The Freedom Travel Group Limited

Directors' report and financial statements

Registered number 03816981

2 January 2010

Contents

Directors' report

The Directors present their report and financial statements for the period ended 2 January 2010

Principal activities

The principal activities of the Company during the period were 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 7 of the financial statements During the period, the Company made a profit before taxation of £2,126,767 (*year ended 10 January 2009 profit of £1,918,111*)

The increase in profitability compared to last year is due to the growth in membership partly offset by difficult trading conditions across the travel sector in 2009 and the change in accounting date, reducing the accounting period to 51 weeks, losing the first week in January This week in the Travel business traditionally has always provided increased contributions

Parent key performance indicators

In addition to monitoring revenue and profitability of the Company, the Directors also monitor a number of key performance indicators of the Co-operative Group ("the group") These include financial performance, growth in and engagement of members of the Group, growing customer loyalty and corporate reputation of the group Further details on these key measures can be found on pages 24-25 of the group's annual report

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
- general economic conditions in the UK
- 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

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

Directors' Report *(continued)*

Principal risks and uncertainties *(continued)*

- 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 The key business risks and uncertainties affecting the Company are considered to relate to trends in consumer spending and damage to our reputation or brand Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 26-29 of the group's annual report which does not form part of this report

Dividend

During the period an interim dividend of £1,292,806 was paid (*2009 £1 764,020*) The Directors do not recommend the payment of a final dividend (*2009 £nil*)

Directors

The Directors who held office during the period were as follows

MD Greenacre
PL Healey
MC Nevin
N Braithwaite
PA Hemingway
K Costello

Employees

Employees are provided with business specific communication and these are supported by two corporate publications *Magma* magazine and *Us* magazine All managers are kept informed about the Co-operative Group's performance through annual, interim and social accountability reports, management bulletins and Newsline, the electronic weekly new service

The Company's policy is to recruit disabled workers for those vacancies they are able to fill All necessary assistance with initial training courses is given Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person Arrangements are made, where possible, for retaining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities

Creditor payment terms

The Co-operative Group Code on Business Conduct sets out the Society's and its subsidiaries' relationships with its suppliers and its undertaking to pay its suppliers on time and according to agreed terms of trade

Corporate responsibility and the environment

The Company closely follows the Group's corporate responsibility and environmental policies The Co-operative Group provides a sustainable development section in its annual report This can be found on pages 17-20 In addition, the Group's Sustainability Report, which will be published towards the latter half 2010, describes how the Group manages its social, ethical and environmental impact

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the period

Directors' Report *(continued)*

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the Board

MC Nevin
Director

Registered Office
New Century House
Corporation Street
Manchester
M60 4ES

27 May 2010

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing 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 IFRSs as adopted by the EU and applicable law

Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006 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

KPMG LLP

St James Square
Manchester
M2 6DS
United Kingdom

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

We have audited the financial statements of The Freedom Travel Group Limited for the period ended 2 January 2010 set out on pages 7 to 24 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 2 January 2010 and of its profit for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

27 May 2010

David Bills (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS

Income statement

for the period ended 2 January 2010

	Note	For period ended 2 January 2010 £	For the year ended 10 January 2009 £
Revenue		**3,902,343**	3 839 531
Administrative expenses		**(2,208,189)**	(2,053,182)
Significant items		-	(1,003,426)
Operating profit		**1,694,154**	782,923
Financial income	*4*	**432,613**	1 135 188
Profit before taxation	*2-3*	**2,126,767**	1,918,111
Income tax expense	*6*	**(597,259)**	(545,207)
Profit for the period		**1,529,508**	1,372,904

All amounts relate to continuing operations

Statement of comprehensive income

The Company has no other items of comprehensive income in the current period or prior year other than those included in the income statement shown above

