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Lowcostholidays Limited  
(Formerley Lowcosttravelgroup Limited)

Report and Consolidated Accounts

31 October 2008

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**Lowcostholidays Limited**  
**Report and consolidated accounts**  
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**Lowcostholidays Limited**  
**Company Information**

**Directors**

J M Richards esq - Chairman  
P R Evans esq - Chief Executive Officer  
S Rasool ACCA - Finance director

**Secretary**

S Rasool ACCA

**Auditors**

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

**Bankers**

Lloyds TSB Group plc  
5 Hargreaves Street  
Burnley  
Lancs BD11 1EN

**Registered office**

East House  
109 South Worple Way  
London  
SW14 8TN

**Registered number**

04371920

## **Lowcstholidays Limited**

### **Directors' Report**

The directors present their report and accounts for the year ended 31 October 2008.

#### **Change of name**

On 19 January 2009, by special resolution, the company changed its name from Lowcosttravelgroup Limited to Lowcstholidays Limited.

#### **Principal activities and review of the business**

The company and group principal activity during the period continued to be that of travel agents and tour operators..

Group turnover has increased by 45% during the period. The company and group are in a good position to take advantage of any opportunities which may arise in the future.

The company has one wholly owned trading subsidiary, Lowcstholidays.com Direct Limited and as at 31 October 2008 had two wholly owned dormant subsidiaries Lowcostbeds.com Limited and Lowcostibiza.com Limited. As part of a group reorganisation in January 2009 Lowcostbeds.com Limited is no longer a subsidiary of the company but is now a subsidiary of Lowcosttravelgroup Limited, the immediate and ultimate holding company.

Lowcstholidays.com Direct Limited was set up to act as a call centre for the group also selling third party holidays and travel arrangements as an agent.

During the year under review the company concentrated its efforts on the establishment and expansion of its Lowcstholidays brand. Considerable investment has been made in advanced technology principally in the design and implementation of the company's consumer websites and also in the company's systems with the integration of the company's new front office software. The directors believe the company now has a platform for the expansion of its consumer facing business and the sale of travel components direct to consumer as an agent for principals.

The company is required by the Companies Act to set out in this report a fair review of the business of the company during the financial year ended 31 October 2008 and of the position of the company at the end of the year and a description of the principal risks and uncertainties facing the company. The review is prepared solely to provide additional information to shareholders to assess the company's strategies and the potential for those strategies to succeed, and the business review should not be relied upon by any other party or for any other purpose.

The key performance indicators used by the directors to monitor the progress of the company are set out below.

	2008 £	2007 £
Total Transaction Value - "TTV"	50,732,488	35,341,446
Turnover - commission and margin	8,052,202	5,527,527
Turnover as a percentage of TTV	15.87%	15.64%
Profit on ordinary activities	457,329	308,462
Profit on ordinary activities as a percentage of turnover	5.68%	5.58%

## **Lowcostholidays Limited**

### **Directors' Report**

Turnover for the year ended 31 October 2008 was 45% higher than for 2007 and the current outlook shows continued growth despite the difficult trading conditions. However turnover as a percentage of TTV would have increased further if it were not for aggressive pricing from competitors seeking market share and because of the decline in the value of Sterling against the Euro and the US Dollar.

#### **Financial risk management objectives and policies**

The company operates in a highly competitive market with constant changes in products and services, marketing and distribution methods and rapidly changing prices.

The nature of the business exposes the company to geo-political events and natural disasters. The geographical spread of destinations served by the company and the lack of commitment mitigates the risk of such events.

The company is heavily reliant on information technology. Such systems are inherently susceptible to failure which could result in an impact on the company's selling systems and marketing via the internet. The company has made arrangements to mitigate this risk.

The company is exposed to translation and transaction foreign exchange risk. Transactions exposures, including those associated with forecast transactions, are partly hedged when known, principally using forward currency contracts and options. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements.

