

The Freedom Travel Group Limited

**Directors' report and financial
statements**

**Registered number 03816981
50 weeks ended 12 January 2008**

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Directors' report

The directors present their annual report and the audited financial statements for the 50 week period ended 12 January 2008

Principal activities

The principal activity of the company in the period under review was that of a Travel Agent and the provision of Travel Agent Management Services

Business review

The results for the period are set out on page 6 of the financial statements

Development and performance of the business

United Co-operatives Ltd merged with the Co-operative Group Limited on 29 July 2007

The company continued to increase its number of members during this financial period despite the number of independent travel agencies continuing to fall. This increase can be attributed to the enhanced commercial terms that the group can offer as being part of the Co-operative Travel Trading Group.

The trends seen during the last year have continued into the current trading period and the company plans to further build its membership as a means of securing improvements in market share.

Principal risks and uncertainties

The following risk factors may affect the Company's operating results and its financial condition. The risk factors described below are those which the Directors believe are potentially significant but should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Company.

The commercial risks which may affect the trading performance of the Company include:

- acts of terrorism, particularly in key tourist destinations
- epidemics in key tourist destinations which threaten the health of tourists
- wars or other international uncertainty which affects air travel
- natural disasters in key tourist destinations
- weather conditions, both in the UK and key tourist destinations
- changes in customer behaviour and preferences
- increases in government taxes
- general economic conditions in the UK

These factors may affect the Company by causing potential customers to cancel or postpone travel plans, reducing the earnings potential of the Company. The Company seeks to minimise such risks by offering products in a wide range of destinations.

Other risks are:

- **Competition risks** The Company faces competition from other consortia. The Company seeks to offer a wide selection of products from a wide range of suppliers at competitive commission levels to maintain its market position.
- **Regulatory and legal risks** The Company requires an ABTA and ATOL license to carry out its operations. Failure to satisfy any new or existing requirements could result in reductions to or cessation of some or all operations. The Company closely monitors changes to the legal and regulatory environment and prioritises actions necessary to meet changing requirements.
- **IT risks** The Company is dependent on the uninterrupted operation of its IT systems and website. These systems are vulnerable to power loss, fire, computer viruses and other events. Loss of these systems would impair the ability of the Company to carry on its business effectively. IT risks are managed through the operation of support contracts, back up systems and continual risk assessment, which is capable of supporting the primary needs of the business.

Directors' report (continued)

Business review (continued)

Key Performance Indicators

The key performance indicators monitored by Company management are

	2007	2006
Turnover (£'000)	3,103	3,030
Operating Profit (£'000)	1,353	1,282
Operating Profit Margin %	43.6%	42.3%
Cash Flow (£'000)	3,401	4,682

- Operating profit margin has improved by 1.3%. This increase is attributable to cost savings made within overhead parts of the business

Dividend

During the period no interim dividend was paid (2007 £nil). The directors do not recommend the payment of a final dividend (2007 £1,301,858).

Directors

The directors who held office during the period were as follows

MD Greenacre	
MC Nevin	(resigned 3 December 2007, appointed 13 Jan 2008)
AM Rowland	(resigned 7 December 2007)
N Braithwaite	(appointed 15 October 2007)
PA Hemingway	(appointed 15 October 2007)
P L Healey	(appointed 24 April 2008)
K Costello	(appointed 24 April 2008)

MC Nevin resigned as Company Secretary on 3 December 2007. KE Eldridge was appointed as Company Secretary on the same date.

Disclosure of information to auditors

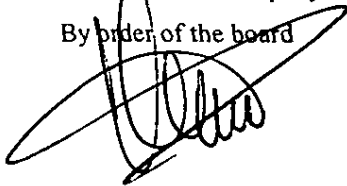
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

During the period KPMG LLP resigned as auditors and KPMG Audit Plc were appointed to fill the vacancy that arose.