Balance sheet
at 2 January 2010

	Notes	2 January 2010		10 January 2009	
		£	£	£	£
Non-current assets					
Tangible assets	*7*		**8,023**		5,521
Deferred tax asset	*10*		**4,648**		4,639
Total non-current assets			**12,671**		10,160
Current assets					
Trade and other receivables	*8*	**2,278,456**		1,709,955	
Cash and cash equivalents		**20,453,561**		19,086,678	
Total current assets			**22,732,017**		20,796,633
Total assets			**22,744,688**		20,806,793
Current liabilities					
Trade and other payables	*9*	**(21,085,174)**		(19,383,981)	
Total current liabilities			**(21,085,174)**		(19,383,981)
Total liabilities			**(21,085,174)**		(19,383,981)
Net assets			**1,659,514**		1,422,812
Equity					
Called up share capital	*11*		**130,000**		130,000
Retained earnings			**1,529,514**		1,292,812
Total equity			**1,659,514**		1,422,812

These financial statements were approved by the board of directors on 27/05/10 and were signed on its behalf by

PA Hemingway

Director

MC Nevin

Director

Statement of changes in equity

For the period ended 2 January 2010

	Called up share capital	Retained earnings	Total equity
	£	£	£
Balance at 10 January 2009	130 000	1 292 812	1,422,812
Profit for the period	-	1,529,508	1,529,508
Distributions to members			
Dividend paid	-	(1,292,806)	(1 292,806)
Balance at 2 January 2010	**130,000**	**1,529,514**	**1,659,514**

For the period ended 2 January 2010

	Called up share capital	Retained earnings	Total equity
	£	£	£
Balance at 12 January 2008	130 000	1,683 928	1 813,928
Profit for the period	-	1,372,904	1,372,904
Distributions to members			
Dividend paid	-	(1,764,020)	(1,764 020)
Balance at 10 January 2009	**130,000**	**1,292,812**	**1,422,812**

All items are shown net of tax

Cash flow statement

For the period ended 2 January 2010

	Notes	**For period ended 2 January 2010**	For the year ended 10 January 2009
		£	£
Profit for the period		**2,126,767**	1,918,111
Adjustments for			
Depreciation	*2*	**6,188**	6,537
Financial income	*4*	**(432,613)**	(1 135,188)
Increase in trade and other receivables		**(568,501)**	(522,380)
Increase in deferred tax provision		**-**	(500)
Increase in trade and other payables		**1,103,925**	2,686 237
Tax paid	*6*	**-**	(545,207)
Cash generated from operations		**2,235,766**	2 407,610
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(8,690)**	-
Interest received	*4*	**432,613**	1,135,188
Net cash from investing activities		**423,923**	1 135,188
Cash flows from financing activities			
Equity dividends paid		**(1,292,806)**	(1 764 020)
Net cash from financing activities		**(1,292,806)**	(1 764,020)
Net increase in cash and cash equivalents		**1,366,883**	1,778,778
Cash and cash equivalents at the beginning of period		**19,086,678**	17,307 900
Cash and cash equivalents at the end of period		**20,453,561**	19,086,678

Notes
(forming part of the financial statements)

1 Accounting policies

Reporting entity

The Freedom Travel Group Limited is a Company domiciled in the UK The address of the Company's registered office is New Century House, Corporation Street, Manchester, M60 4ES

Basis of preparation

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare consolidated accounts as it is a subsidiary of Co-operative Group Limited, a society incorporated in England and Wales These financial statements present information about the company as an individual undertaking only The accounting policies set out below, have been applied consistently to all periods presented in these financial statements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

Accounting date

The financial statements for the Freedom Travel Group Limited are made up for the 51 weeks to 2 January 2010 This financial period's figures below are headed 2010 and the corresponding figures for the previous year (52 weeks ended 10 January 2009) are headed 2009 below The year end date was changed to create a more coherent reporting deadline structure for the Group Therefore, the comparative amounts are not entirely comparable as they are based on a longer period

Standards, amendments and interpretations issued but not yet effective

The Company has not early adopted the following accounting standards

IFRS 3 Business Combinations (2008)

The most significant amendments relate to

- Acquiring a controlling interest, but a majority stake only,
- Accounting for changes in stake, and
- Accounting for the price paid

