

**Trek America Travel Limited**

**Directors' report and financial  
statements**

**Registered number 4803471  
year ended 31 October 2004**



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## Directors' report

The Directors present their annual report together with the financial statements for the year ended 31 October 2004.

### Principal activity

The principal activity of the Company is marketing, selling and operating tours, treks and adventure holidays.

### Business review

The profit after tax for the year was £247,000 (2003: £178,000).

### Dividend

The Directors do not propose a dividend for the year ended 31 October 2004 (2003: £Nil).

### Directors and Directors' interests

The Directors at the date of this report are:

D R Gillespie  
A L John  
C B Richards

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

As at 31 October 2004 the interests of the Directors in the share capital of First Choice Holidays PLC, the ultimate Parent Company, were as follows:

	Ordinary Shares		Options	
	31 October 2004	31 October 2003	Granted	Exercised
D R Gillespie	109,423	109,423	-	-
A L John	59,805	10,897	309,718	79,631
C B Richards	7,933	5,500	8,619	23,689

### 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 liabilities 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 and the appointment of auditors annually. Accordingly KPMG Audit Plc will continue in office as auditors.

By order of the board



**C B Richards**  
Director

First Choice House  
London Road  
Crawley  
West Sussex  
RH10 9GX

Date 18 August 2005

## **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.



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 4 to 14.

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 2, 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit PLC**

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

18 August 2005

**Profit and loss account**  
*for the year ending 31 October 2004*

	<i>Note</i>	<b>Year ended 31 October 2004 £000</b>	<b>4 month period ended 31 October 2003 £000</b>
<b>Turnover</b>	<i>1</i>	<b>6,104</b>	3,342
Cost of sales		<b>(4,191)</b>	(2,245)
<b>Gross profit</b>		<b>1,913</b>	1,097
Administrative expenses		<b>(1,703)</b>	(875)
Other operating income		<b>136</b>	43
<b>Operating profit</b>		<b>346</b>	265
<b>Profit before interest</b>		<b>346</b>	265
Interest receivable and similar income	<i>4</i>	<b>1</b>	2
<b>Profit on ordinary activities before taxation</b>	<i>2</i>	<b>347</b>	267
Taxation	<i>5</i>	<b>(100)</b>	(89)
<b>Profit for the financial period</b>		<b>247</b>	178
Equity dividends		<b>-</b>	-
<b>Retained profit for the period</b>	<i>13</i>	<b>247</b>	178

All results arose from continuing activities.

There were no other recognised gains and losses other than the retained profit for the period. The historic cost profit is the same as reported profit.

## Balance sheet

at 31 October 2004

	Note	31 October 2004 £000	31 October 2003 £000
<b>Fixed assets</b>			
Intangible assets	6	735	828
Tangible assets	7	17	45
		<hr/>	<hr/>
		752	873
<b>Current assets</b>			
Debtors	8	995	268
Cash at bank and in hand		403	339
		<hr/>	<hr/>
		1,398	607
<b>Creditors: amounts falling due within one year</b>	9	(1,725)	(1,302)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(327)	(695)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		425	178
		<hr/>	<hr/>
<b>Net assets</b>		425	178
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Profit and loss account	12	425	178
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	13	425	178
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 18 August 2005 and were signed on its behalf by:



**C 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. The accounts are prepared on a going concern basis as First Choice Holidays PLC has 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 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 as calculated under the Tour Operators' Margin Scheme).

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 excludes intra-group transactions and is stated after deduction of trade discounts.

Other operating income comprises commissions received from the sale of insurance.

#### ***Goodwill***

Purchased goodwill (representing the excess of the fair value of the consideration and associated costs given over the fair values of the separable net assets acquired) arising in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal instalments over its estimated useful life.

#### ***Depreciation***

Depreciation is provided on all tangible fixed assets, other than freehold land, 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 overseas currencies are translated at the exchange rate ruling at the date of the transaction or, where forward cover has been arranged, at the contractual rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date, or at a contractual rate if applicable, and any exchange differences arising are taken to the profit and loss account in the season to which the contract relates.

#### ***Contributions to pension funds***

The Company contributes to money purchase pension schemes for certain Directors and employees. Contributions are charged to the profit and loss account as they become payable in accordance with the agreement between the trustees of the pension schemes and the company.

## **Notes (continued)**

### **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.

#### ***Deferred income***

Client money received at the balance sheet date relating to holidays commencing after the period end is deferred and included within deferred income within creditors.

#### ***Marketing costs***

Brochure and other marketing costs are charged to the profit and loss account in the season to which they relate.

#### ***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:

	<b>Year ended 31 October 2004</b>	<b>4 month period ended 31 October 2003</b>
	<b>£000</b>	<b>£000</b>
Operating lease rentals		
Land and buildings	23	22
Other	6	3
Depreciation		
Owned	48	13
Amortisation of Goodwill	42	14
Restructuring Costs	-	367
	<hr/>	<hr/>

Audit fees are borne by other group companies.

### **3 Directors and employees**

Staff costs (including directors) during the period were as follows:

	<b>Year ended 31 October 2004</b>	<b>4 month period ended 31 October 2003</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	401	83
Social security costs	53	11
	<hr/>	<hr/>
	<b>454</b>	<b>94</b>
	<hr/>	<hr/>

## Notes (continued)

### 3 Directors and employees (continued)

The average number of employees of the Company (including directors) during the period was:

	Year ended 31 October 2004	4 month period ended 31 October 2003
	Number	Number
Administration and management	11	13
	<hr/> 11 <hr/>	<hr/> 13 <hr/>

Directors' emoluments were borne by other group companies in 2004 and 2003.

