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Sunstar Leisure Limited

Report and Accounts

31 October 2003



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Sunstar Leisure Limited
Report and accounts
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Sunstar Leisure Limited
Company Information

Directors

E J Smith (resigned 20.06.03, reappointed 21.12.03)
S K Edara (appointed 20.06.03)

Secretary

J Psarias esq

Auditors

White Hart Associates
East House
109 South Worple Way
London
SW14 8TN

Bankers

Natwest Bank Plc
13 Market Place
Reading
Berks
RG1 2EP

Registered office

East House
109 South Worple Way
London
SW14 8TN

Registered number

04165956

Sunstar Leisure Limited

Directors' Report

The directors present their report and accounts for the year ended 31 October 2003.

Principal activities and review of the business

The company's principal activity during the year continued to be that of travel agents. During the period the company resigned from membership of ABTA and joined the Travel Trust Association. The company also became an IATA accredited agent during the period.

Results and dividends

The (loss)/ profit for the year, after taxation, amounted to £(339,926) (12 months to 31.12.2002 - £302,912). The directors do not recommend a final ordinary dividend.

Future developments

The company experienced difficulties during the period due to the Euro exchange rate and incurred substantial legal and professional costs due to a change in ATOL regulations that resulted in a change to membership of the Travel Trust Association. These problems will not reoccur so the directors are confident that the company has a good base upon which to return to profitability and utilise trading advantages now available.

Directors

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

	£1 Ordinary shares	
	2003	2002
S Diederich (appointed 16.09.03, resigned 21.12.03)	-	-
S K Edara (appointed 20.06.03)	-	-
H Perry (resigned 16.09.03)	-	25,000
E J Smith (resigned 20.06.03, reappointed 21.12.03)	-	25,000

On 20th June 2003 Sunstar Leisure's entire share capital was purchased by Indigo Holidays Limited and accordingly became a 100% owned subsidiary.

Directors' responsibilities

Company law requires the directors to prepare accounts 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 for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining 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 accounts comply with the Companies Act 1985. 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.

Sunstar Leisure Limited
Directors' Report

Auditors

A resolution to reappoint White Hart Associates as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on 19 February 2004.

A handwritten signature in black ink, appearing to read 'S K Edara', with a diagonal line drawn through it.

S K Edara
Director

Sunstar Leisure Limited

Independent auditors' report to the shareholders of Sunstar Leisure Limited

We have audited the accounts of Sunstar Leisure Limited for the year ended 31st October 2003 which comprise pages 5 to 16. These accounts have been prepared under the historical cost convention and 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 on 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the accounts 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 accounts, 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.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Sunstar Leisure Limited

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st October 2003 and of its (loss) for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



White Hart Associates
Registered auditors

East House
109 South Worple Way
London
SW14 8TN

19 February 2004

Sunstar Leisure Limited
Profit and Loss Account
for the year ended 31 October 2003

	Notes	2003 £	2002 £
Turnover	2	21,300,868	18,603,922
Cost of sales		(18,960,401)	(15,691,577)
Gross profit		<u>2,340,467</u>	<u>2,912,345</u>
Distribution costs		(1,058,186)	(923,790)
Administrative expenses		(1,771,516)	(1,594,954)
Operating (loss)/profit	3	<u>(489,235)</u>	<u>393,601</u>
Exceptional items:			
profit on the disposal of tangible fixed assets	4	2,749	-
loss on the disposal of investments	4	(2,086)	-
		<u>663</u>	<u>-</u>
		<u>(488,572)</u>	<u>393,601</u>
Interest receivable		22,641	27,277
Interest payable	7	(15,331)	(6,179)
(Loss)/profit on ordinary activities before taxation		<u>(481,262)</u>	<u>414,699</u>
Tax on (loss)/profit on ordinary activities	8	141,336	(111,787)
(Loss)/profit for the financial year		<u>(339,926)</u>	<u>302,912</u>
Retained (loss)/profit for the financial year	15	<u>(339,926)</u>	<u>302,912</u>

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Sunstar Leisure Limited
Statement of total recognised gains and losses
for the year ended 31 October 2003

	Notes	2003 £	2002 £
(Loss)/profit for the financial year		(339,926)	302,912
Total recognised gains and losses related to the year		<u>(339,926)</u>	<u>302,912</u>