The scope of IFRS 3 has widened to bring certain transactions that were not within the scope of IFRS 3 (2004) into scope The Company will apply the revised IFRS 3 from 3 January 2010 This will impact on the accounting for all future business combinations The new standard is effective for accounting periods beginning on 1 July 2009

Amended IAS 27 Consolidated and Separate Financial Statements (2008)

This standard requires accounting for changes in ownership interests in a subsidiary that occurs without loss of control, to be recognised as an equity transaction When control of a subsidiary is lost any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the income statement The amendment is effective for accounting periods beginning on 1 July 2009

Notes *(continued)*

1 Accounting policies *(continued)*

Other standards and interpretations issued but not yet effective

In November 2008, the IASB issued IFRIC 17 *Distribution of non-cash Assets to Owners*, with an effective date for all periods beginning on or after 1 July 2009 This will not have an effect on the Company's financial statements

In March 2009, the IASB amended IAS *39 Financial Instruments Recognition and Measurement* with effective date for all periods beginning on or after 1 July 2009 The Company will apply this amendment from 3 January 2010 The amendments are unlikely to have a material impact on the Company's financial statements

In April 2009, the IASB issued *Improvements to IFRSs 2009*, which comprises 15 amendments to 12 standards Effective dates, early application and transitional requirements are addressed on a standard-by-standard basis The majority of the amendments will be effective from 1 January 2010 The amendments are unlikely to have a material impact on the Company's financial statements

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement

Property, plant, and equipment and depreciation

(i) Owned assets

Cost includes expenditure that is directly attributable to the acquisition of the asset The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows

Fixtures and fittings - 3 years

The residual value, if not insignificant, is reassessed annually

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Dividends

Dividends are recognised as a liability in the period in which they are declared

Pensions and other post-retirement benefits

The Company's employees are members of a Group wide pensions scheme, the United Norwest Co-operatives Employees' Pension Fund The Company contributes to the United Norwest Co-operatives Employees' Pension Fund in respect of its employees who are members of the Fund The Fund is a defined benefit scheme but the Company is unable to identify its share of the underlying assets and liabilities of the scheme and therefore contributions to the scheme are accounted for as if it were a defined contribution scheme There is no contracted agreement or stated Group policy for charging the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 to individual Group entities, therefore The Freedom Travel Group Limited, in its individual financial statements, cannot recognize the net defined cost so charged

Refer to disclosure of information relevant to the scheme on note 5

Operating segments

The Company does not have any different components of its business which would need to be disclosed separately under IFRS 8 *Operating Segments*

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

(i) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

(ii) Deferred taxation

Deferred tax is provided, with no discounting, using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The following temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised In the case of investment properties it is assumed that uplifts on valuation principally reflect future rentals

Revenue

Revenue 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 revenue at the period 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

Notes *(continued)*

2 Profit before taxation

	2010	2009
	£	£
Profit before taxation is stated after charging		
Depreciation	**6,188**	6,537

The auditor's remuneration of £13,000 (*2009 £13,000*) is borne by the ultimate parent undertaking

3 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	
	2010	2009
Management and administration	**8**	10

The aggregate payroll costs of these persons were as follows

	2010	2009
	£	£
Wages and salaries	**407,569**	432,043
Social security costs	**33,114**	34,256
Other pension costs (*see note 5*)	**30,806**	27,122
	471,489	493,421

Directors' remuneration in respect of services provided to the Company was £nil (*for the year ended 10 January 2009 £nil*)

4 Financial income

	2010	2009
	£	£
Interest income on bank deposits	**432,613**	1,135,188

Notes *(continued)*

5 Pension scheme

The Company is a subsidiary of Co-operative Group Limited which operates a defined benefit pension scheme - the United Norwest Co-operatives Employees' Pension Fund, the assets of which are held in a separate trust fund

The pension costs are assessed in accordance with actuarial advice using the projected unit method

The most recent valuation of the United Norwest Scheme was carried out by a qualified actuary in January 2008 The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered may not necessarily be borne out in practice

