Registered number 4803471

# Trek America Travel Limited

Directors' report and financial statements

Period from incorporation on 18 June 2003 to 31 October 2003

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## Contents

# Directors' report

The Directors present their annual report together with the financial statements for the four months ended 31 October 2003.

The Company was incorporated on 18 June 2003 and commenced trading from that date.

**Principal activity**

The principal activity of the Company is marketing and selling of tours and trekking holidays.

On 1 July 2003, the Company acquired the tour and trekking holiday business assets from Trek International Travel Limited and Heritage Group Limited BVI. Further details are given in note 5.

**Business review and dividends**

The profit after tax for the 4-month period was £178,000. The Directors do not recommend the payment of a dividend.

**Post balance sheet event**

On 23 June 2004, the Company acquired the entire share capital of Australian Adventure Tours PTY Limited. On 28 June 2004, Australian Adventure Tours PTY Limited acquired the business and net assets of Let's Trek Australia, a tour and trekking holiday operator in Australia, for consideration of AUS$201,737.

**Directors and Directors' interests**

The Directors at the date of this report are:

| | |
|---|---|
| D R Gillespie | appointed 18 June 2003 |
| C B Richards | appointed 18 June 2003 |
| A L John | appointed 18 June 2003 |

Waterlow Nominees Limited were appointed and also resigned on 18 June 2003.

None of the Directors had any beneficial interest in the shares of the Company during the period.

As at 31 October 2003 the interests of the Directors in the share capital of First Choice Holidays PLC, the ultimate parent company, were as follows:

| | Ordinary Shares | |
|---|---|---|
| | 31 October 2003 | 18 June 2003 |
| **D R Gillespie** | 109,423 | 109,423 |
| **C B Richards** | 5,500 | 5,500 |
| **A L John** | 10,897 | 10,706 |

## Directors' report *(continued)*

**Policy and practice on payment of creditors**

It is the Company's policy 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**

KPMG Audit Plc were appointed auditors of the Company by the Directors on 5 December 2003. A resolution will be proposed at the Annual General Meeting of the Company to re-appoint KPMG Audit Plc as auditors.

By order of the board

**J Walter**
*Company Secretary*

First Choice House
London Road
Crawley
West Sussex
RH10 9GX

Dated 4 August 2004

## 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 for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then 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

PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

# Independent Auditors' report to the members of Trek America Travel Limited

We have audited the financial statements on pages 5 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 3, 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 2003 and of its profit for the four month 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*

11 August 2004

## Profit and loss account

*for the four months ending 31 October 2003*

| | *Note* | **4 months ending 31 October 2003 £000** |
|---|---|---|
| **Turnover** | *1* | 3,342 |
| Cost of sales | | (2,245) |
| **Gross profit** | | 1,097 |
| Administrative expenses | | (875) |
| Other operating income | | 43 |
| **Operating profit** | | 265 |
| Interest receivable | | 2 |
| **Profit on ordinary activities before taxation** | *2* | 267 |
| Taxation | *4* | (89) |
| **Profit for the financial period** | | 178 |
| Dividends | | - |
| **Retained profit for the period** | *11* | 178 |

All results derive from operations acquired in the period (note 5).

There are no other recognised gains or losses other than the retained profit for the period.

## Balance sheet
*at 31 October 2003*

| | Note | 2003 £000 |
|---|---|---|
| **Fixed assets** | | |
| Tangible assets | *6* | 45 |
| Goodwill | *7* | 828 |
| | | 873 |
| **Current assets** | | |
| Debtors | *8* | 268 |
| Cash at bank and in hand | | 339 |
| | | 607 |
| **Creditors:** amounts falling due within one year | *9* | (1,302) |
| **Net current liabilities** | | (695) |
| **Net assets** | | 178 |
| **Capital and reserves** | | |
| Called up share capital | *10* | - |
| Profit and loss account | *11* | 178 |
| **Equity shareholders' funds** | *12* | 178 |

These financial statements were approved by the Board of Directors on 4 August 2004 and were signed on its behalf by:

CBRichards

**C B Richards**
*Director*

# Notes

*(forming part of the financial statements)*

## 1 Accounting Policies

***Basis of preparation***

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

At 31 October 2003 the company had net current liabilities of £695,000. The accounts are prepared on a going-concern basis as First Choice Holidays PLC have agreed to provide financial support to the Company in order that it can continue to trade and meet its liabilities as they fall due, for as long as they remain a member of the Group.

