Fair's Fare Limited

Directors' report and financial statements for the year ended 31 October 2011

Company number: 03210033

Company information

Company number	03210033
Registered office	Farm Cottage Heath House Wedmore BS28 4UG
Directors	J G Carroll J C Fraser (resigned 26 March 2012) R S Anand (resigned 2 April 2012) L M Peddie (resigned 2 April 2012)
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
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 10 Bricket Road St Albans Hertfordshire AL1 3JX

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Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 October 2011

Principal activities

The principal activity of the company during the year was that of airfare analysts, offering a unique travel planning service to both private and corporate clients

Business review and future outlook

Total transaction value was £11,573,476, a decrease of 12 5% on the £13,231,342 recorded in 2010 The turnover earned on these transactions was £1,590,769 (2010 £1,767,750) a decrease of 10% on the prior year It has been a difficult year with the poor economic climate The directors do not recommend a dividend (2010 £nil)

In light of the uncertain economic outlook, Fair's Fare Limited will be controlling its cost base tightly over the next financial year This prudent approach is required because revenues are not expected to show significant growth The company will be adopting an aggressive marketing strategy to its existing customer base, but this will be controlled, and there will not be substantial efforts made to attract new customers Future revenues are expected to be broadly in line with the current results

Financial risk management objectives and policies

Fairs Fare 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 financial statements 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, trade debtors and 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

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 is total transaction value, 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 the level of demand for the group's products, and 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

Directors' report (continued)

Going concern

The Company is dependent on its ultimate parent company Travelzest plc for financial support The directors of Travelzest plc have prepared a cash flow forecast based on the approved budgets to June 2013 of both it and its subsidiary companies (together "the Group") and have considered the forecast covenant position at each of the quarterly testing points from April 2012 The ability to meet these future cash flow and covenant forecasts is dependent on the Group's ability to raise additional finance to partially repay debts and provide adequate working capital to continue its operations following the signing of these financial statements However, there is a risk that the raising of additional finance will be unsuccessful, and this represents a material uncertainty which may cast significant doubt about the ability of Travelzest plc and of this Company to continue as a going concern The directors have a reasonable expectation that funding will be obtained and as a result have adopted the going concern basis in preparing the financial statements of Travelzest plc and the financial statements of the Company The financial statements of the Company do not include the adjustments that would result if the Company were unable to continue as a going concern

Credit risk

The company's principal financial assets are cash and trade debtors The credit risk associated with cash deposits is limited as the counterparties have high credit ratings assigned by international credit-rating agencies All counterparties are authorised in advance by the parent company, Travelzest plc

The principal credit risk arises therefore from its trade debtors

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references

Directors

The directors who served the company during the year and up to the date of approval of these financial statements were as follows

J C Fraser (resigned 26 March 2012)
J G Carroll
R S Anand (resigned 2 April 2012)
L M Peddie (resigned 2 April 2012)

No director held a beneficial interest in the shares of the company

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 (2010 £nil)

Directors' report (continued)

Directors' responsibilities

The directors are responsible for preparing the directors' report and 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 year

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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

Disclosure of information to auditors

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 as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Independent 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

ON BEHALF OF THE BOARD

J G Carroll
Director
12 April 2012

Independent auditors' report to the members of Fair's Fare Limited

We have audited the financial statements of Fair's Fare Limited for the year ended 31 October 2011 which comprise the Profit and Loss Account, the Balance Sheet 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 set out on pages 5 and 6 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 and express an opinion on 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 In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2011 and of its loss 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

Emphasis of matter
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the Basis of Preparation within the Principal Accounting Policies to the financial statements, concerning the Company's ability to continue as a going concern The Company is dependent on its ultimate parent company Travelzest plc for financial support Travelzest plc expects to raise additional funds following the signing of these financial statements which will allow it to partially repay its third party loan, provide adequate working capital to continue its operations and meet its financial covenants

Independent auditors' report to the members of Fair's Fare Limited (continued)

However, there is a risk that raising these additional funds will be unsuccessful and this represents a material uncertainty which may cast significant doubt about the ability of Travelzest plc and of the Company to continue as a going concern The financial statements of the Company do not include the adjustments that would result if the Company were unable to continue as a going concern

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 (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
12 April 2012

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

Going concern

The Company is dependent on its ultimate parent company Travelzest plc for financial support The directors of Travelzest plc have prepared a cash flow forecast based on the approved budgets to June 2013 of both it and its subsidiary companies (together "the Group") and have considered the forecast covenant position at each of the quarterly testing points from April 2012 The ability to meet these future cash flow and covenant forecasts is dependent on the Group's ability to raise additional finance to partially repay debts and provide adequate working capital to continue its operations following the signing of these financial statements However, there is a risk that the raising of additional finance will be unsuccessful, and this represents a material uncertainty which may cast significant doubt about the ability of Travelzest plc and of this Company to continue as a going concern The directors have a reasonable expectation that funding will be obtained and as a result have adopted the going concern basis in preparing the financial statements of Travelzest plc and the financial statements of the Company The financial statements of the Company do not include the adjustments that would result if the Company were unable to continue as a going concern