The company finances its operations through retained profits. The company exposure to interest rate fluctuations on its cash deposits is managed by the use of short term and fixed and floating deposits.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £347,294 (12 months to 31 October 2007 - £297,734). The directors do not recommend a final ordinary dividend leaving a profit of £347,294 (12 months to 31 October 2007 - £297,734) to be retained.

#### **Future developments**

The directors aim to maintain the management policies which have resulted in the company's growth in recent years. They consider that the next year will reflect a substantial increase in the consumer facing side of the business mainly via the internet. The company bookings and TTV year to date are already up respectively by 63% and 65% in relation to its consumer business principally due to the investment in web technology and marketing which has resulted in the enhancement of the Lowcostholidays brand supported by the advanced front office software technology that the company has integrated into the business during the year under review.

**Lowcostholidays Limited**  
**Directors' Report**

**Directors**

The directors who served during the year were:

J M Richards - appointed 11 January 2008  
P R Evans  
L W Hunt - resigned 31 January 2009  
W T Fraser-Allen - resigned 20 January 2009  
S Rasool ACCA - appointed 27 May 2008

**Disclosure of information to auditors**

So far as each director at the date of approval of this report is 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 to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This report was approved by the board on 23 March 2009.



S Rasool ACCA  
Company secretary

**Lowcostholidays Limited**  
**Statement of Directors' Responsibilities**

The directors are responsible for preparing the report and accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- 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 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 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.

## **Lowcostholidays Limited**

### **Independent auditors' report to the shareholders of Lowcostholidays Limited**

We have audited the accounts of Lowcostholidays Limited for the year ended 31 October 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance sheet, the Consolidated Cash Flow Statement and the related notes. These accounts have been prepared under 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 in an auditors' 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and whether the information given in the Directors' Report is consistent with the accounts. We also report to you if, in our opinion, 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**

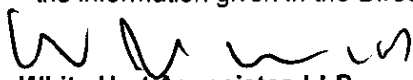
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant 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.

#### **Opinion**

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and the group's affairs as at 31 October 2008 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.



**White Hart Associates LLP**  
**Registered Auditors**  
23 March 2009

East House  
109 South Worple Way  
London  
SW14 8TN

**Lowcostholidays Limited**  
**Consolidated Profit and Loss Account**  
**for the year ended 31 October 2008**

	Notes	2008 £	2007 £
<b>Total transaction value ("TTV")</b>	2	<u>50,732,488</u>	<u>35,341,446</u>
<b>Turnover</b>	2	8,052,202	5,527,527
Cost of sales		(1,568,162)	(863,101)
<b>Gross profit</b>		<u>6,484,040</u>	<u>4,664,426</u>
Distribution costs		(2,288,055)	(1,404,008)
Administrative expenses		(3,876,201)	(2,853,556)
Other operating income		27,740	111,099
<b>Operating profit</b>	3	<u>347,524</u>	<u>517,961</u>
Exceptional items:			
Professional fees	4	-	(277,041)
		<u>347,524</u>	<u>240,920</u>
Interest receivable		149,600	106,626
Interest payable	7	(39,795)	(39,084)
<b>Profit on ordinary activities before taxation</b>		<u>457,329</u>	<u>308,462</u>
Tax on profit on ordinary activities	8	(110,035)	(10,728)
<b>Profit for the financial year</b>		<u>347,294</u>	<u>297,734</u>

**Continuing operations**

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

**Statement of total recognised gains and losses**

The company has no recognised gains or losses other than the profit for the above two financial years.