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



MD Greenacre
Director

24/4/08

Registered Office
New Century House
Corporation Street
Manchester
M60 4ES

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditor's report to the members of The Freedom Travel Group Limited

We have audited the financial statements of The Freedom Travel Group Limited for the 50 weeks ended 12 January 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements 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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements 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 financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we 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 other transactions 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 financial statements. It also includes an assessment of the significant estimates and judgments 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.

Independent auditors' report to the members of The Freedom Travel Group Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 12 January 2008 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc 29 April 2008

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Profit and loss account

for the 50 weeks ended 12 January 2008

		50 weeks ended 12 January 2008	52 weeks ended 27 January 2007
	Note	£	£
Turnover	1	3,103,292	3,030,498
Administrative expenses		(1,749,798)	(1,748,112)
		<hr/>	<hr/>
Operating profit	2	1,353,494	1,282,386
Other interest receivable and similar income	5	1,030,169	583,124
		<hr/>	<hr/>
Profit on ordinary activities before taxation		2,383,663	1,865,510
Tax on profit on ordinary activities	6	(718,702)	(563,653)
		<hr/>	<hr/>
Profit for the financial period		<u>1,664,961</u>	<u>1,301,857</u>

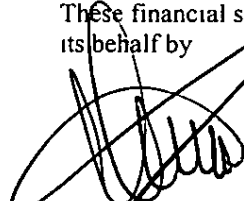
All amounts relate to continuing operations

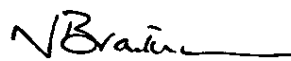
The company has no recognised gains or losses for the current and previous period other than those included in the profit and loss account

Balance sheet
At 12 January 2008

	<i>Note</i>	12 January 2008		27 January 2007	
		£	£	£	£
Fixed assets					
Tangible assets	8		12,058		14,706
Current assets					
Debtors	9	1,191,714		1,473,987	
Cash at bank and in hand		17,307,900		13,907,053	
		<u>18,499,614</u>		<u>15,381,040</u>	
Creditors amounts falling due within one year	10	(16,697,744)		(13,944,921)	
Net current assets			<u>1,801,870</u>		<u>1,436,119</u>
Net assets			<u>1,813,928</u>		<u>1,450,825</u>
Capital and reserves					
Called up share capital	11		130,000		130,000
Profit and loss account	12		1,683,928		1,320,825
Shareholders' funds			<u>1,813,928</u>		<u>1,450,825</u>

These financial statements were approved by the board of directors on 24/4/08 and were signed on its behalf by


MD Greenacre
Director


N Braithwaite
Director

Reconciliation of movements in shareholders' funds
for the 50 week period ended 12 January 2008

	2008 £000	2007 £000
Profit for the financial period	1,664,961	1,301,857
Dividends on shares classified in shareholders' funds	(1,301,858)	(1,000,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	363,103	301,857
Opening shareholders' funds	1,450,825	1,148,968
	<hr/>	<hr/>
Closing shareholders' funds	1,813,928	1,450,825
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below

Basis of preparation

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

Cash flow statements

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the cash flows of the company in its own published consolidated financial statements

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Fixtures and fittings - 3 years

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

1 Accounting policies (continued)

Turnover

Turnover is measured at the fair value of consideration received or receivable, net of cancellations. The company recognises revenue in the income statement when the significant risks and rewards of ownership have transferred to the customer which is considered to be at time of booking when the deposit is received.

A cancellation provision is carried to reflect the risk of cancellations to the customer bookings reflected in turnover at the year end but not departed. This provision is based on historic cancellation rates.

The majority of the Company's revenue is earned acting as an agent for third party tour operators. In accordance with FRS 5 Application Note G only the commission on these products is recognised as revenue.

Post-retirement benefits

The company participates in the United Co-operatives Limited pension scheme, which provides benefits based on final pensionable pay. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', accounts as if it were a defined contribution scheme. The net deficit of the pension fund amounts to £108,270,000 (2006 £74,659,000) and is disclosed in the consolidated accounts of the company's ultimate parent company, Co-operative Group Limited.

