

FLYING COLOURS LEISURE GROUP LIMITED

ANNUAL REPORT

FOR THE PERIOD 1 JANUARY TO 31 OCTOBER 2001



FLYING COLOURS LEISURE GROUP LIMITED

ANNUAL REPORT

FOR THE PERIOD ENDED 31 OCTOBER 2001

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FLYING COLOURS LEISURE GROUP LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the period ended 31 October 2001.

Statement of 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.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 October 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which 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 1985. The directors 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.

Principal activity and review of the business

The company has not traded during the period. There are no plans to commence activities in the foreseeable future.

Results and dividends

The company's loss for the year after taxation, amounted to £143,000 (2000: Profit £63,000)
The directors do not recommend the payment of a dividend (2000: £Nil).

Directors and their interests

The directors who held office during the period were as follows:

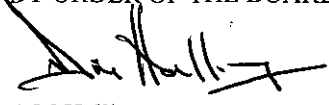
I S Ailles (Appointed 4 October 2001)
A J H Stewart
G P Wood (Resigned 29 November 2001)
J S Donaldson (Resigned 18 June 2001)
S R Vincent (Resigned 4 October 2001)

None of the Directors held any interests as defined by the Companies Act, in the shares of the company, parent and other group companies during the period.

Auditors

PricewaterhouseCoopers have informed the company of their willingness to continue in office as auditors. In accordance with Section 385 of the Companies Act 1985, a resolution proposing their re-election as auditors will be submitted to the Annual General Meeting.

BY ORDER OF THE BOARD

X  X
D M Hallisey
Secretary

Registered Office:

The Thomas Cook Business Park
Coningsby Road
Peterborough
PE3 8SB

Dated: X 15/2/02

X

FLYING COLOURS LEISURE GROUP LIMITED

AUDITORS' REPORT TO THE MEMBERS OF FLYING COLOURS LEISURE GROUP LIMITED

We have audited the financial statements on pages 3 to 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 1 this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements.

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 at 31 October 2001 and of its results for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

.....15.....February 2002.

FLYING COLOURS LEISURE GROUP LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 OCTOBER 2001

| | Notes | 1 January - 31 October 2001 £'000 | 1 January - 31 December 2000 £'000 |
|--|-------|--|---|
| Profit/(loss) on ordinary activities before taxation | | - | - |
| Tax on profit/(loss) on ordinary activities | 3 | (143) | 63 |
| Retained profit/(loss) for the financial period | | <u>(143)</u> | <u>63</u> |

There are no recognised gains or losses other than the loss above for the financial period, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained loss for the period stated above and their historical cost equivalents.

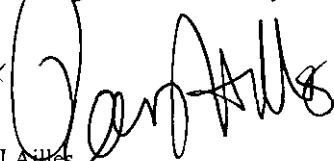
FLYING COLOURS LEISURE GROUP LIMITED

BALANCE SHEET

AT 31 OCTOBER 2001

| | Note | 31 October 2001 £'000 | 31 December 2000 £'000 |
|---|------|-----------------------------|------------------------------|
| Fixed assets | | | |
| Investments | 4 | 2,290 | 2,290 |
| Current assets | | | |
| Debtors | 5 | 65,029 | 65,172 |
| | | <hr/> | <hr/> |
| | | 65,029 | 65,172 |
| Creditors: amounts falling due within one year | 6 | (9,527) | (9,527) |
| | | <hr/> | <hr/> |
| Net current assets | | 55,502 | 55,645 |
| | | <hr/> | <hr/> |
| Net assets | | 57,792 | 57,935 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 7 | 8,376 | 8,376 |
| Share premium | 8 | 39,643 | 39,643 |
| Profit and loss account | 8 | 9,773 | 9,916 |
| | | <hr/> | <hr/> |
| Total shareholders' funds | | 57,792 | 57,935 |
| | | <hr/> | <hr/> |
| Equity shareholders' funds | | 9,802 | 9,945 |
| Non equity shareholders' funds | | 47,990 | 47,990 |
| | | <hr/> | <hr/> |
| | | 57,792 | 57,935 |
| | | <hr/> | <hr/> |

The financial statements on pages 3 to 8 were approved by the board of directors on ^x15^x February 2002 and were signed on its behalf by:

×  ×
I Aillet
Director

FLYING COLOURS LEISURE GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 OCTOBER 2001

1. Accounting policies

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

Investments

Fixed asset investments are stated at cost, less any diminution in value.