**Lowcostholidays Limited**  
**Balance Sheet**  
**as at 31 October 2008**

<b>Consolidated</b>	<b>Notes</b>	<b>2008 £</b>	<b>2007 £</b>
<b>Fixed assets</b>			
Tangible assets	9	2,006,264	920,000
<b>Current assets</b>			
Debtors	11	8,119,075	4,413,463
Deferred taxation	15	57,289	137,982
Cash at bank and in hand		3,760,633	1,915,318
		<u>11,936,997</u>	<u>6,466,763</u>
<b>Creditors: amounts falling due within one year</b>	12	(11,940,950)	(5,781,746)
<b>Net current (liabilities)/assets</b>		<u>(3,953)</u>	<u>685,017</u>
<b>Total assets less current liabilities</b>		<u>2,002,311</u>	<u>1,605,017</u>
<b>Creditors: amounts falling due after more than one year</b>	13	(650,515)	(650,515)
<b>Net assets</b>		<u>1,351,796</u>	<u>954,502</u>
<b>Capital and reserves</b>			
Called up share capital	16	1,188	1,161
Share premium	17	1,289,467	1,239,494
Profit and loss account	18	61,141	(286,153)
<b>Shareholders' funds</b>	19	<u>1,351,796</u>	<u>954,502</u>



**S. Rasool ACCA**  
**Director**

Approved by the board on 23 March 2009

**Lowcostholidays Limited**  
**Balance Sheet**  
**as at 31 October 2008**

<b>Company</b>	<b>Notes</b>	<b>2008 £</b>	<b>2007 £</b>
<b>Fixed assets</b>			
Tangible assets	9	2,003,872	913,658
Investments	10	1,005	1,005
		<u>2,004,877</u>	<u>914,663</u>
<b>Current assets</b>			
Debtors	11	8,113,582	4,407,994
Deferred taxation	15	57,289	137,087
Cash at bank and in hand		3,755,740	1,909,933
		<u>11,926,611</u>	<u>6,455,014</u>
<b>Creditors: amounts falling due within one year</b>	12	(11,915,833)	(5,760,734)
<b>Net current assets</b>		<u>10,778</u>	<u>694,280</u>
<b>Total assets less current liabilities</b>		<u>2,015,655</u>	<u>1,608,943</u>
<b>Creditors: amounts falling due after more than one year</b>	13	(650,515)	(650,515)
<b>Net assets</b>		<u>1,365,140</u>	<u>958,428</u>
<b>Capital and reserves</b>			
Called up share capital	16	1,188	1,161
Share premium	17	1,289,467	1,239,494
Profit and loss account	18	74,485	(282,227)
<b>Shareholders' funds</b>	19	<u>1,365,140</u>	<u>958,428</u>

  
**S Rasool ACCA**  
**Director**

Approved by the board on 23 March 2009

**Lowcostholidays Limited**  
**Consolidated Cash Flow Statement**  
**for the year ended 31 October 2008**

	Notes	2008 £	2007 £
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		347,524	517,961
Exceptional items		-	(277,041)
Depreciation charges		639,215	227,128
Increase in debtors		(3,705,612)	(1,209,378)
Increase in creditors		6,128,608	1,023,480
<b>Net cash inflow from operating activities</b>		<b>3,409,735</b>	<b>282,150</b>
<b>CASH FLOW STATEMENT</b>			
<b>Net cash inflow from operating activities</b>		<b>3,409,735</b>	<b>282,150</b>
<b>Returns on investments and servicing of finance</b>	20	132,555	90,292
<b>Taxation</b>		(21,496)	(14,288)
<b>Capital expenditure</b>	20	(1,725,479)	(646,935)
		<u>1,795,315</u>	<u>(288,781)</u>
<b>Financing</b>	20	50,000	-
<b>Increase/(decrease) in cash</b>		<b><u>1,845,315</u></b>	<b><u>(288,781)</u></b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>Increase/(decrease) in cash in the period</b>		1,845,315	(288,781)
<b>Change in net debt</b>	21	<u>1,845,315</u>	<u>(288,781)</u>
<b>Net funds at 1 November</b>		1,264,803	1,553,584
<b>Net funds at 31 October</b>		<u>3,110,118</u>	<u>1,264,803</u>

**Lowcostholidays Limited**  
**Notes to the Accounts**  
**for the year ended 31 October 2008**

**1 Accounting policies**

***Accounting convention***

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

***Basis of consolidation***

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 October 2008. Intra-group sales and profits are eliminated fully on consolidation.