The actuarial valuation of the United Norwest Co-operatives Employees' Pension Fund as noted above has been updated to 2 January 2010

The principal assumptions used by the actuary to determine the liabilities of the scheme were

	2010	2009
Discount rate	**5 60%**	5 70%
Rate of increase in salaries	**5 30%**	4 75%
Future pension increases where capped at 5% pa	**3 80%**	3 25%
Future pension increases where capped at 2 5% pa	**2 50%**	2 50%

Assumptions used to determine the net pension cost for the scheme are

	2010	2009
Discount rate	**5 70%**	5 65%
Expected long-term return on scheme assets	**6 50%**	6 50%
Rate of increase in salaries	**4 75%**	5 15%

The average life expectancy (in years) for mortality tables used to determine the scheme liabilities for the United Norwest Co-operatives Employees' Pension Fund at 2 January 2010 are

Life expectancy at age 65	**Male**	**Female**
Member currently aged 65 (current life expectancy)	20 4	23 2
Member currently aged 45 (life expectancy at age 65)	21 3	24 1

Notes *(continued)*

5 Pension scheme *(continued)*

The fair value of the United Norwest Co-operatives Employees Pension Fund's assets, which are intended to be realised in the future, may be subject to significant change before they are realised

	2010 £m	2009 £m
The amounts recognised in the balance sheet are as follows		
Present value of funded obligations	**(425.2)**	(355 1)
Fair value of scheme assets	**316 3**	251 1
Net retirement benefit deficit	**(108.9)**	(104 0)
Reconciliation of fair value of scheme liabilities		
Fair value of scheme liabilities at the beginning of the period	**355 1**	384 8
Current service cost	**8 4**	10 2
Interest on liabilities	**19 8**	21 8
Contributions by members	**3 9**	4 4
Actuarial losses/(gains) recognised in equity	**50 9**	(44 9)
Gains on settlements and curtailments	**-**	(9 0)
Benefits paid	**(12 9)**	(12 2)
Closing defined benefit liabilities	425 2	355 1

	2010 £m	2009 £m
Reconciliation of fair value of scheme assets		
Fair value of scheme assets at the beginning of the period	**251 1**	285 2
Expected return on scheme assets	**16 6**	18 7
Actuarial gains/(losses) recognised in equity	**29 2**	(57 1)
Contributions by the employer	**28 4**	12 1
Contributions by members	**3 9**	4 4
Benefits paid	**(12.9)**	(12 2)
Closing fair value of scheme assets	**316 3**	251 1
The weighted-average asset allocations at the period-end were as follows		
Equities	**48%**	43%
Diversified growth	**22%**	15%
Bonds	**23%**	32%
Property	**5%**	7%
Cash	**2%**	3%
	100%	100%

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio This resulted in the selection of the 6 5% assumption for the period ended 2 January 2010

Notes *(continued)*

5 Pension scheme *(continued)*

The Group expects to contribute £26 5m to the United Norwest pension scheme in 2010

There is no contractual agreement or stated Group policy for charging the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 to individual group entities, therefore The Freedom Travel Group Limited, in its individual financial statements, cannot recognise the net defined cost so charged The net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is the Co-operative Group Limited

The Company contributes towards the same pension scheme as the ultimate parent Society, Co-operative Group Limited The scheme is a defined benefit scheme but the Company is unable to identify its share of the underlying assets and liabilities of the scheme and therefore contributions to the scheme are accounted for as if it were a defined contribution The Company then recognises a cost equal to its contribution payable for the period, which was £30,806 (2009 *£27,122*) Based on advice from a qualified actuary, the contributions payable by the participating entities were 14 5% of pensionable salaries

6 Taxation

Analysis of charge in period

	2010	2010	2009	2009
	£	£	£	£
UK corporation tax				
Current tax on income for the period	595,981		545,511	
Adjustments in respect of prior periods	1,287		(1 944)	
Total current tax		597,268		543,567
Deferred tax (see note 10)				
Origination/reversal of timing differences		(9)		1,640
Tax on profit before taxation		597,259		545,207

