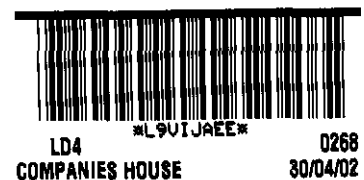


1. FLEXIGROUP TRAVEL LIMITED

**FLEXIGROUP TRAVEL LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED**

**30 June 2001**



**Registered Number : 2302573**

## 2. FLEXIGROUP TRAVEL LIMITED

### REPORT OF THE DIRECTORS

The directors submit their report and financial statements of Flexigroup Travel Limited for the year ended 30 June 2001.

#### Principal activity

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

#### Results and dividends

The Company's profit before taxation for the year was £188,712 (2000 : £188,955).

The Directors do not propose a dividend for the year ended 30 June 2001 (2000: Nil).

The retained profit for the year transferred to reserves is £99,259 (2000 : £169,694).

#### Directors and their interests

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

N Manuel

M Prior                      Appointed 15 March 2002

Other Directors who served in the year were as follows:

S McLeod                      Resigned 15 March 2002

D Howell                      Resigned 3 May 2001

K Ivie                          Resigned 20 April 2001

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

#### Interests in shares and options

At the 30 June 2001 the interests of the Directors in the ordinary share capital of the ultimate parent company, First Choice Holidays PLC, were as follows:

	-----Shares-----		-----Share Options-----				Restricted Shares	
	30 June 2001	30 June 2000	30 June 2000	Granted	Exercised	30 June 2001	30 June 2001	30 June 2000
N Manuel	-	149,761	-	4,426	-	4,426	-	-
S McLeod	21,751	1,500	2,079	4,118	-	6,197	125,928	59,261

Share options granted to the Directors and outstanding at the year-end under the Executive Share Option Scheme, the Senior Executive Plan and the Savings Related Share Option Scheme are set out below together with shares awarded under the Restricted Share Plan.

### 3. FLEXIGROUP TRAVEL LIMITED

#### REPORT OF THE DIRECTORS (continued)

	No. of shares	Option exercise price (p)	Date first exercisable
<b>S McLeod</b>			
Restricted Share Plan	47,539	-	16/06/2001
Restricted Share Plan	4,631	-	05/10/2001
Restricted Share Plan	7,091	-	14/12/2001
Restricted Share Plan	66,667	-	11/12/2003
Savings Related Share Option Scheme	2,079	116.0p	01/11/2001
Savings Related Share Option Scheme	4,118	97.6p	01/10/2005
<b>N Manuel</b>			
Savings Related Share Option Scheme	4,426	-	01/10/2003

For full details on the above schemes, reference should be made to the Annual Report and Accounts of First Choice Holidays PLC.

On 15 January 2001 S McLeod exercised 33,753 shares under the Restricted Share Plan.

#### **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 endeavour 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.

**4. FLEXIGROUP TRAVEL LIMITED**

**REPORT OF THE DIRECTORS (continued)**

**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. At the year end the Company's average creditor payment days was 16 (2000 : 15 days).

**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

29<sup>th</sup> April 2002

## **5. 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.

## **6. FLEXIGROUP TRAVEL LIMITED**

### **REPORT OF THE INDEPENDENT AUDITORS**

#### **To the members of Flexigroup Travel Limited**

We have audited the financial statements set out on pages 7 to 14.

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

The Directors are responsible for preparing the directors' report and as described on page 5, 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 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 30 June 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc

Registered Auditor  
Chartered Accountants

30<sup>th</sup> April 2002

London

7. FLEXIGROUP TRAVEL LIMITED

**PROFIT AND LOSS ACCOUNT**

For the year ended 30 June 2001

		30 June 2001 £	30 June 2000 £
	Note		
<b>Turnover</b>	1	2,887,312	2,769,950
Cost of Sales		<u>(2,247,556)</u>	<u>(2,003,906)</u>
<b>Gross Profit</b>		639,756	766,044
Administrative expenses		<u>(451,720)</u>	<u>(579,604)</u>
<b>Operating profit</b>		188,036	186,440
Interest receivable		<u>676</u>	<u>2,515</u>
<b>Profit on ordinary activities before taxation</b>	2	188,712	188,955
Tax on profit on ordinary activities	4	<u>(89,453)</u>	<u>(19,261)</u>
<b>Profit retained for the financial year</b>	10,11	<u>99,259</u>	<u>169,694</u>

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

8. FLEXIGROUP TRAVEL LIMITED

**BALANCE SHEET**

As at 30 June 2001

	Note	30 June 2001		30 June 2000	
		£	£	£	£
<b>Fixed assets</b>					
Tangible fixed assets	5		28,288		43,512
<b>Current assets</b>					
Debtors	6	3,851,062		2,024,479	
Cash at bank and in hand		178,906		248,989	
		<u>4,029,968</u>		<u>2,273,468</u>	
<b>Creditors: amounts falling due within one year</b>	7	(3,563,984)		(1,921,967)	
<b>Net current assets</b>			<u>465,984</u>		<u>351,501</u>
<b>Net assets</b>			<u>494,272</u>		<u>395,013</u>
<b>Capital and reserves</b>					
Called up share capital	8	20,000		20,000	
Profit and loss account	10	<u>474,272</u>		<u>375,013</u>	
<b>Equity shareholders' funds</b>	11		<u>494,272</u>		<u>395,013</u>

The financial statements were approved by the Board of Directors on 29<sup>th</sup> April 2002, and signed on its behalf by:



M Prior  
Director.