***Website development costs***

Included in tangible fixed assets are website development costs. The directors are of the opinion that the website will, and has, generated revenues directly and that the present value of the current and future cash flows to be generated by the website will be no less than the amounts capitalised.

***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:

Office equipment and computer systems	over 3 years
Website and software	over 3 years

***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.

**Lowcostholidays Limited**  
**Notes to the Accounts**  
**for the year ended 31 October 2008**

***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 corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

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 commission and margin earned for booking holiday and travel arrangements, net of value added tax and discounts, recognised on the date of booking basis.

Total transaction value ("TTV") - TTV, which is stated net of value added tax, does not represent the company's statutory turnover. As the company in the main acts as agent or cash collector, TTV represents the price at which goods and services have been sold to the consumer. Application Note G to FRS5 requires the statutory turnover to be the net commission earned. Turnover is attributable to the one activity.

Trade debtors still represent gross amounts receivable in respect of ticket sales and trade creditors still represent gross amounts payable in respect of ticket purchases.

<b>3 Operating profit/(loss)</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
This is stated after charging:		
Depreciation of owned fixed assets	639,215	227,128
Operating lease rentals - plant and machinery	48,635	40,098
Operating lease rentals - land buildings	86,400	16,870
Foreign exchange gains	(27,740)	(111,099)
Auditors' remuneration	14,600	10,000

The company has taken advantage of S320 Companies Act 1985 and has not presented its own profit and loss account. The profit after tax of the company was £356,712 (2007 - £291,972).

**Lowcostholidays Limited**  
**Notes to the Accounts**  
**for the year ended 31 October 2008**

<b>4 Exceptional items</b>	<b>2008</b> <b>£</b>	<b>2007</b> <b>£</b>
Professional fees	<u>-</u>	<u>(277,041)</u>

The professional fees have been incurred in the company's pursuit of an Aim listing which has subsequently been aborted. They are non-recurring fees.

<b>5 Directors' emoluments</b>	<b>2008</b> <b>£</b>	<b>2007</b> <b>£</b>
Emoluments and fees	<u>257,138</u>	<u>182,931</u>
Highest paid director: Emoluments	<u>176,300</u>	<u>160,288</u>

<b>6 Staff costs</b>	<b>2008</b> <b>£</b>	<b>2007</b> <b>£</b>
Wages and salaries	1,880,274	1,699,377
Social security costs	178,056	174,073
Keyman insurance	<u>1,595</u>	<u>2,435</u>
	<u>2,059,925</u>	<u>1,875,885</u>

<b>Average number of employees during the year</b>	<b>Number</b>	<b>Number</b>
Administration and sales	<u>72</u>	<u>57</u>

<b>7 Interest payable</b>	<b>2008</b> <b>£</b>	<b>2007</b> <b>£</b>
Bank loans and overdrafts	795	84
Interest on loan stock	<u>39,000</u>	<u>39,000</u>
	<u>39,795</u>	<u>39,084</u>

**Lowcostholidays Limited**  
**Notes to the Accounts**  
**for the year ended 31 October 2008**

<b>8 Taxation</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Analysis of charge in period</b>		
Current tax:		
UK corporation tax on profits of the period	29,342	21,496
Deferred tax:		
Origination and reversal of timing differences	80,693	(10,768)
	<hr/>	<hr/>
Tax on profit on ordinary activities	110,035	10,728

**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:

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	<hr/> 457,149	<hr/> 308,462
Standard rate of corporation tax in the UK	21%	20%
	<b>£</b>	<b>£</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax	96,001	61,692
Effects of:		
Expenses not deductible for tax purposes	534	(810)
Capital allowances for period in excess of depreciation	(9,038)	44,635
Utilisation of tax losses	(58,155)	(84,021)
	<hr/>	<hr/>
Current tax charge for period	29,342	21,496

