

FLEXIGROUP TRAVEL LIMITED

DIRECTORS' REPORT AND FINANCIAL
STATEMENTS FOR THE 16 MONTH PERIOD ENDED

31 October 2002

Registered Number : 2302573



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FLEXIGROUP TRAVEL LIMITED
REPORT OF THE DIRECTORS

The directors submit their report and financial statements of Flexigroup Travel Limited for the 16 month period ended 31 October 2002.

Principal activity

The Company's principal activity is that of a tour operator.

Results and dividends

The Company's profit before taxation for the period was £259,496 (year ended 30 June 2001 : £188,712).

The Directors do not propose a dividend for the 16 month period ended 31 October 2002 (year ended 30 June 2001: Nil).

The retained profit for the period transferred to reserves is £178,397 (year ended 30 June 2001 : £99,259).

Directors and their interests

The Directors of the Company at the date of this report are:

L J Vincent	Appointed 9 September 2002
M Prior	Appointed 15 March 2002

Other Directors who served in the period were as follows:

N Manuel	Resigned 19 July 2002
S McLeod	Resigned 15 March 2002

None of the Directors had any beneficial interest in the shares of the Company or any subsidiary undertaking at any time during the period.

Interests in shares and options

At the 31 October 2002 the interests of the Directors in the ordinary share capital of the ultimate parent company, First Choice Holidays PLC, were as follows:

	-----Shares-----		-----Options-----	
	31 October 2002	30 June 2001	Granted	Exercised
M R Prior	-	-	78,316	-

FLEXIGROUP TRAVEL LIMITED
REPORT OF THE DIRECTORS (continued)

Employee Policy

Involvement, health and safety and disability policies

The Company recognises the importance of involving and developing its employees wherever practical. Employees are updated on corporate performance, business objectives and developments through various formal and informal channels of communication in order to promote a better understanding of the Company's businesses. Involvement of employees in the Company's performance is also encouraged by the availability of performance related bonuses and similar schemes.

It is the Company's policy to place the utmost importance upon and maintain a high standard of health and safety at work. It is our responsibility to ensure the prevention of personal injuries and to investigate and encourage means by which the health, and safety and welfare of employees can be improved. Accordingly, all safety precautions are kept under review to ensure that the highest standards are maintained.

Where it is reasonable and practical, all employees, including disabled people, are treated in the same way in matters relating to employment, training, career development and promotion. Proper attention is paid to the opportunities, training and work prospects of people who become disabled during their employment with the Company.

Policy and practice on payment of creditors

It is the Company's policy to wherever possible to agree terms of payment with suppliers in advance to ensure that suppliers are made aware of the terms of payment and both parties abide by those terms.

Directors insurance

The ultimate parent Company maintains insurance policies on behalf of all the Directors of the Company against liability arising from negligence, breach of duty and breach of trust in relation to the Company.

Auditors

The Company has elected to dispense with the holding of annual general meetings, the laying of accounts before the members in general meeting; and the appointment of auditors annually.

Accordingly KPMG Audit Plc will continue in office as auditors.

By Order of the Board



M Prior
Director

27 August 2003

FLEXIGROUP TRAVEL LIMITED
REPORT OF THE DIRECTORS (continued)

DIRECTORS' RESPONSIBILITIES

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 profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to

- select suitable accounting policies and 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 Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.



KPMG Audit Plc

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of Flexigroup Travel Limited

We have audited the financial statements on pages 6 to 13.

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 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 Company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with 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 Company'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 October 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

27 August 2003

FLEXIGROUP TRAVEL LIMITED
PROFIT AND LOSS ACCOUNT
For the 16 month period ended 31 October 2002

		16 months ended 31 October 2002 £	Year ended 30 June 2001 £
	Note		
Turnover	1	4,313,065	2,887,312
Cost of Sales		<u>(3,328,918)</u>	<u>(2,247,556)</u>
Gross Profit		984,147	639,756
Administrative expenses		<u>(723,058)</u>	<u>(451,720)</u>
Operating profit		261,089	188,036
Interest payable/receivable		<u>(1,593)</u>	<u>676</u>
Profit on ordinary activities before taxation	2	259,496	188,712
Tax on profit on ordinary activities	4	<u>(81,099)</u>	<u>(89,453)</u>
Profit retained for the period	10,11	<u>178,397</u>	<u>99,259</u>

The results all arose from continuing activities. There were no recognised gains or losses other than the result for the financial period.