The following accounting policies have been consistently applied in dealing with items considered material in relation to the accounts.

***Turnover***

Turnover represents the aggregate amount of revenue receivable from the inclusive tours (net of agents' commissions) and other services supplied to customers in the ordinary course of business plus the net commissions earned as travel agent (excluding value added tax).

Revenue is recognised on the date of departure and all direct costs of the holidays are charged to the profit and loss account on the same basis. Turnover is stated after deduction of trade discounts.

***Goodwill***

Purchased goodwill represents the excess of the fair value of the consideration and associated costs given over the fair values of the separable net assets acquired. Purchase goodwill is amortised over a period not exceeding 20 years.

***Depreciation***

Depreciation is provided on all tangible fixed assets at rates calculated to write down the cost less the estimated residual value, of all tangible fixed assets over their expected useful lives as follows:

| | |
|---|---|
| Furniture and equipment | 25% straight line |
| Motor vehicles | 25% straight line |
| Computer equipment | 25% straight line |

***Deferred taxation***

Except as otherwise required by accounting standards, full provision 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. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

***Foreign currencies***

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

## 1 Accounting Policies (continued)

*Leases*

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

*Cash flow*

The Company is exempt from the requirements of Financial Reporting Standard 1 to prepare a cash flow statement, as it is a wholly owned subsidiary of First Choice Holidays PLC. The consolidated financial statements of First Choice Holidays PLC, which include the Company are publicly available (address given in note 15).

## 2 Profit on ordinary activities before taxation

The profit on ordinary activities is stated after charging:

| | 4 months to 31 October 2003 £000 |
|---|---|
| Operating lease rentals | |
| Land and buildings | 22 |
| Other | 3 |
| Depreciation | 13 |
| Amortisation of goodwill | 14 |
| Restructuring costs | 367 |

Audit fees are borne by a fellow group company.

Post acquisition restructuring costs, including employee redundancies and office relocations have been charged within administrative expenses in the period.

## 3 Employees and directors

Staff costs during the period were as follows:

| | 4 months to 31 October 2003 £000 |
|---|---|
| Wages and salaries | 83 |
| Social security costs | 11 |
| | 94 |

The average number of employees of the company during the period was:

| | 4 months to 31 October 2003 Number |
|---|---|
| Administration and management | 13 |

No director received any remuneration from the Company during the period. The remuneration of the directors was borne by another group company.

## Notes *(continued)*

### 4 Taxation

The tax charge in the 31 October 2003 accounts can be summarised as follows:

Tax on profit on ordinary activities:

| (i) Analysis of charge in period | **4 months to 31 October 2003 £000** |
|---|---|
| UK current tax | **92** |
| Deferred tax: origination and reversal of timing differences | **(3)** |
| Tax on ordinary activities | **89** |

(ii) Factors affecting tax charge for the period

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

| | ***4 months to* 31 October 2003** |
|---|---|
| Profit on ordinary activities before tax | **267** |
| Profit on ordinary activities at the standard rate of UK corporation tax of 30% (2001 - 30%): | **80** |
| Effects of: | |
| - expenses not deductible for tax purposes | **9** |
| - depreciation in excess of capital allowances claimed | **3** |
| Current tax charge for the period | **92** |

(iii) Factors affecting the future tax charge

The total tax charge in future years is anticipated to equate to the UK statutory rate of taxation. There are no unprovided deferred tax liabilities.

## Notes *(continued)*

### 5 Acquisition

Effective from 1 July 2003, the Company acquired the trade and net assets of the businesses of Trek International Travel Limited and Heritage Group Limited BVI:

| | Book value prior to adjustment £000 | Adjustments to achieve consistency of accounting policies £000 | Fair value £000 |
|---|---|---|---|
| Tangible fixed assets | 381 | (153) | 228 |
| Current assets (non-cash) | 792 | - | 792 |
| Current liabilities (principally comprising deferred income) | (1,270) | - | (1,270) |
| Net liabilities | (97) | (153) | (250) |
| Consideration – cash paid | | | (592) |
| **Goodwill arising on acquisition (note 7)** | | | **(842)** |

There is no contingent or deferred consideration.