Deferred taxation

Deferred taxation is calculated on the liability method. It is provided to the extent that it is considered, with reasonable probability, that a liability or asset will crystallise within the foreseeable future.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the date of the transactions. All differences are taken to the profit and loss account.

2. Employees and directors

The company has no employees other than its directors. No emoluments were paid to any directors during the period for their services to the company, and no management charges were made.

3. Tax on profit/(loss) on ordinary activities

The taxation which is based on the profit for the period is made up as follows:

Adjustment in respect of prior year for (under)/over provision

| 2001 £'000 | 2000 £'000 |
|---------------|---------------|
| (143) | 63 |
| <hr/> | <hr/> |
| (143) | 63 |
| <hr/> | <hr/> |

FLYING COLOURS LEISURE GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 2001

4. Fixed asset investments

**Shares in Group
Undertakings
£'000**

Cost at 1 January and 31 October 2001

2,290

Shares in Group Undertakings

| Name of Company | Country of Registration | Holding | Proportion Held | Nature of Business |
|--------------------------------------|------------------------------------|-----------------|----------------------------|---------------------------|
| Flying Colours Holidays Limited | England | Ordinary shares | 100% | Dormant |
| Sunset Developments Limited | England | Ordinary shares | 100% | Property Letting |
| Flying Colours Aviation Limited | England | Ordinary shares | 100% | Dormant |
| Sunset Holidays PLC | England | Ordinary shares | 100% | Dormant |
| Flying Colours Aerospace Limited | England | Ordinary shares | 100% | Dormant |
| Flying Colours Airline Seats Limited | England | Ordinary shares | 100% | Dormant |
| Flying Colours Airways Limited | England | Ordinary shares | 100% | Dormant |
| Flying Colours Flights Limited | England | Ordinary shares | 100% | Dormant |
| Flying Colours Tours Limited | England | Ordinary shares | 100% | Dormant |
| Flying Colours Travel Limited | England | Ordinary shares | 100% | Dormant |
| Flying Colours Trustees Limited | England | Ordinary shares | 100% | Dormant |
| Flying Colours Vacations Limited | England | Ordinary shares | 100% | Dormant |
| Sunset Holidays (No 2) Limited | England | Ordinary shares | 100% | Dormant |

5. Debtors

Amounts falling due within one year:
Amounts owed by group undertakings
Other debtors
Corporation tax

**2001
£'000**

**2000
£'000**

64,902

64,902

127

127

-

143

65,029

65,172

FLYING COLOURS LEISURE GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 OCTOBER 2001