2 Profit on ordinary activities before taxation

	50 weeks ended 12 January 2008 £	52 weeks ended 27 January 2007 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	6,129	2,983
Owned		
Amounts receivable by the auditors and their associates in respect of		
Audit of these financial statements	19,050	9,400

3 Remuneration of directors

The directors received no remuneration from the company during the period but were remunerated by the company's ultimate parent undertaking.

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	50 weeks ended 12 January 2008	52 weeks ended 27 January 2007
Administration	9	7

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	50 weeks ended 12 January 2008 £	52 weeks ended 27 January 2007 £
Wages and salaries	331,283	379,036
Social security costs	24,932	31,560
Other pension costs	26,758	28,664
	<u>382,972</u>	<u>439,260</u>

5 Other interest receivable and similar income

	50 weeks ended 12 January 2008 £	52 weeks ended 27 January 2007 £
Bank interest receivable	<u>1,030,169</u>	<u>583,124</u>

6 Taxation

Analysis of charge in period

	50 weeks ended 12 January 2008 £	52 weeks ended 27 January 2007 £
<i>UK corporation tax</i>		
Current tax on income for the period	717,709	559,653
Adjustments in respect of prior periods	132	1,000
	<u>717,841</u>	<u>560,653</u>
Deferred tax – current period	861	3,000
	<u>718,702</u>	<u>563,653</u>

Notes (continued)

6 Taxation (continued)

The current tax charge for the period is higher (2007 higher) than the standard rate of corporation tax in the UK of 30% (2007 30%). The differences are explained below

	50 weeks ended 12 January 2008 £	52 weeks ended 27 January 2007 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,383,663	1,865,510
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2007 30%)	715,099	559,653
<i>Effects of</i>		
Difference of depreciation and capital allowances	(861)	(3,000)
Permanent differences	3,471	3,000
Prior period adjustments	132	1,000
Total current tax charge (see above)	717,841	560,653

7 Dividends

The aggregate amount of dividends comprises

	50 weeks ended 12 January 2008 £	52 weeks ended 27 January 2007 £
Final dividends paid in respect of prior period but not recognised as liabilities in that period	1,301,858	1,000,000

8 Tangible Fixed Assets

	Fixtures and fittings £
<i>Cost</i>	
At beginning of period	99,389
Additions	3,481
At end of period	102,870
<i>Depreciation</i>	
At beginning of period	84,683
Charge for period	6,129
At end of period	90,812
<i>Net book value</i>	
At 12 January 2008	12,058
At 27 January 2007	14,706

Notes (continued)

9 Debtors

	12 January 2008 £	27 January 2007 £
Trade debtors	129,035	107,230
Other debtors	829,001	986,599
Prepayments	233,678	380,158
	<u>1,191,714</u>	<u>1,473,987</u>

Other debtors includes £4,139 (2007 £5,000) in respect of a deferred tax asset arising due to differences between depreciation and capital allowances

10 Creditors amounts falling due within one year

	12 January 2008 £	27 January 2007 £
Trade creditors	12,010,191	9,235,999
Amounts owed to group undertakings	600,426	1,092,290
Other creditors	1,014,678	793,027
Tax creditor	1,287,300	569,459
Accruals and deferred income	1,785,149	2,254,146
	<u>16,697,744</u>	<u>13,944,921</u>

11 Called up share capital

	12 January 2008 £	27 January 2007 £
<i>Authorised</i>		
Equity Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>
<i>Allotted, called up and fully paid</i>		
Equity Ordinary shares of £1 each	<u>130,000</u>	<u>130,000</u>

12 Reserves

	Profit and loss reserve £
At beginning of period	1,320,825
Profit for the period	1,664,961
Dividends on shares classified in shareholders' funds	<u>(1,301,858)</u>
At end of period	<u>1,683,928</u>

Notes *(continued)*

13 Related party disclosures

Co-op Travel (a division of United Co-operatives) received £1,166,152 (2007 £1,075,729) in respect of administration fees during the period

14 Ultimate holding society

The largest group in which the results of the company are consolidated is that headed by Co-operative Group Limited. The consolidated accounts of this company are available to the public and may be obtained from New Century House, PO Box 53, Manchester M60 4ES. No other group accounts include the results of the company.