The value of tangible fixed assets acquired of £228,000 is stated after a reduction of £153,000 to align the accounting policy for the capitalisation of costs to match that of the Company and its parent undertaking.

Turnover for the previous accounting periods of both acquired entities was £4.8m. Turnover in the current year to date (prior to acquisition) was £2.2m.

## Notes *(continued)*

### 6 Tangible fixed assets

| | Motor vehicles £000 | Furniture and equipment £000 | Computer equipment £000 | Total £000 |
|---|---|---|---|---|
| ***Cost*** | | | | |
| At 18 June 2003 | - | - | - | - |
| Acquired | 37 | 171 | 20 | 228 |
| Transfer to fellow group undertaking | - | (170) | - | (170) |
| At 31 October 2003 | 37 | 1 | 20 | 58 |
| ***Depreciation*** | | | | |
| At 18 June 2003 | - | - | - | - |
| Provided in the period | 8 | - | 5 | 13 |
| Disposals | | | | |
| At 31 October 2003 | 8 | - | 5 | 13 |
| ***Net book value at*** | | | | |
| **At 31 October 2003** | **29** | **1** | **15** | **45** |
| At 18 June 2003 | - | - | - | - |

Following the acquisition set out in note 5, certain operating assets were transferred, at fair value, to a fellow group undertaking.

### 7 Intangible assets

| | Goodwill £000 |
|---|---|
| *Cost* | |
| Addition | 842 |
| *Amortisation* | |
| Provision for period | (14) |
| *Net book value* | |
| **At 31 October 2003** | **828** |
| At 18 June 2003 | - |

Goodwill additions relate to the acquisition set out in note 5 and is being amortised over its estimated useful economic life of 20 years.

## Notes *(continued)*

### 8 Debtors

| | 2003 £000 |
|---|---|
| Amounts owed by group undertakings | 98 |
| Other debtors | 14 |
| Deferred tax asset | 3 |
| Prepayments and accrued income | 153 |
| | 268 |

The net deferred tax position at 31 October 2003 is an asset of £3,000, arising from depreciation charged in excess of capital allowances claimed.

### 9 Creditors: amounts falling due within one year

| | 2003 £000 |
|---|---|
| Trade creditors | 137 |
| Amounts owed to group undertakings | 612 |
| Group relief payable to fellow group undertakings | 92 |
| Accruals and deferred income | 461 |
| | 1,302 |

### 10 Share capital

| | 2003 £ |
|---|---|
| ***Authorised:*** | |
| 1,000 ordinary shares of £1 each | 1,000 |
| ***Allotted, called up and fully paid*** | |
| 1 ordinary share of £1 each | 1 |

During the period, 1 ordinary share of £1 was issued and fully paid.

### 11 Reserves

| | Profit and loss account £000 |
|---|---|
| At 18 June 2003 | - |
| Retained profit for the four month period | 178 |
| At 31 October 2003 | 178 |

## Notes *(continued)*

### 12 Reconciliation of movement in equity shareholders' funds

| | 2003 £000 |
|---|---|
| Issue of share capital | - |
| Profit for the financial period | 178 |
| Opening shareholders funds | - |
| **Closing shareholders' funds** | **178** |

### 13 Commitments

(a) Capital commitments

There were no unprovided capital commitments at the current period end.

(b) Annual commitment under non-cancellable operating leases are as follows:

| | Land and buildings 2003 £000 | Other 2003 £000 |
|---|---|---|
| *Leases expiring:* | | |
| Within one year | 11 | - |
| In second to fifth years inclusive | - | 8 |
| | 11 | 8 |

### 14 Related party disclosures

The Company has taken advantage of the exemption contained in Financial Reporting Standard 8: Related Party Disclosures as it is a wholly owned subsidiary of First Choice Holidays PLC. Therefore the Company has not disclosed transactions or balances with entities which form part of the Group headed by First Choice Holidays PLC.

The directors confirm that there are no further related party transactions which require disclosure in these financial statements.

### 15 Ultimate and immediate parent company

First Choice Holidays PLC, a company registered in England and Wales, is the ultimate and immediate parent company. First Choice Holidays PLC is the parent undertaking of the largest and smallest group of which Trek America Travel Limited is a member and for 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, Crawley, West Sussex, RH10 9GX.