**Lowcostholidays Limited**  
**Notes to the Accounts**  
**for the year ended 31 October 2008**

**9 Tangible fixed assets**

<b>Group</b>	<b>Office equipment and computer systems £</b>
<b>Cost</b>	
At 1 November 2007	1,327,867
Additions	<u>1,725,479</u>
At 31 October 2008	<u>3,053,346</u>
<b>Depreciation</b>	
At 1 November 2007	407,867
Charge for the year	<u>639,215</u>
At 31 October 2008	<u>1,047,082</u>
<b>Net book value</b>	
At 31 October 2008	<u>2,006,264</u>
At 31 October 2007	<u>920,000</u>

<b>Company</b>	<b>Office equipment and computer systems £</b>
<b>Cost</b>	
At 1 November 2007	1,316,014
Additions	<u>1,725,479</u>
At 31 October 2008	<u>3,041,493</u>
<b>Depreciation</b>	
At 1 November 2007	402,356
On disposals	<u>635,265</u>
At 31 October 2008	<u>1,037,621</u>
<b>Net book value</b>	
At 31 October 2008	<u>2,003,872</u>
At 31 October 2007	<u>913,658</u>

**Lowcostholidays Limited**  
**Notes to the Accounts**  
**for the year ended 31 October 2008**

**10 Investments**

At 31 October 2008 the company held share capital in the following companies:

<b>Company</b>	<b>Country of registration or incorporation</b>	<b>Shares held Class</b>	<b>%</b>
Lowcostholidays.com Direct Ltd	England and Wales	Ordinary	100
Lowcostbeds.com Ltd	England and Wales	Ordinary	100
Lowcostibiza.com Ltd	England and Wales	Ordinary	100

<b>Company</b>	<b>2008 £</b>	<b>2007 £</b>
Investment in subsidiaries	<u>1,005</u>	<u>1,005</u>

<b>11 Debtors Group</b>	<b>2008 £</b>	<b>2007 £</b>
Trade debtors	5,777,968	2,591,601
Other debtors	<u>2,341,107</u>	<u>1,821,862</u>
	<u>8,119,075</u>	<u>4,413,463</u>

<b>Company</b>	<b>£</b>	<b>£</b>
Trade debtors	5,777,968	2,590,400
Other debtors	<u>2,335,614</u>	<u>1,817,594</u>
	<u>8,113,582</u>	<u>4,407,994</u>

Included in other debtors is the sum of £1,448,590 (2007 - £1,019,843) due to the company in relation to 8th Directive claims of VAT and IVA incurred on travel components in other EU countries. The figure represents the total value of the claim less the expected professional fees related to the claim. The directors are of the opinion that the claims are repayable in full and in accordance with the third party professional advice they have received. During the year the company received IVA and VAT repayments from overseas EU authorities relating to previous claims.

**Lowcostholidays Limited**  
**Notes to the Accounts**  
**for the year ended 31 October 2008**

<b>12 Creditors: amounts falling due within one year</b>	<b>2008</b>	<b>2007</b>
<b>Group</b>	<b>£</b>	<b>£</b>
Trade creditors	11,690,254	5,604,634
Corporation tax	29,342	21,496
Other taxes and social security costs	194,073	130,968
Other creditors	27,281	24,648
	<u>11,940,950</u>	<u>5,781,746</u>
<b>Company</b>	<b>£</b>	<b>£</b>
Trade creditors	11,671,600	5,591,700
Amounts owed to group undertakings	68,509	39,212
Other taxes and social security costs	123,998	83,706
Corporation tax	29,342	21,468
Other creditors	22,384	24,648
	<u>11,915,833</u>	<u>5,760,734</u>

<b>13 Creditors: amounts falling due after one year</b>	<b>2008</b>	<b>2007</b>
<b>Group and company</b>	<b>£</b>	<b>£</b>
Non-equity preference shares	260,515	260,515
10% secured loan stock 2010	<u>390,000</u>	<u>390,000</u>
	<u>650,515</u>	<u>650,515</u>

The 10% secured loan stock 2010 is subject to a subordinated undertaking in favour of the Civil Aviation Authority ("CAA"), in relation to the the company's Air Travel Organisers Licence ("ATOL"), and cannot be repaid without the prior written consent of the CAA. The non-equity preference shares are also subject to a CAA undertaking and cannot be redeemed without the prior written consent of the CAA.