FLEXIGROUP TRAVEL LIMITED

BALANCE SHEET
As at 31 October 2002

	Note	31 October 2002		30 June 2001	
		£	£	£	£
Fixed assets					
Tangible fixed assets	5		8,422		28,288
Current assets					
Debtors	6	4,274,883		3,851,062	
Cash at bank and in hand		352,156		178,906	
		<u>4,627,039</u>		<u>4,029,968</u>	
Creditors: amounts falling due within one year	7	(3,962,792)		(3,563,984)	
Net current assets			<u>664,247</u>		<u>465,984</u>
Net assets			<u>672,669</u>		<u>494,272</u>
Capital and reserves					
Called up share capital	9	20,000		20,000	
Profit and loss account	10	<u>652,669</u>		<u>474,272</u>	
Equity shareholders' funds	11		<u>672,669</u>		<u>494,272</u>

The financial statements were approved by the Board of Directors on 27 August 2003, and signed on its behalf by:



M R Prior
Director.

The notes on pages 8 to 13 form an integral part of these financial statements.

FLEXIGROUP TRAVEL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the 16 month period ended 31 October 2002

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the period is set out below.

Accounting convention

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Depreciation

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life on the following annual bases:

Fixtures, fittings, equipment and skis	20% or 33 1/3% straight line
Motor vehicles	25% straight line
Computer equipment	33 1/3% straight line

Marketing costs

Third party brochure and other marketing costs are charged to the profit and loss account in the season to which they relate.

Client money received in advance

Client money received at the balance sheet date relating to holidays commencing and travel departing after the year end is included in creditors.

Deferred taxation

Except as otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date. Timing differences arise when items of income and expenditure are included in tax computations in periods different from their inclusion in the financial statements.

Cashflow statement

The Company is exempt from the requirement of Financial Reporting Standard No. 1 to prepare a cashflow statement as it is a wholly owned subsidiary of First Choice Holidays PLC and its cashflows are included within the consolidated cash flow statement of the group.

Pension costs

The Company provides pensions to employees through a defined contribution scheme. Pension contributions payable are charged to the profit and loss account in the year in which they are due and payable.

FLEXIGROUP TRAVEL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 16 month period ended 31 October 2002

Turnover

Turnover represents the aggregate amount of revenue receivable in the ordinary course of business principally from the activity of tour operating in the UK. Turnover excludes intra-company transactions and is stated net of commission and discounts. Revenue is recognised on the date of departure and the related costs of holidays and flights are charged to the profit and loss account on the same basis. Turnover by destination is not materially different from such turnover by origin.

Foreign currency

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date except to the extent covered by forward exchange contracts. The benefit of foreign exchange contracts purchased to cover future seasons' requirements is accounted for in the season to which the contract relates. Exchange gains and losses arising on trading and translation of monetary assets and liabilities are dealt with through the profit and loss account.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation are attributable to the principal activity of tour operating.

All turnover is considered to have originated in the United Kingdom.

Profit on ordinary activities before taxation is stated after charging / (crediting):

	16 months ended 31 October 2002	Year ended 30 June 2001
	£	£
Depreciation of tangible fixed assets	9,390	15,225
Loss on disposal of fixed assets	3,596	-
Auditors' remuneration – audit fees	-	-
Exchange differences	(4,509)	(202,342)

3. STAFF COSTS

Particulars of employees (including executive directors) are as shown below:

	16 months ended 31 October 2002	Year ended 30 June 2001
	£	£
Staff costs during the period were as follows:		
UK wages and salaries	351,778	293,394
Overseas wages and salaries	47,942	46,933
Social security costs	25,540	32,324
Pension costs	8,759	14,784
	<u>434,019</u>	<u>387,435</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 16 month period ended 31 October 2002

The average weekly number of people employed by the Company during the period was as follows:

	Number 16 months ended 31 October 2002	Number Year ended 30 June 2001
Selling	9	9
Administration and operations	2	1
	<u>11</u>	<u>10</u>

The Directors received no remuneration during the period (year ended 30 June 2001 : Nil).

