land and buildings	460,525	397,245
Profit on acquisition of joint venture undertaking	-	3,993
	<u></u>	<u></u>

Other operating income comprises fees earned from third party agents for services supplied.

## Notes to the financial statements

at 31 October 2004

### 5. Directors' emoluments

	2004 £	2003 £
Emoluments	£335,650	£342,160
Company contributions paid to money purchase schemes	£50,010	£22,515
Members of money purchase pension schemes	2	1

The amounts in respect of the highest paid director is as follows:

	2004 £	2003 £
Emoluments	£226,692	£202,530
Company contributions paid to money purchase pension schemes	£41,875	£17,247

### 6. Staff costs

	2004 £	2003 £
Wages and salaries	4,696,463	4,177,538
Social security costs	314,410	297,487
Other pension costs	50,010	30,497
	£5,060,883	£4,505,522

The monthly average number of employees during the year was as follows:

	2004 No.	2003 No.
Sales and administration	507	374

# Notes to the financial statements

at 31 October 2004

## 7. Tax on profit on ordinary activities

### (a) Analysis of charge in period

	2004 £	2003 £
Current tax:		
UK corporation tax on profits of the period	530,610	694,542
Adjustments in respect of previous periods	(7)	(19,359)
Total current tax (note 7(b))	530,603	575,183
Deferred tax:		
Origination and reversal of timing differences	(3,069)	(5,244)
Total deferred tax (note 15)	(3,069)	(5,244)
Tax on profit on ordinary activities	£527,534	£569,939

### (b) Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	1,666,910	1,876,149
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	503,966	562,845
Effects of:		
Expenses not deductible for tax purposes	3,023	600
Capital allowances for period less than depreciation	31,428	41,784
Utilisation of tax losses	(706)	(3,565)
Effect of small companies rate	(6,320)	(8,513)
Adjustments to tax charge in respect of previous periods	(788)	(19,359)
Other	-	1,391
Current tax charge for period (noted 7(a))	£530,603	£575,183

### (c) Factors that may affect future tax charges

The company has now used all brought forward tax losses, which have reduced tax payments in recent years.

## Notes to the financial statements

at 31 October 2004

### 8. Dividends

	2004 £	2003 £
Equity dividends on ordinary shares:		
Final proposed	£880,000	£880,000

### 9. Intangible fixed assets

	<i>Goodwill</i> £
Cost at 1 November 2003 and 31 October 2004	113,533
Amortisation:	
At 1 November 2003	45,412
Charge for the year	11,353
At 31 October 2004	56,765
Net book value:	
At 31 October 2004	£56,768
At 1 November 2003	£68,121

Goodwill arising on the consolidation of Hays Direct Limited is being amortised over the directors' estimate of its useful economic life of ten years.



## Notes to the financial statements

at 31 October 2004

### 10. Tangible fixed assets

#### Group

	<i>Short leasehold improvements</i>	<i>Freehold land and buildings</i>	<i>Office equipment</i>	<i>Fixtures and fittings</i>	<i>Motor vehicles</i>	<i>Computer equipment</i>	<i>Total</i>
	£	£	£	£	£	£	£
Cost:							
At 1 November 2003	88,960	976,083	883,825	559,206	233,622	359,512	3,101,208
Additions	120,019	-	179,069	235,113	52,485	70,050	656,736
Disposals	-	-	-	-	(39,607)	-	(39,607)
At 31 October 2004	208,979	976,083	1,062,894	794,319	246,500	429,562	3,718,337
Depreciation:							
At 1 November 2003	27,043	284,931	626,074	234,401	127,078	217,533	1,517,060
Provided during the year	26,316	41,356	143,949	111,207	51,973	77,437	452,238
Disposals	-	-	-	-	(16,635)	-	(16,635)
At 31 October 2004	53,359	326,287	770,023	345,608	162,416	294,970	1,952,663
Net book value:							
At 31 October 2004	£155,620	£649,796	£292,871	£448,711	£84,084	£134,592	£1,765,674
At 1 November 2003	£61,917	£691,152	£257,751	£324,805	£106,544	£141,979	£1,584,148

# Notes to the financial statements

at 31 October 2004

## 10. Tangible fixed assets (continued)

### Company

	Short leasehold improvements £	Freehold land and buildings £	Office equipment £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
Cost:							
At 1 November 2003	88,960	976,083	845,364	528,291	183,508	359,512	2,981,718
Additions	120,019	-	176,373	234,608	21,990	70,050	623,040
Disposals	-	-	-	-	(20,087)	-	(20,087)
At 31 October 2004	208,979	976,083	1,021,737	762,899	185,411	429,562	3,584,671
Depreciation:							
At 1 November 2003	27,043	284,931	610,112	220,019	117,965	217,533	1,477,603
Provided during the year	26,316	41,356	141,943	107,528	35,078	77,437	429,658
Disposals	-	-	-	-	(9,586)	-	(9,586)
At 31 October 2004	53,359	326,287	752,055	327,547	143,457	294,970	1,897,675
Net book value:							
At 31 October 2004	£155,620	£649,796	£269,682	£435,352	£41,954	£134,592	£1,686,996
At 1 November 2003	£61,917	£691,152	£235,252	£308,272	£65,543	£141,979	£1,504,115