### 4 Interest

*Interest receivable and similar income*

	Year ended 31 October 2004 £000	4 month period ended 31 October 2003 £000
Bank interest receivable	1	2
	<hr/> 1 <hr/>	<hr/> 2 <hr/>

## Notes (continued)

### 5 Taxation

The tax charge in the period is summarised as follows:

Tax on profit on ordinary activities:

#### (i) Analysis of charge in period

	Year ended 31 October 2004 £000	4 month period ended 31 October 2003 £000
Current tax:		
UK Corporation tax on profits for the year	115	92
Adjustment in respect of prior periods - permanent	(10)	-
Total current tax	<u>105</u>	<u>92</u>
Deferred tax:		
Origination and reversal of timing differences:		
- current period	(5)	(3)
- adjustment in respect of previous periods	-	-
Total deferred tax	<u>(5)</u>	<u>(3)</u>
Tax charge on profit on ordinary activities	<u><u>100</u></u>	<u><u>89</u></u>

#### (ii) Factors affecting the current tax charge for the period

The current tax charge for the period is higher (2003: higher) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:

	Year ended 31 October 2004 £000	4 month period ended 31 October 2003 £000
Profit on ordinary activities before tax	347	267
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003: 30%):	104	80
Effects of:		
- Expenses not deductible for tax purposes	6	9
- Depreciation for the period in excess of capital allowances	5	3
- Utilisation of tax losses	-	-
- Adjustments to tax charge in respect of prior periods	(10)	-
Current tax charge for the period	<u><u>105</u></u>	<u><u>92</u></u>

## **Notes (continued)**

### **6 Intangible fixed assets**

	<b>Goodwill £000</b>
<i><b>Cost</b></i>	
As at 1 November 2003	842
Fair value adjustment	(51)
	<hr/>
At 31 October 2004	791
	<hr/>
<i><b>Amortisation</b></i>	
As at 1 November 2003	14
Provided in year	42
	<hr/>
At 31 October 2004	56
	<hr/>
<i><b>Net book value</b></i>	
As at 31 October 2004	735
	<hr/>
As at 31 October 2003	828
	<hr/>

The goodwill relates to the acquisition of the trade of a business in 2003 and is being amortised over its useful economic life of 20 years.

The fair value of the assets and liabilities purchased were determined on a provisional basis at the end of the last accounting period. During the year, a fair value adjustment of £51k relating to a revaluation of foreign currency liabilities was made.

## Notes (continued)

### 7 Tangible fixed assets

	Motor vehicles £000	Furniture and equipment £000	Computer equipment £000	Total £000
<b>Cost</b>				
At 1 November 2003	37	1	20	58
Additions	-	1	23	24
Disposals	(8)	-	-	(8)
At 31 October 2004	29	2	43	74
<b>Depreciation</b>				
At 1 November 2003	8	-	5	13
Provided in the period	25	2	21	48
Disposals	(4)	-	-	(4)
At 31 October 2004	29	2	26	57
<b>Net book value</b>				
At 31 October 2004	-	-	17	17
At 31 October 2003	29	1	15	45

**Notes (continued)**

**8 Debtors**

	<b>31 October 2004 £000</b>	<b>31 October 2003 £000</b>
Amounts owed by group undertakings	763	98
Other debtors	13	14
Deferred tax asset	8	3
Prepayments and accrued income	211	153
	<hr/>	<hr/>
	<b>995</b>	<b>268</b>
	<hr/>	<hr/>

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

	<b>31 October 2004 £000</b>	<b>31 October 2003 £000</b>
Trade creditors	78	137
Amounts owed to group undertakings	1,178	612
Group relief payable to fellow group undertakings	198	92
Accruals and deferred income	271	461
	<hr/>	<hr/>
	<b>1,725</b>	<b>1,302</b>
	<hr/>	<hr/>

**10 Deferred tax asset**

	<b>Deferred tax asset £000</b>
At 1 November 2003	3
Credit to the profit and loss for the period	5
	<hr/>
At 31 October 2004	8
	<hr/>

The deferred tax asset wholly comprises depreciation charged in excess of capital allowances claimed.

There is no unprovided deferred taxation at either 31 October 2004 or 31 October 2003.

## Notes (continued)

### 11 Share capital

	31 October 2004 £	31 October 2003 £
<b>Authorised:</b>		
40,000 (2003: 1,000) ordinary shares of £1 each	40,000	1,000
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
1 (2003: 1) ordinary shares of £1 each	1	1
	<hr/>	<hr/>

On 22 June 2004 the authorised share capital of the Company was increased from £1,000 to £40,000 by the creation of 39,000 ordinary shares of £1 each to rank pari passu in all respects with the existing shares of the company.

### 12 Reserves

	Profit and loss account £000	Total £000
At 1 November 2003	178	178
Retained profit for the period	247	247
	<hr/>	<hr/>
At 31 October 2004	425	425
	<hr/>	<hr/>

### 13 Reconciliation of movements in equity shareholders' funds

	31 October 2004 £000	31 October 2003 £000
<b>Profit for the financial period</b>	247	178
Equity dividends paid	-	-
	<hr/>	<hr/>
Net increase in shareholders' funds	247	178
Opening equity shareholders' funds	178	-
	<hr/>	<hr/>
<b>Closing equity shareholders' funds</b>	425	178
	<hr/>	<hr/>

**Notes (continued)**

**13 Commitments**

**(a) Capital commitments**

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

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

	<b>Land and buildings</b>		<b>Other</b>	
	<b>31 October 2004 £000</b>	<b>31 October 2003 £000</b>	<b>31 October 2004 £000</b>	<b>31 October 2003 £000</b>
Leases expiring:				
Within one year	-	11	8	-
In second to fifth years inclusive	-	-	-	-
Thereafter	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	11	8	-
	<hr/>	<hr/>	<hr/>	<hr/>

**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 immediate and ultimate 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.