Factors affecting the tax charge for the current period

The current tax charge for the period is higher *(2009 lower)* than the standard rate of corporation tax in the UK of 28% (2009 *28 44%*) The differences are explained below

	2010	2009
	£	£
Current tax reconciliation		
Profit before tax	2,126,767	1,918,111
Current tax at 28% *(2009 28 44 %)*	595,495	545,511
Effects of		
Expenses not deductible for tax purposes	477	-
Capital allowances for period in excess of depreciation	-	1,640
Adjustments to tax charge in respect of previous periods	1,287	(1 944)
Total income tax charge (see above)	597,259	545 207

Notes *(continued)*

7 Property, plant and equipment

	Fixtures and fittings £
Cost	
At 12 January 2008	102 870
Additions	-
At 10 January 2009	102,870
Additions	8,690
Disposals	(83 309)
At 2 January 2010	**28,251**
Depreciation	
At 12 January 2008	90 812
Charge for year	6 537
At 10 January 2009	97 349
Charge for period	6 188
Disposals	(83,309)
At 2 January 2010	**20,228**
Net book value	
At 2 January 2010	**8,023**
At 10 January 2009	5 521
At 12 January 2008	12,058

Notes *(continued)*

8 Trade and other receivables

	2010 £	2009 £
Current assets		
Trade receivables	**1,089,591**	1 113 199
Other receivables	**701,163**	166,312
Prepayments and accrued income	**455,567**	430,444
Other taxes and social security	**32,135**	-
	2,278,456	1,709 955

All of the above financial assets are classified as loans and receivables Other receivables are stated net of a bad debt provision of £26,823 (*year ended 10 January 2009 £nil*) The provision is specific to a debt owed by a former member in an ongoing dispute with the company

There are no other amounts overdue as most of the debt is guaranteed by contract

9 Trade and other payables

	2010 £	2009 £
Current liabilities		
Trade creditors	**14,855,545**	15,091 115
Amounts owed to group undertakings	**2,374,564**	1 043,665
Other creditors including taxation and social security	**21,799**	151 531
Income tax payable	**1,861,081**	1 263,813
Accruals and deferred income	**1,972,185**	1 833 857
	21,085,174	19 383,981

10 Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 28% (*2009 28%*)

	£	£
Deferred taxation asset		
At 10 January 2009 / 12 January 2008	4 639	4 139
Income statement credit in the period	9	500
At 2 January 2010 / 10 January 2010	4,648	4,639
Comprising		
Short term timing differences	-	-
Accelerated tax depreciation	4,648	4,639
Tax losses	-	-
At 2 January 2010	4,648	4,639

Notes *(continued)*

11 Called up share capital

	2010 £	2009 £
Authorised		
150 000 Ordinary shares of £1 each	**150,000**	150 000
Allotted, called up and fully paid		
130,000 Ordinary shares of £1 each	**130,000**	130 000

IFRIC 2 determines the features, which allow shares to be classified as equity capital

12 Related parties

The Directors of the company are deemed to be the company's key management These directors receive no remuneration from the company as disclosed in note 3

Co-operative Travel (a division of Co-operative Group Ltd) received £526,664 *(2009 £419,829)* in respect of administration fees during the period

The remaining group balances were for services provided and received in respect to property, fixed assets, management, treasury, payroll and general accounting The total amount owed to other entities within the group including Co-operative Travel was £2,374,564 *(2009 £1,043 665)*

13 Group entities

Control of the Group

The Company is a subsidiary undertaking of Co-operative Group Limited, an Industrial and Provident Society registered in England and Wales This is the smallest and largest group of which the Company is a member and for which consolidated accounts are prepared A copy of the Group accounts are available from the Secretary, Co-operative Group Limited, PO Box 53, New Century House, Manchester, M60 4ES

Notes *(continued)*

14 Financial instruments and financial risk management

(a) Financial risk management

The principal financial risk of the Company relates to the generation and availability of sufficient funds to meet business needs, including payments to members The Company has exposure to fluctuations in interest and foreign exchange rates, which can impact on financial performance