The 10% secured loan stock 2010 is secured upon the assets of the company by means of a Trust Debenture created on 9 September 2005.

<b>14 Loans</b>	<b>2008</b>	<b>2007</b>
<b>Group and company</b>	<b>£</b>	<b>£</b>
Analysis of maturity of debt:		
Between two and five years	<u>390,000</u>	<u>390,000</u>

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<b>15 Deferred taxation</b>	<b>2008</b>	<b>2007</b>
<b>Group</b>	<b>£</b>	<b>£</b>
Origination and reversal of timing differences	(57,289)	(137,982)
Undiscounted provision for deferred tax	(57,289)	(137,982)
	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
At 1 November	(137,982)	(127,214)
Deferred tax charge in profit and loss account	80,693	(10,768)
At 31 October	(57,289)	(137,982)
<b>Company</b>	<b>£</b>	<b>£</b>
Origination and reversal of timing differences	(57,289)	(137,087)
Undiscounted provision for deferred tax	(57,289)	(137,087)
At 1 November	(137,087)	(125,000)
Deferred tax charge in profit and loss account	79,798	(12,087)
At 31 October	(57,289)	(137,087)

The group and the company are projecting profits for the year ended 31 October 2009 and are broadly performing in line with these. Based upon these projections the directors believe that the unutilised tax losses carried forward which principally give rise to the deferred tax asset will be utilised in the current financial year.

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<b>16 Share capital</b>	<b>2008</b>	<b>2007</b>
<b>Group and company</b>	<b>£</b>	<b>£</b>
Authorised:		
Ordinary shares of £1 each	1,029	1,002
"A" Ordinary shares of £1 each	400	400
	<u>1,429</u>	<u>1,402</u>
Preference shares of £1 each	260,515	260,515
	<u>261,944</u>	<u>261,917</u>

	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>No</b>	<b>No</b>	<b>£</b>	<b>£</b>
Allotted, called up and fully paid:				
Ordinary shares of £1 each	1,027	1,000	1,027	1,000
"A" Ordinary shares of £1 each	161	161	161	161
			<u>1,188</u>	<u>1,161</u>
Preference shares of £1 each	260,515	260,515	260,515	260,515
			<u>261,703</u>	<u>261,676</u>

On 12 August 2008 the nominal capital of the company was increased by £27 beyond the registered capital by the creation of 27 Ordinary £1 shares which were issued on the same day at £1,851.85p per Ordinary £1 Share.

The preference shares are not entitled to a dividend distribution or other form of return and can only be redeemed if an Approval Offer is made for the company in accordance with Article 13.6 or at the option of the company, or again at the option of the company can be converted into 2 Ordinary shares of £1 each.

On 19 January 2009 91 "A" Ordinary £1 shares were issued at par by virtue of an exercise of warrants.

On 19 January 2009, one of the directors, Mr P R Evans took up his right to subscribe for 2 Ordinary £1 shares by "converting" the 260,515 Preference Shares of £1 each that he held.

On 19 January 2009 each of the issued and unissued Ordinary "A" Shares of £1 each in the capital of the company were converted into and redesignated as one Ordinary Share of £1 each and each of the unissued preference shares of £1 each in the capital of the company be converted into and redesignated as one Ordinary Share of £1 each, in each case, having the rights and being subject to the restrictions set out in the Company's Articles of Association, as adopted on the same day.