Sunstar Leisure Limited
Balance Sheet
as at 31 October 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	9	255,513	315,374
Current assets			
Debtors	10	1,574,621	1,213,322
Investments held as current assets	11	-	22,852
Cash at bank and in hand		1,542,640	1,223,967
		<u>3,117,261</u>	<u>2,460,141</u>
Creditors: amounts falling due within one year	12	(3,153,612)	(2,189,291)
Net current (liabilities)/assets		<u>(36,351)</u>	<u>270,850</u>
Total assets less current liabilities		<u>219,162</u>	<u>586,224</u>
Provisions for liabilities and charges			
Deferred taxation	13	-	(27,136)
		<u>219,162</u>	<u>559,088</u>
Capital and reserves			
Called up share capital	14	50,000	50,000
Profit and loss account	15	169,162	509,088
Shareholders' funds:			
Equity		<u>219,162</u>	<u>559,088</u>
	16	<u>219,162</u>	<u>559,088</u>

S K Edara

S K Edara
Director

Approved by the board on 19 February 2004

Sunstar Leisure Limited
Cash Flow Statement
for the year ended 31 October 2003

	Notes	2003 £	2002 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating (loss)/profit		(489,235)	393,601
Depreciation charges		92,989	102,369
Increase in debtors		(361,299)	(765,689)
Increase in creditors		1,003,356	1,077,575
Net cash inflow from operating activities		<u>245,811</u>	<u>807,856</u>
CASH FLOW STATEMENT			
Net cash inflow from operating activities		245,811	807,856
Returns on investments and servicing of finance	17	7,310	21,098
Taxation		(650)	(43,093)
Capital expenditure	17	(32,465)	(179,138)
		<u>220,006</u>	<u>606,723</u>
Management of liquid resources	17	22,852	-
Increase in cash		<u>242,858</u>	<u>606,723</u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		242,858	606,723
Decrease in liquid resources		(22,852)	-
Change in net debt	18	<u>220,006</u>	<u>606,723</u>
Net funds at 1 November		<u>1,060,801</u>	<u>454,078</u>
Net funds at 31 October		<u>1,280,807</u>	<u>1,060,801</u>

Sunstar Leisure Limited
Notes to the Accounts
for the year ended 31 October 2003

1 Accounting policies

Accounting convention

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

Depreciation

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

Leasehold land and buildings	Over the 6 year lease term
Plant and machinery	25% reducing balance basis

Deferred taxation

Full provision is made for deferred taxation resulting from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes.

Deferred tax is calculated at the tax rates which are expected to apply in the periods when the timing differences will reverse, and discounted to reflect the time value of money using rates based on the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with similar maturity dates.

Foreign currencies

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

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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

2 Turnover

Turnover represents the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts, recognised on the date of booking basis.

Turnover is attributable to one continuing activity.

Sunstar Leisure Limited
Notes to the Accounts
for the year ended 31 October 2003

3 Operating (loss)/profit	2003	2002
	£	£
This is stated after charging:		
Depreciation of owned fixed assets	82,810	102,369
Operating lease rentals - land buildings	56,000	56,000
Auditors' remuneration	8,500	7,000
	<hr/>	<hr/>
4 Exceptional items	2003	2002
	£	£
Profit on disposal of plant and machinery	2,749	-
Loss on disposal of investments	(2,086)	-
	<hr/>	<hr/>
	663	-
	<hr/>	<hr/>
5 Directors' emoluments	2003	2002
	£	£
Emoluments	120,878	31,648
	<hr/>	<hr/>
6 Staff costs	2003	2002
	£	£
Wages and salaries	875,319	807,650
Social security costs	93,324	78,021
	<hr/>	<hr/>
	968,643	885,671
	<hr/>	<hr/>
Average number of employees during the year	Number	Number
Administration	4	3
Development	2	2
Distribution	2	2
Marketing	3	3
Sales	25	22
	<hr/>	<hr/>
	36	32
	<hr/>	<hr/>
7 Interest payable	2003	2002
	£	£
Bank loans and overdrafts	15,331	6,179
	<hr/>	<hr/>

Sunstar Leisure Limited
Notes to the Accounts
for the year ended 31 October 2003

8 Taxation	2003	2002
	£	£
Analysis of charge in period		
Current tax:		
UK corporation tax on profits of the period	(141,336)	114,850
Deferred tax:		
Origination and reversal of timing differences	-	(3,063)
	<hr/>	<hr/>
Tax on (loss)/profit on ordinary activities	(141,336)	111,787

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2003	2002
	£	£
(Loss)/profit on ordinary activities before tax	<hr/> (481,262)	<hr/> 414,699
Standard rate of corporation tax in the UK	30%	30%
	£	£
(Loss)/Profit on ordinary activities multiplied by the standard rate of corporation tax	(144,379)	124,410
Effects of:		
Expenses not deductible for tax purposes	3,043	(12,623)
Capital allowances for period in excess of depreciation	-	3,063
	<hr/>	<hr/>
Current tax charge for period	(141,336)	114,850