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 company is a wholly owned subsidiary company of a group headed by Travelzest plc, and is included in the consolidated financial statements of that company, which are publicly available Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash flow statements'

Turnover

Turnover represents commissions earned from the sale of passenger holidays and other travel activities, net of value added tax and trade discounts, recognised at the date of booking

Turnover is attributable to the one principal activity

Total transaction value

Total transaction value, which is stated net of value added tax, does not represent the company's statutory turnover As the company acts as agent or cash collector, total transaction value represents the price at which goods or services have been sold to the consumer

Tangible fixed assets

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

Principal accounting policies (continued)

Tangible fixed assets (continued)

Depreciation is provided on all tangible fixed 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

Equipment	4 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

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

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 to the profit and loss account on a straight line basis over the lease term

Pension costs

The Company pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis The Company has no further payment obligations once the contributions have been paid The contributions are recognised as employee benefit expense when they are due Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available

The company operates a defined contribution scheme for the benefit of certain employees The assets of the scheme are administered by trustees in a fund independent from those of the company

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Principal accounting policies (continued)

Financial instruments (continued)

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of interest on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited directly to equity

Profit and loss account for the year ended 31 October 2011

	Notes	31 October 2011 £	31 October 2010 £
Turnover	1	**1,590,769**	1,767,750
Cost of sales		**(355,988)**	(328,963)
Gross profit		**1,234,781**	1,438,787
Administrative expenses		**(1,486,699)**	(1,375,733)
Operating (loss)/profit	2	**(251,918)**	63,054
Interest receivable and similar income	5	**102**	-
(Loss)/profit on ordinary activities before taxation		**(251,816)**	63,054
Tax on (loss)/profit on ordinary activities	6	**-**	126,463
(Loss)/profit for the financial year	12	**(251,816)**	189,517

All of the activities of the company are classed as continuing There is no material difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical equivalents

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

Fair's Fare Limited

Balance sheet as at 31 October 2011

	Notes	31 October 2011 £	31 October 2010 £
Fixed assets			
Tangible assets	7	-	4,497
Current assets			
Debtors	8	**3,127,233**	1,411,785
Cash at bank and in hand		**400,549**	633,580
		3,527,782	2,045,365
Creditors: amounts falling due within one year	9	**(2,060,299)**	(1,445,563)
Net current assets		**1,467,483**	599,802
Total assets less current liabilities		**1,467,483**	604,299
Creditors: amounts falling due after more than one year	10	**(1,115,000)**	-
Net assets		**352,483**	604,299
Capital and reserves			
Called-up share capital	11	**50,400**	50,400
Profit and loss account	12	**302,083**	553,899
Total shareholders' funds	13	**352,483**	604,299

The financial statements on pages 9 to 20 of Fair's Fare Limited (company number 03210033) were approved by the Board of directors and authorised for issue on 12 April 2012 They were signed on its behalf by

J G Carroll
Director

Notes to the financial statements

1 Total transaction value (TTV) and turnover

TTV, which is stated net of VAT, does not represent the company's statutory turnover

TTV represents the total price at which the company's holidays are sold, acting either as agents or principal

The turnover and profit before tax are attributable to the one principal activity of the company, that of airfare analysts All turnover arises from operations within the UK

	31 October 2011	31 October 2010
	£	£
Total transaction value	**11,573,476**	13,231,342

2 Operating (loss)/profit

Operating (loss)/profit is stated after charging

	31 October 2011	31 October 2010
	£	£
Depreciation of owned tangible assets	**4,497**	3,655
Provision for irrecoverable group debtor	**283,600**	-
Auditors' remuneration – audit of the financial statements	**4,000**	7,000
Auditors' remuneration – other services relating to taxation	**1,000**	3,000
Operating lease rentals - other	**84,543**	77,000

3 Staff costs

The average monthly number of employees was

	31 October 2011	31 October 2010
	Number	Number
Sales	**9**	11
Management and administration	**4**	4
	13	15

Notes to the financial statements (continued)

3 Staff costs (continued)

Their aggregate remuneration comprised

	31 October 2011 £	31 October 2010 £
Wages and salaries	**557,833**	690,388
Social security costs	**62,859**	80,282
Other pension costs	**30,000**	30,000
	650,692	800,670

4 Directors' remuneration

Remuneration in respect of directors was as follows

	31 October 2011 £	31 October 2010 £
Aggregate emoluments	**64,500**	72,549

No director (2010 none) is accruing benefits under either a defined benefit or a defined contribution pension scheme

5 Interest receivable and similar income

	31 October 2011 £	31 October 2010 £
Bank interest received	**102**	-

6 Tax on (loss)/profit on ordinary activities

The tax charge comprises

	31 October 2011 £	31 October 2010 £
Current tax		
UK corporation tax	-	-
Over provision in the prior year	-	(126,463)
Total current tax	-	(126,463)

Notes to the financial statements (continued)

6 Tax on (loss)/profit on ordinary activities (continued)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before taxation is as follows