<b>17 Share premium</b>	<b>2008</b>	<b>2007</b>
<b>Group and company</b>	<b>£</b>	<b>£</b>
At 1 November	1,239,494	1,239,494
Shares issued	49,973	-
	<u>1,289,467</u>	<u>1,239,494</u>
At 31 October		

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<b>18 Profit and loss account</b>	<b>2008</b>	<b>2007</b>
<b>Group</b>	<b>£</b>	<b>£</b>
At 1 November	(286,153)	(583,887)
Profit for the financial year	347,294	297,734
	<hr/>	<hr/>
At 31 October	61,141	(286,153)
<b>Company</b>	<b>£</b>	<b>£</b>
At 1 November	(282,227)	(574,199)
Profit for the financial year	356,712	291,972
	<hr/>	<hr/>
At 31 October	74,485	(282,227)
<b>19 Reconciliation of movement in shareholders' funds</b>	<b>2008</b>	<b>2007</b>
<b>Group</b>	<b>£</b>	<b>£</b>
At 1 November	954,502	656,768
Profit for the financial year	347,294	297,734
Shares issued	50,000	-
	<hr/>	<hr/>
At 31 October	1,351,796	954,502
<b>Company</b>	<b>£</b>	<b>£</b>
At 1 November	958,428	666,456
Profit for the financial year	356,712	291,972
Shares issued	50,000	-
	<hr/>	<hr/>
At 31 October	1,365,140	958,428
<b>20 Gross cash flows</b>	<b>2008</b>	<b>2007</b>
<b>Group</b>	<b>£</b>	<b>£</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	149,600	106,626
Interest paid	(17,045)	(16,334)
	<hr/>	<hr/>
	132,555	90,292
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(1,725,479)	(646,935)
<b>Financing</b>		
Issue of share capital	50,000	-

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**21 Analysis of changes in net debt**

	At 1 Nov 2007 £	Cash flows £	Non-cash changes £	At 31 Oct 2008 £
Cash at bank and in hand	1,915,318	<u>1,845,315</u>		3,760,633
Debt due after 1 year	(650,515)	<u>-</u>		(650,515)
Total	<u>1,264,803</u>	<u>1,845,315</u>	<u>-</u>	<u>3,110,118</u>

**22 Other financial commitments**

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

	Land and buildings 2008 £	Land and buildings 2007 £	Other 2008 £	Other 2007 £
Operating leases which expire:				
within one year	16,870	-	6,630	-
within two to five years	<u>69,530</u>	<u>16,870</u>	<u>47,640</u>	<u>47,971</u>
	<u>86,400</u>	<u>16,870</u>	<u>54,270</u>	<u>47,971</u>

**23 Contingent liabilities**

At 31 October 2008 there were contingent liabilities in respect of indemnities given by the company and the group, in the normal course of business, to its bond insurance obligors in relation to CAA and ABTA travel bonds amounting to £804,833 (2007 - £1,177,522).

**24 Related parties**

One of the directors, Mr W I Fraser-Allen is also a director of Close Ventures Limited, a company managing the investment of a consortium of VCTs, who own the 161 "A" Ordinary Shares of £1 each in the company and provide the £390,000 loan stock. During the period Close Ventures Limited were paid the sum of £10,000 (2007 - £10,000) in monitoring fees. The interest on loan stock is disclosed in note 7.

One of the directors, Mr L W Hunt, was paid an advance of £45,668, included in other debtors, against future expenses and a bonus in relation to acquisition and mergers. He earned the related bonus in January 2009. The advanced payment was extinguished totally in January 2009.

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**25 Controlling party**

In the opinion of the directors there is no controlling party.

**26 Post balance sheet events**

By way of a group restructure on 19 January 2009 the entire issued share capital in the company was acquired by a newly formed company, Lowcosttravelgroup Limited, now the immediate and ultimate holding company. The total consideration for the transfer of the existing shareholders' shares was the allotment of new shares in Lowcosttravelgroup Limited.

On the same date the company sold the entire issued share capital in Lowcostbeds.com Limited (2 Ordinary £1 shares) to Lowcosttravelgroup Limited for £2.

On the same date the company transferred the business and assets of Lowcostbeds.com to Lowcostbeds.com Limited. The total consideration payable by Lowcostbeds.com Limited was the net book value of the business and assets.

**27 Parent undertaking**

The immediate and ultimate holding company is Lowcosttravelgroup Limited, a company registered in England and Wales, whose registered office is situated at East House, 109 South Worple Way, London, SW14 8TN,