## 11. Investments

### Group

Investment in subsidiary and  
joint venture undertakings  
£

At 1 November 2003 -  
Share of loss reversed due to acquisition of joint venture -

At 31 October 2004 £-

### Company

Investment in subsidiary and  
joint venture undertakings  
£

Cost:  
At 1 November 2003 2,200  
Additions -  
Disposals -  
At 31 October 2004 £2,200

All investments held at the year end are unlisted.

## Notes to the financial statements

at 31 October 2004

### 11. Investments (continued)

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

#### Subsidiary undertakings

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of shares held</i>	<i>Nature of business</i>
Hays Foreign Exchange Limited	Ordinary shares	100%	Sale of foreign currency
Get Set Limited	Ordinary shares	100%	Company has not traded during the year
Hays Direct Limited	Ordinary shares	100%	Sale of taxi transfers

All subsidiary undertakings are companies registered in England and Wales.

### 12. Stocks

	<i>Group and company</i>	
	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Consumable stocks	£22,765	£19,214

### 13. Debtors

	<i>2004</i>	<i>Group 2003</i>	<i>2004</i>	<i>Company 2003</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Trade debtors	501,390	309,662	500,471	309,330
Amounts due from subsidiary undertakings	-	-	169,522	55,207
Other debtors	488,279	581,859	482,869	575,723
Prepayments and accrued income	927,960	829,807	922,355	820,518
Dividends receivable	-	-	-	291,405
	<u>1,917,629</u>	<u>£1,721,328</u>	<u>£2,075,217</u>	<u>£2,052,183</u>

## Notes to the financial statements

at 31 October 2004

### 13. Debtors (continued)

Details of amounts included in debtors which are due after more than one year can be analysed as follows:

	2004	2003
	£	£
Amounts due from subsidiary undertakings	144,624	43,326
Other debtors	48,142	48,813
	<u>£192,766</u>	<u>£92,139</u>

### 14. Creditors: amounts falling due within one year

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Trade creditors	14,352,158	11,275,356	14,188,291	11,158,702
Amounts due to subsidiary undertakings	-	-	-	6,366
Corporation tax	260,603	295,480	185,877	218,145
Other taxes and social security costs	408,763	339,217	403,624	292,902
Other creditors	129,687	108,988	111,852	104,327
Accruals	59,960	259,473	54,196	251,878
Proposed final dividend	880,000	880,000	880,000	880,000
	<u>£16,091,171</u>	<u>£13,158,514</u>	<u>£15,823,840</u>	<u>£12,828,075</u>

### 15. Provision for liabilities and charges

Deferred taxation

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Accelerated capital allowances	721	4,614	-	-
Tax losses carried forward	-	-	-	-
Provision for deferred tax	<u>£721</u>	<u>£4,614</u>	<u>£-</u>	<u>£-</u>
At 1 November 2003	4,614	8,585	3,058	7,822
Acquired during the year	-	1,273	-	-
Deferred tax release in profit and loss account for year (note 7)	(3,069)	(5,244)	(3,058)	(7,822)
At 31 October 2004	<u>£1,545</u>	<u>£4,614</u>	<u>£-</u>	<u>£-</u>

## Notes to the financial statements

at 31 October 2004

### 16. Share capital

		<i>Authorised</i>	<i>Allotted, called up and fully paid</i>
	<i>2004</i>	<i>2003</i>	<i>2004</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>
			<i>2003</i>
			<i>£</i>
Ordinary shares of £1 each	80,000	80,000	£80,000

### 17. Reserves and reconciliation of movement in shareholders' funds

#### Group

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 November 2002	80,000	2,151,448	2,231,448
Profit for the year	-	1,306,470	1,306,470
Dividend	-	(880,000)	(880,000)
At 1 November 2003	80,000	2,577,918	2,657,918
Profit for the year	-	1,139,376	1,139,376
Dividend	-	(880,000)	(880,000)
At 31 October 2004	£80,000	£2,837,294	£2,917,294