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge in the 31 October 2002 accounts can be summarised as follows:

Tax on profit on ordinary activities:

i) Analysis of charge in period

	16 months ended 31 October 2002 £	Year ended 30 June 2001 £
Current tax:		
UK corporation tax on profits of the period	77,781	51,763
Adjustment in respect of previous periods:		
- permanent	6,149	36,620
- origination of timing differences	-	-
- utilisation of losses	-	-
Total current tax	<u>83,930</u>	<u>88,383</u>
Deferred tax:		
Origination and reversal of timing differences:		
- current period UK	950	1,070
- adjustment in respect of previous periods	(3,781)	-
Total deferred tax	<u>(2,831)</u>	<u>1,070</u>
Tax on profit on ordinary activities	<u>81,099</u>	<u>89,453</u>

FLEXIGROUP TRAVEL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 16 month period ended 31 October 2002

ii) Factors affecting tax charge for period.

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

	16 months ended 31 October 2002	Year ended 30 June 2001
	£	£
Profit on ordinary activities before tax	259,496	188,712
Profit on ordinary activities at the standard rate of UK Corporation tax of 30% (2001 : 30%)	77,849	56,614
Effects of:		
- expenses not deductible for tax purposes	882	(1,285)
- capital allowances for period in excess of depreciation	(950)	(3,566)
- adjustment to tax charge in respect of previous periods	6,149	36,620
Current tax charge for period.	<u>83,930</u>	<u>88,383</u>

5. TANGIBLE FIXED ASSETS

	Furniture, Fittings & Equipment	Motor Vehicles	Computer	Total
	£	£	£	£
Cost				
At 1 July 2001	5,867	85,042	-	90,909
Additions	1,000	824	1,936	3,760
Disposals	-	(22,778)	-	(22,778)
At 31 October 2002	6,867	63,088	1,936	71,891
Depreciation				
At 1 July 2001	2,648	59,973	-	62,621
Provided in the period	2,200	6,706	484	9,390
Disposals	-	(8,542)	-	(8,542)
At 31 October 2002	4,848	58,137	484	63,469
Net book amounts				
At 31 October 2002	2,019	4,951	1,452	8,422
At 30 June 2001	3,219	25,069	-	28,288

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 16 month period ended 31 October 2002

6. DEBTORS

	31 October 2002	30 June 2001
	£	£
Amounts falling due within one year:		
Trade debtors	31,472	367,365
Deposits for accommodation and other services	113,143	112,372
Prepayments and accrued income	151,268	37,845
Deferred brochure and other costs	42,154	-
Deferred tax asset (see note 8)	4,967	2,136
Corporation Tax	38,397	-
Other Debtors	-	639
Amounts due from group undertakings	3,893,482	3,330,705
	<u>4,274,883</u>	<u>3,851,062</u>

7. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 October 2002	30 June 2001
	£	£
Trade creditors	78,951	85,750
Amounts owed to other group undertakings	3,542,277	3,002,271
Corporation tax	-	51,763
VAT	-	38,460
Deferred tax	-	728
Accruals and deferred income	53,000	379,939
Other creditors	288,564	5,073
	<u>3,962,792</u>	<u>3,563,984</u>

8. DEFERRED TAXATION

	Deferred Tax asset
	£
As at 1 July 2001	2,136
Credited in the period	2,831
As at 31 October 2002	<u>4,967</u>

The net deferred tax asset as at 31 October 2002 is as follows:

	2002	2001
	£	£
Accelerated capital allowances	4,967	2,136
Other short term timing differences	-	-
As at 31 October 2002	<u>4,967</u>	<u>2,136</u>

FLEXIGROUP TRAVEL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 16 month period ended 31 October 2002

9. CALLED UP SHARE CAPITAL

	31 October 2002	30 June 2001
	£	£
Authorised		
20,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted, called up and fully paid		
20,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

10. RESERVES

	£
Retained profit at 1 July 2001	474,272
Result for the period	<u>178,397</u>
Retained profit at 31 October 2002	<u>652,669</u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	16 months ended	Year ended
	31 October 2002	30 June 2001
	£	£
Profit for the period	178,397	99,259
Shareholders' funds at beginning of period	<u>494,272</u>	<u>395,013</u>
Shareholders' funds at end of period	<u>672,669</u>	<u>494,272</u>

12. ULTIMATE PARENT UNDERTAKING

First Choice Holidays PLC, a company registered in England and Wales, is the ultimate parent company. The immediate holding company is Flexigroup Holdings Limited. First Choice Holidays PLC is the parent undertaking of the largest and smallest group of which Flexigroup Travel Limited is a member and of which group accounts are drawn up. Copies of these group accounts are available from the Company Secretary, First Choice Holidays PLC, First Choice House, London Road, West Sussex, RH10 9GX.