| | | |
|---|-----------------------|-----------------------|
| 6. Creditors: amounts falling due within one year | 2001 £'000 | 2000 £'000 |
| Amounts owed to group undertakings | 9,527 | 9,527 |
| | <hr/> | <hr/> |
| | 9,527 | 9,527 |
| | <hr/> | <hr/> |
| 7. Called up share capital | 2001 £'000 | 2000 £'000 |
| Authorised | | |
| 6,371,429 cumulative redeemable A preference shares of 10p each | 637 | 637 |
| 7,151,923 cumulative redeemable C preference shares of 10p each | 715 | 715 |
| 714,872,263 deferred shares of 1p each | 7,149 | 7,149 |
| 10,000 new ordinary shares of £1 each | 10 | 10 |
| 170,000 redeemable D preference shares of 1p each | 2 | 2 |
| 4,000,000 redeemable AA preference shares of 10p each | 400 | 400 |
| | <hr/> | <hr/> |
| | 8,913 | 8,913 |
| | <hr/> | <hr/> |
| Allotted, issued and fully paid: | | |
| 6,371,429 cumulative redeemable A preference shares of 10p each | 637 | 637 |
| 7,151,923 cumulative redeemable C preference shares of 10p each | 715 | 715 |
| 661,251,966 deferred shares of 1p each | 6,613 | 6,613 |
| 9,650 new ordinary shares of £1 each | 10 | 10 |
| 130,333 redeemable D preference shares of 1p each | 1 | 1 |
| 4,000,000 redeemable AA preference shares of 10p each | 400 | 400 |
| | <hr/> | <hr/> |
| | 8,376 | 8,376 |
| | <hr/> | <hr/> |

No dividends are payable on any shares other than the 9,650 new ordinary shares of £1 each.

The redeemable AA preference shares, the redeemable A preference shares and the redeemable C preference shares are redeemable at £1 per share on 30 June 2015.

On a realisation (as defined in the Articles) or a winding up the redeemable AA preference shares rank ahead of all other classes of share. Thereafter the redeemable A preference shares, the redeemable C preference shares and the redeemable D preference shares rank in specified proportions, depending on the realisation or winding up proceeds.

The redeemable A preference shares and the redeemable C preference shares have voting rights in all circumstances. In certain limited circumstances where the Additional Capital Procedure (as defined in the Articles) is being followed the redeemable AA preference shares have voting rights. In certain other limited circumstances where an alteration of class right is involved, the D preference shares and the deferred shares have voting rights.

FLYING COLOURS LEISURE GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 OCTOBER 2001

8. Reserves and reconciliation of movements in shareholders funds

| | Share capital £'000 | Share Premium £'000 | Profit and loss account £'000 | Total shareholders funds £'000 |
|---------------------|---------------------------|---------------------------|--|---|
| At 1 January 2001 | 8,376 | 39,643 | 9,916 | 57,935 |
| Loss for the period | - | - | (143) | (143) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 October 2001 | 8,376 | 39,643 | 9,773 | 57,792 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

9. Cashflow statement and related party transactions

The company is a wholly owned subsidiary of JMC Holidays Limited and is included in the consolidated financial statements of Thomas Cook AG which are publicly available. Consequently the company has taken advantage of the exemption from producing a cashflow statement in accordance with Financial Reporting Standard 1(revised 1996).

The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are a part of the Thomas Cook Group or investees of the Thomas Cook Group.

10. Ultimate parent company

The company is a wholly owned subsidiary of JMC Holidays Limited. JMC Holidays Limited is a wholly owned subsidiary of Thomas Cook UK Limited.

Preussag AG, Westdeutsche Landesbank Girozentrale and Carlson Companies Inc were the ultimate shareholders of Thomas Cook UK Limited until 29 March 2001.

On 29 March 2001 Eurocenter Beteiligungs und Reisevermittlung GmbH, a member of Thomas Cook AG Group, acquired all the share capital of Thomas Cook UK Limited and became its sole shareholder.

The directors regard JMC Holidays Limited as the immediate parent undertaking and Thomas Cook AG as both the ultimate parent undertaking and ultimate controlling party. JMC Holidays is incorporated in the UK and Thomas Cook AG is incorporated in Germany.

Thomas Cook AG is a joint venture between Deutsche Lufthansa AG and KarstadtQuelle AG both of which are incorporated in Germany.

The smallest group in which the results of JMC Holidays Limited and its subsidiaries are consolidated is that of which Thomas Cook AG is the parent company. Copies of their consolidated financial statements may be obtained from Thomas Cook AG, Investor Relations, Zimmersmuhlenweg 55, D-61440 Oberursel, Germany.