Sunstar Leisure Limited
Notes to the Accounts
for the year ended 31 October 2003

9 Tangible fixed assets

	Short leasehold land and buildings £	Plant and machinery £	Total £
Cost			
At 1 November 2002	64,858	370,849	435,707
Additions	3,500	75,916	79,416
Disposals	-	(71,842)	(71,842)
At 31 October 2003	<u>68,358</u>	<u>374,923</u>	<u>443,281</u>
Depreciation			
At 1 November 2002	15,705	104,628	120,333
Charge for the year	11,393	71,417	82,810
On disposals	-	(15,375)	(15,375)
At 31 October 2003	<u>27,098</u>	<u>160,670</u>	<u>187,768</u>
Net book value			
At 31 October 2003	<u>41,260</u>	<u>214,253</u>	<u>255,513</u>
At 31 October 2002	<u>49,153</u>	<u>266,221</u>	<u>315,374</u>

10 Debtors

	2003 £	2002 £
Trade debtors	1,155,549	1,145,929
Amounts owed by group undertakings and undertakings in which the company has a participating interest	342,125	-
Other debtors	76,947	67,393
	<u>1,574,621</u>	<u>1,213,322</u>

11 Investments held as current assets

	2003 £	2002 £
Listed investments	-	22,852
Valuation:		
Listed investments - market value	-	22,500

12 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	261,833	186,018
Trade creditors	2,620,888	1,836,274
Corporation tax	-	114,850
Other taxes and social security costs	28,802	20,796
Other creditors	242,089	31,353
	<u>3,153,612</u>	<u>2,189,291</u>

Sunstar Leisure Limited
Notes to the Accounts
for the year ended 31 October 2003

13 Deferred taxation			2003	2002
			£	£
Accelerated capital allowances			-	27,136
Undiscounted provision for deferred tax			-	27,136
			2003	2002
			£	£
At 1 November			27,136	30,199
Deferred tax charge in profit and loss account			(27,136)	(3,063)
At 31 October			-	27,136
14 Share capital			2003	2002
			£	£
Authorised:				
Ordinary shares of £1 each			100,000	100,000
	2003	2002	2003	2002
	No	No	£	£
Allotted, called up and fully paid:				
Ordinary shares of £1 each	50,000	50,000	50,000	50,000
15 Profit and loss account			2003	2002
			£	£
At 1 November			509,088	206,176
Retained (loss)/profit			(339,926)	302,912
At 31 October			169,162	509,088

Sunstar Leisure Limited
Notes to the Accounts
for the year ended 31 October 2003

16 Reconciliation of movement in shareholders' funds	2003	2002
	£	£
At 1 November	559,088	256,176
(Loss)/profit for the financial year	(339,926)	302,912
At 31 October	<u>219,162</u>	<u>559,088</u>

17 Gross cash flows	2003	2002
	£	£
Returns on investments and servicing of finance		
Interest received	22,641	27,277
Interest paid	(15,331)	(6,179)
	<u>7,310</u>	<u>21,098</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(79,416)	(179,138)
Receipts from sales of tangible fixed assets	49,037	-
Receipts from sales of investments	(2,086)	-
	<u>(32,465)</u>	<u>(179,138)</u>
Management of liquid resources		
Sale of current asset investments	<u>22,852</u>	<u>-</u>

18 Analysis of changes in net debt	At 1 Nov 2002	Cash flows	Non-cash changes	At 31 Oct 2003
	£	£	£	£
Cash at bank and in hand	1,223,967	318,673		1,542,640
Overdrafts	(186,018)	(75,815)		(261,833)
		<u>242,858</u>		
Current asset investments	22,852	(22,852)		-
Total	<u>1,060,801</u>	<u>220,006</u>	<u>-</u>	<u>1,280,807</u>

Sunstar Leisure Limited
Notes to the Accounts
for the year ended 31 October 2003

19 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2003 £	Land and buildings 2002 £	Other 2003 £	Other 2002 £
Operating leases which expire: in over five years	<u>56,000</u>	<u>56,000</u>	<u>-</u>	<u>-</u>

20 Travel Trust Association

In April 2003 the company joined the Travel Trust Association ("TTA"). As at 31st October 2003 included in cash in bank is the sum of £1,541,461 held in the designated TTA Trust bank account and cannot be paid into general company funds without the acquiescence of the professional trustees, TTA Trustees (UK) Limited.

21 Contingent Liabilities

As at 31st October 2003 there were contingent liabilities outstanding in respect of counter indemnities and guarantees given by the company in the normal course of business, to the company's bond insurance obligors in respect of travel bonds with ABTA and IATA amounting to £105,000 (2002 - £325,176).

22 Holding Company

On 20th June 2003 the company became the 100% owned subsidiary of Indigo Holidays Limited, a company registered in England and Wales. Indigo Holidays Limited is the immediate and ultimate holding company and has included the company in its group financial statements copies of which are available from its registered office, East House, 109 South Worple Way, London SW14 8TN.