#### Company

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 November 2002	80,000	1,914,108	1,994,108
Profit for the year	-	1,391,874	1,391,874
Dividend	-	(880,000)	(880,000)
At 1 November 2003	80,000	2,425,982	2,505,982
Profit for the year	-	953,103	953,103
Dividend	-	(880,000)	(880,000)
At 31 October 2004	£80,000	£2,499,085	£2,579,085

## Notes to the financial statements

at 31 October 2004

### 18. Notes to statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2004	2003
	£	£
Operating profit	982,298	1,451,224
Depreciation	452,238	428,687
Increase in stocks	(3,551)	(5,121)
Increase in debtors	(320,365)	(88,780)
Increase in creditors	3,064,011	3,364,020
Profit on disposal of tangible fixed assets	(2,179)	(6,984)
Amortisation of goodwill	11,353	11,353
Profit on acquisition of joint venture undertaking	-	(3,993)
Net cash inflow from operating activities	£4,183,805	£5,150,406

(b) Analysis of cash flows for headings netted in the statement of cash flows

	2004	2003
	£	£
<b>Returns on investment and servicing of finance</b>		
Bank interest received	700,727	391,501
Other interest received	-	27,647
Interest paid	-	(346)
Dividends received	-	903
	£700,727	£419,705

# Notes to the financial statements

at 31 October 2004

## 18. Notes to statement of cash flows (continued)

### Taxation

	2004 £	2003 £
Corporation tax paid	£(554,008)	£(656,745)

### Capital expenditure and financial investment

	2004 £	2003 £
Payment to acquire tangible fixed assets	(657,386)	(460,204)
Receipts from sales of tangible fixed assets	25,801	7,200
	£(631,585)	£(453,004)

### Acquisitions and disposals

	2004 £	2003 £
Acquisition of subsidiary undertaking	-	(51)
Net cash acquired/(disposed of) with subsidiary	-	53,897
	£-	£53,846

### Management of liquid resources

	2004 £	2003 £
Net payment into short term deposits with less than 30 days to maturity	£-	£(1,500,000)

### (c) Analysis of changes in net funds

	At 1 November 2003 £	Cash flow £	Other changes £	At 31 October 2004 £
Cash at bank and in hand	6,928,235	2,818,939	5,500,000	15,247,174
Liquid investments	5,500,000	-	(5,500,000)	-
	£12,428,235	£2,818,939	£-	£15,247,174

## Notes to the financial statements

at 31 October 2004

### 19. Capital commitments

At 31 October 2004 there were no capital commitments contracted for but not provided in the financial statements (2003: £Nil).

### 20. Pension commitments

The group operates a defined contribution scheme for certain employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

### 21. Leasing commitments

At 31 October 2004 the group had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>
	<i>2004</i>	<i>2003</i>	<i>2004</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Operating leases which expire:			
Within one year	46,500	-	46,500
In two to five years	179,650	162,270	179,650
In over five years	234,375	234,975	234,375
	<u>£460,525</u>	<u>£397,245</u>	<u>£460,525</u>
			<u>£ -</u>

### 22. Contingent liabilities

A bond has been provided to The Association of British Travel Agents Limited for a value of £2m.

The company's bankers have provided £800,000 of this amount with recourse to the company. This bond expires in January 2005. The charge is secured by a fixed charge over the company's book debts and a floating charge over all other assets. The remaining £1,200,000 has been provided by an ABTA approved insurance broker, Wentworth Surety Limited. This is an unsecured bond and will expire in January 2005.

A further bond has been provided to the Civil Aviation Authority for a value of £18,000. This has been provided by the company's bankers with recourse to the company.

In addition, the bankers to Hays Foreign Exchange Limited, a subsidiary undertaking, have provided FX Currency Services Limited with a bond for £900,000 with recourse to that company. This bond expires in April 2005.



## Notes to the financial statements

at 31 October 2004

### 23. Related party transactions

During the year the group entered into transactions, in the ordinary course of business with other related parties. Transactions entered into, and trading balances outstanding at 31 October were as follows:

	<i>Sales to related party £</i>	<i>Purchases from related party £</i>	<i>Amounts owed from related party £</i>	<i>Amounts owed to related party £</i>
<b>Related party</b>				
First Choice Holidays plc				
2004	-	19,478,430*	-	1,703,972
2003	-	15,943,993*	-	1,592,913

\* Relates to the sales value of holidays sold as an agent on behalf of First Choice Holidays plc. First Choice Holidays plc own 37.75% of the share capital in Hays Travel Limited.

### 24. Controlling party

In the directors' opinion, the company's controlling party is Mr J Hays, who owns 56.875% of the ordinary share capital of the company.

### 25. Profit attributable to members of the parent undertaking

The profit on ordinary activities after taxation dealt with in the financial statements of the parent undertaking was £953,103 (2003: £1,391,874).