The notes on pages 9 to 14 form an integral part of these financial statements.



## **9. FLEXIGROUP TRAVEL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2001**

#### **1. ACCOUNTING POLICIES**

A summary of the principle 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.

## 10. FLEXIGROUP TRAVEL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2001

#### 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):

	30 June 2001	30 June 2000
	£	£
Depreciation of tangible fixed assets	15,225	21,662
Loss / (profit) on disposal of fixed assets	-	9,910
Auditors' remuneration – audit fees	-	-
Exchange differences	(202,342)	(112,000)

## 3. STAFF COSTS

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

	30 June 2001	30 June 2000
	£	£
Staff costs during the period were as follows:		
UK wages and salaries	293,394	339,594
Overseas wages and salaries	46,933	50,471
Social security costs	32,324	34,339
Pension costs	14,784	17,407
	387,435	441,811

## 11. FLEXIGROUP TRAVEL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2001

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

	Number 2001	Number 2000
Selling	9	9
Administration and operations	1	1
	<u>10</u>	<u>10</u>

The Directors received no remuneration during the year (2000 : Nil).

## 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge in the 30 June 2001 accounts can be summarised as follows:

Tax on profit on ordinary activities:

### i) Analysis of charge in year

	2001 £	2000 £
Current tax:		
UK corporation tax on profits of the year	51,763	54,297
Adjustment in respect of previous periods:		
- permanent	36,620	(35,036)
- origination of timing differences	-	-
- utilisation of losses	-	-
Total current tax	<u>88,383</u>	<u>19,261</u>
Deferred tax:		
Origination and reversal of timing differences:		
- current year UK	1,070	-
- adjustment in respect of previous periods	-	-
Total deferred tax	<u>1,070</u>	<u>-</u>
Tax on profit on ordinary activities	<u>89,453</u>	<u>19,261</u>

## 12. FLEXIGROUP TRAVEL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2001

#### ii) Factors affecting tax charge for year

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

	2001 £	2000 £
Profit on ordinary activities before tax	188,712	188,955
Profit on ordinary activities at the standard rate of UK Corporation tax of 30% (2000 : 30%)	56,614	56,687
Effects of:		
- expenses not deductible for tax purposes	(1,285)	(2,390)
- capital allowances for year in excess of depreciation	(3,566)	-
- adjustment to tax charge in respect of previous periods	36,620	(35,036)
Current tax charge for year	88,383	19,261

## 5. TANGIBLE FIXED ASSETS

	Furniture, Fittings & Equipment £	Motor Vehicles £	Total £
<b>Cost</b>			
At 1 July 2000	5,867	85,042	90,909
Additions	-	-	-
Disposals	-	-	-
<b>At 30 June 2001</b>	<b>5,867</b>	<b>85,042</b>	<b>90,909</b>
<b>Depreciation</b>			
At 1 July 2000	1,182	46,215	47,397
Provided in the year	1,466	13,758	15,224
Disposals	-	-	-
<b>At 30 June 2001</b>	<b>2,648</b>	<b>59,973</b>	<b>62,621</b>
<b>Net book amounts</b>			
<b>At 30 June 2001</b>	<b>3,219</b>	<b>25,069</b>	<b>28,288</b>
At 30 June 2000	4,685	38,827	43,512

### 13. FLEXIGROUP TRAVEL LIMITED

#### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2001

#### 6. DEBTORS

	30 June 2001	30 June 2000
	£	£
Amounts falling due within one year:		
Trade debtors	367,365	87,245
Deposits for accommodation and other services	112,372	22,899
Prepayments and accrued income	37,845	2,971
Deferred brochure and other costs	-	877
Other debtors	2,775	504
Amounts due from group undertakings	3,330,705	1,909,983
	<u>3,851,062</u>	<u>2,024,479</u>

#### 7. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2001	30 June 2000
	£	£
Trade creditors	85,750	48,468
Deposit received in advance	-	16,293
Amounts owed to other group undertakings	3,002,271	1,477,957
Corporation tax	51,763	16,998
VAT	38,460	28,271
Deferred tax	728	-
Accruals and deferred income	379,939	333,835
Other creditors	5,073	145
	<u>3,563,984</u>	<u>1,921,967</u>

#### 8. PROVISIONS FOR LIABILITIES AND CHARGES:

	Deferred taxation £
1 July 2000	-
Provided / (credited) in the year	1,070
Balance sheet adjustment	<u>(342)</u>
As at 30 June 2001	<u>728</u>

The net deferred tax provision as at 31 October 2001 is as follows:

	£
Accelerated capital allowances	728
Other short term timing differences	<u>0</u>
	<u>728</u>

There is unprovided deferred taxation at either 31 October 2001 or 31 October 2000.

**14. FLEXIGROUP TRAVEL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 30 June 2001**

**9. CALLED UP SHARE CAPITAL**

	<b>30 June 2001</b>	<b>30 June 2000</b>
	<b>£</b>	<b>£</b>
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**

	<b>30 June 2001</b>
	<b>£</b>
Retained profit at 1 July 2000	375,013
Result for the financial year	<u>99,259</u>
Retained profit at 30 June 2001	<u>474,272</u>

**11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>30 June 2001</b>	<b>30 June 2000</b>
	<b>£</b>	<b>£</b>
Profit for the period	99,259	169,694
Shareholders' funds at 1 July	<u>395,013</u>	<u>225,319</u>
Shareholders' funds at 30 June	<u>494,272</u>	<u>395,013</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.