	31 October 2011 £	31 October 2010 £
(Loss)/profit on ordinary activities before taxation	**(251,816)**	63,054
(Loss)/profit on ordinary activities multiplied by the standard rate of tax in the UK of 26 8% (2010 28%)	**(67,487)**	17,655
Effects of		
Expenses not deductible for tax purposes	**76,690**	840
Depreciation in excess of capital allowances for the year	**1,206**	734
Group relief claimed for nil consideration	**(10,409)**	(19,229)
Adjustments to tax charge in respect of previous years	**-**	(126,463)
Total current tax	**-**	(126,463)

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 26 per cent from 1 April 2011 As this occurred during the financial year a blended rate of 26 8% has been applied

In the March 2012 Budget Statement, a further reduction of 2 per cent to 24 per cent from 1 April 2012 was announced with further reductions to the main rate proposed to reduce the rate by 1 per cent per annum thereafter to 22% from 1 April 2014 These further 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

Notes to the financial statements (continued)

7 Tangible fixed assets

	Equipment £	Total £
Cost		
At 1 November 2010	25,857	25,857
Additions	-	-
Disposals	-	-
At 31 October 2011	**25,857**	**25,857**
Accumulated depreciation		
At 1 November 2010	21,360	21,360
Charge for the year	4,497	4,497
Disposals	-	-
At 31 October 2011	**25,857**	**25,857**
Net book value		
At 31 October 2011	**-**	**-**
At 31 October 2010	4,497	4,497

8 Debtors

	31 October 2011 £	31 October 2010 £
Trade debtors	**865,237**	755,091
Amounts owed by group undertakings	**2,060,214**	560,954
Other debtors	**159,603**	62,790
Prepayments and accrued income	**42,179**	32,950
	3,127,233	1,411,785

Amounts owed by group undertakings are interest-free and repayable on demand

Notes to the financial statements (continued)

9 Creditors: amounts falling due within one year

	31 October 2011 £	31 October 2010 £
Trade creditors	**979,384**	906,737
Amounts owed to group undertakings	**967,838**	465,456
Other taxation and social security	**15,316**	19,444
Accruals and deferred income	**97,761**	53,926
	2,060,299	1,445,563

Amounts owed to group undertakings are interest-free and repayable on demand There is no security on the amounts owed to group undertakings

10 Creditors: amounts falling due after more than one year

	31 October 2011 £	31 October 2010 £
Amounts owed to group undertakings	**1,115,000**	-
	1,115,000	-

Amounts owed to group undertakings are subordinated loans and are interest-free There is no security on the amounts owed to group undertakings

11 Called up share capital

Authorised:

	31 October 2011 £	31 October 2010 £
50,000 (2010 50,000) ordinary 'A' shares of £1 each	**50,000**	50,000
50,000 (2010 50,000) ordinary 'B' shares of £1 each	**50,000**	50,000
	100,000	100,000

Allotted and fully paid:

	31 October 2011 £	31 October 2010 £
25,200 (2010 25,200) ordinary 'A' shares of £1 each	**25,200**	25,200
25,200 (2010 25,200) ordinary 'B' shares of £1 each	**25,200**	25,200
	50,400	50,400

Notes to the financial statements (continued)

12 Profit and loss account

	Profit and loss account £
At 1 November 2010	553,899
Loss for the financial year	(251,816)
At 31 October 2011	**302,083**

13 Reconciliation of movements in shareholders' funds

	31 October 2011 £	31 October 2010 £
Shareholders' funds at 1 November	**604,299**	414,782
(Loss)/profit for the financial year	**(251,816)**	189,517
Shareholders' funds at 31 October	**352,483**	604,299

14 Operating lease commitments

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

	31 October 2011		31 October 2010	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Expiry date				
- within one year	**71,500**	**-**	-	-
- within two to five years	**110,874**	**-**	77,000	-
	182,374	**-**	77,000	-

15 Related party transactions

During the year, Fair's Fare Limited paid £175,000 in consulting services to Fareplay Limited of which £14,583 was outstanding at year-end R S Anand, a director of Fair's Fare Ltd, has an interest in Fareplay Limited All amounts relating to consulting services have been settled after year-end

16 Contingent liabilities

Barclays Bank plc holds an unlimited debenture over the assets of the company in respect of overdraft, forward exchange and bonding facilities The company has provided a bond to the International Association of Travel Agents for £410,000 (2010 £390,000)

Notes to the financial statements (continued)

17 Ultimate parent company and controlling party

The immediate parent undertaking of this company is its parent company The Montpelier Collection Limited, by virtue of its ownership of the entire ordinary share capital

Travelzest plc is the company's ultimate parent undertaking by virtue of its ownership of 100% of the ordinary share capital of Travelzest Holdings UK Limited, the immediate parent undertaking of The Montpelier Collection Limited

The largest and smallest group of undertakings for which group financial statements have been drawn up is that headed by Travelzest plc Copies of the group financial statements can be obtained from Travelzest plc, 2nd floor Delta Place, 27 Bath Road, Cheltenham, Gloucestershire, GL53 7TH