The Board is responsible for approving the Company's strategy, its principal markets and the level of acceptable risks The Company operates a risk management process that identifies the key risks to the business Each operation has a risk register that identifies the likelihood and impact of those risks occurring and the actions being taken to manage those risks

(b) Determination of fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date

Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the balance sheet are as follows

	Carrying amount 2010 £	**Fair value 2010 £**	Carrying amount 2009 £	Fair Value 2009 £
Trade and other receivables	**1,822,889**	**1,822,889**	1 279 511	1,279 511
Cash and cash equivalents	**20,453,561**	**20,453,561**	19 086 678	19,086 678
Total financial assets	**22,276,450**	**22,276,450**	20,366,189	20,366,189
Trade and other payables	**21,085,174**	**21,085,174**	19,383,981	19 383,981
Total financial liabilities	**21,085,174**	**21,085,174**	19,383 981	19,383,981

Notes *(continued)*

14 Financial instruments and financial risk management *(continued)*

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers

Trade receivables

The Company is exposed to trade receivable credit risk through normal on-going business trade with the consortium members

Credit risk is managed as follows

- aged analysis is performed on trade receivable balances and reviewed on a monthly basis,
- credit ratings are obtained on any new customers and the credit ratings of existing customers are monitored on an on-going basis,
- credit limits are set for customers, and,
- trigger points and escalation procedures are clearly defined
- Customers considered "high risk" are placed on a restricted customer list, monitored and future sales are only made on a prepaid basis

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure Therefore, the maximum exposure to credit risk at the balance sheet date was £1,822,889 *(2009 £1,279,511)*

Credit quality of financial assets and impairment losses

The ageing of trade and other receivables at the balance sheet date was

	Gross 2010 £	**Impairment 2010 £**	**Net 2010 £**	Gross 2009 £	Impairment 2009 £	Net 2009 £
Not past due	**1,812,940**	**-**	**1,812,940**	1 279 511	-	1 279 511
Past due 0-30 days	**-**	**-**	**-**	-	-	
Past due 31-120 days	**-**	**-**	**-**	-	-	
More than 120 days	**36,772**	**26,823**	**9,949**	-	-	
	1,849,712	**26,823**	**1,822,889**	1 279,511	-	1 279 511

Notes *(continued)*

14 Financial instruments and financial risk management *(continued)*

(d) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due

The policy on overall liquidity is to ensure that the Company has sufficient funds to facilitate all on-going operations As part of the annual budgeting and long term planning process, the Company's cash flow forecast is reviewed and approved by the Board The cash flow forecast is amended for any material changes identified during the period e g material acquisitions and disposals

Where funding requirements are identified from the cash flow forecast, appropriate measures are taken to ensure these requirements can be satisfied

Cash held at 2 January 2010 amounted to £20,453,561 *(2009 £19,086,678)*

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements

2010

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Non-derivative financial liabilities						
Trade and other payables	21 085 174	21,085,174	21,085,174	-	-	-

2009

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Non-derivative financial liabilities						
Trade and other payables	19,383,981	19 383,981	19 383 981	-	-	-

(e) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments

The Freedom Travel Group Limited is also affected by the continued consolidation of the industry, which presents pricing challenges regarding negotiated commission levels This combined with the general economic outlook and pressure in Sterling will have an effect on earnings

Notes *(continued)*

15 Capital management

The Company's objectives when managing capital are

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholder and benefit for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk

The Company sets the amount of capital in proportion to the risk The Company manages the capital structures and makes adjustment to it in light of changes in economic conditions and the risk characteristic of the underlying assets In assessing the level of capital, all components of equity are taken into account Management of capital however focuses around the ability to generate cash from its operations

In order to maintain or adjust the capital structure, the Company adjusts the amount of dividends paid to shareholders or sells assets to raise funds The Company believes it is meeting its objectives for managing capital as funds are available for reinvestment where necessary

There were no changes to the Company's approach to capital management in the period