

HOLIDAY SUPPLIES LIMITED

Registration number 990538

Directors' report and financial statements

for the year ended 30 September 2005



HOLIDAY SUPPLIES LIMITED

Company information

Directors	A D Laycock J H Laycock L M Laycock
Secretary	L M Laycock
Company number	990538
Registered office	223 Church Street Blackpool FY1 3PB
Auditors	Clarke Broome & Fleming Chartered Certified Accountants Registered Auditors 223 Church Street Blackpool FY1 3PB
Business address	Jubilee Lodge Canning Road Southport PR9 7SW
Bankers	Yorkshire Bank Plc 25 Eastbank Street Southport PR8 1DZ

HOLIDAY SUPPLIES LIMITED

Contents

	Page
Directors' report	1 - 2
Auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the financial statements	8 - 16

HOLIDAY SUPPLIES LIMITED

Directors' report for the year ended 30 September 2005

The directors present their report and the financial statements for the year ended 30 September 2005.

Principal activity and review of the business

The principal activity of the Company was that of tour operators and cruising specialists.

The directors are of the opinion that the financial statements reflect a fair review of the business.

The "Journeys of Distinction" brand has shown another year of outstanding performance and growth. "Cruise Options" sales have been stable throughout the year and have contributed to the results of the Company.

Results and dividends

The results for the year are set out on page 5.

The directors have paid an interim dividend amounting to £500,000 and they do not recommend payment of a final dividend.

Fixed assets

An analysis of fixed assets may be found in note 10 of the financial statements. The freehold property has been valued at £660,000.

Research and development

Due to the nature of this trade no significant amounts are expended in this field.

Future developments

The Company has started marketing the "Go Touring" brand which arranges tours to New Zealand at a lower cost than the "Journeys of Distinction" brand.

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	Class of share	30/09/05	01/10/04
A D Laycock	Ordinary shares	25,313	25,313
J H Laycock	Ordinary shares	3,437	3,437
L M Laycock	Ordinary shares	11,250	11,250
Non-director family interests			
S J Laycock	Ordinary shares	10,000	10,000

On 24 October 2005 the directors sold an 8% interest in the Company to the Employee Share Ownership Trust , the revised shareholdings being:-

HOLIDAY SUPPLIES LIMITED

Directors' report for the year ended 30 September 2005

..... continued

Ordinary Shares

A D Laycock	23,516
J H Laycock	2,921
L M Laycock	9,563

Charitable and Political Contributions

During the year the company contributed £10,240 to charities including £10,000 to the Tsunami appeal.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

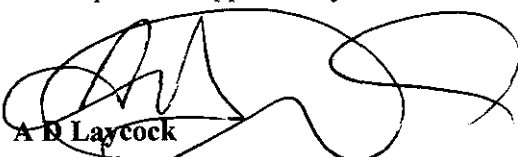
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

Auditors

The company has by elective resolution under Section 386(1) of the Companies Act 1985 dispensed with the annual reappointment of the auditors. Clarke Broome & Fleming will be deemed to be reappointed for each succeeding financial year.

This report was approved by the Board on 30 November 2005 and signed on its behalf by


A D Laycock
Director

HOLIDAY SUPPLIES LIMITED

Independent auditors' report to the shareholders of HOLIDAY SUPPLIES LIMITED

We have audited the financial statements of HOLIDAY SUPPLIES LIMITED for the year ended 30 September 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned 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.

HOLIDAY SUPPLIES LIMITED

Independent auditors' report to the shareholders of HOLIDAY SUPPLIES LIMITED continued

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985 and under article 12 of the regulations applicable to the members of the Association of British Travel Agents.



Clarke Broome & Fleming
Chartered Certified Accountants and
Registered Auditors
223 Church Street
Blackpool
FY1 3PB

30 November 2005

HOLIDAY SUPPLIES LIMITED

Profit and loss account for the year ended 30 September 2005

		Continuing operations	
		2005	2004
	Notes	£	£
Turnover	2	18,438,821	13,425,710
Cost of sales		(13,965,149)	(10,237,879)
Gross profit		4,473,672	3,187,831
Distribution costs		(1,296,801)	(1,362,272)
Administrative expenses		(2,441,054)	(1,432,792)
Operating profit	3	735,817	392,767
Other interest receivable and similar income	4	306,804	207,991
Interest payable and similar charges	5	-	(180)
Profit on ordinary activities before taxation		1,042,621	600,578
Tax on profit on ordinary activities	9	(304,577)	(156,726)
Profit on ordinary activities after taxation		738,044	443,852
Dividends	10	(500,000)	(400,000)
Retained profit for the year		238,044	43,852
Retained profit brought forward		853,682	809,829
Retained profit carried forward		1,091,726	853,681

There are no recognised gains or losses other than the profit or loss for the above two financial years.

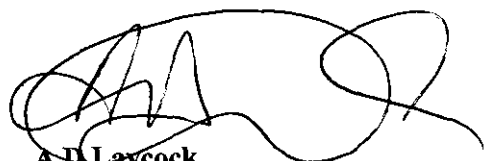
The notes on pages 8 to 16 form an integral part of these financial statements.

HOLIDAY SUPPLIES LIMITED

Balance sheet as at 30 September 2005

		2005		2004	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	11		607,849		614,790
Current assets					
Debtors	12	305,527		136,252	
Cash at bank and in hand		5,725,660		5,669,905	
		6,031,187		5,806,157	
Creditors: amounts falling due within one year	13	(5,468,947)		(5,492,778)	
Net current assets			562,240		313,379
Total assets less current liabilities			1,170,089		928,169
Provisions for liabilities and charges	14		(28,363)		(24,488)
Net assets			1,141,726		903,681
Capital and reserves					
Called up share capital	16		50,000		50,000
Profit and loss account			1,091,726		853,681
Shareholders' funds	17		1,141,726		903,681

The financial statements were approved by the Board on 30 November 2005 and signed on its behalf by


A D Laycock
Director

The notes on pages 8 to 16 form an integral part of these financial statements.

HOLIDAY SUPPLIES LIMITED

Cash flow statement for the year ended 30 September 2005

	Notes	2005 £	2004 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		735,817	392,767
Depreciation		28,237	25,231
(Increase) in debtors		(169,275)	33,453
(Decrease) in creditors		(170,432)	1,841,787
Net cash inflow from operating activities		<u>424,347</u>	<u>2,293,238</u>
Cash flow statement			
Net cash inflow from operating activities		424,347	2,293,238
Returns on investments and servicing of finance	23	306,804	207,811
Taxation	23	(154,100)	(203,379)
Capital expenditure	23	(21,296)	(3,252)
		555,755	2,294,418
Equity dividends paid		(500,000)	(500,000)
Increase in cash in the year		<u>55,755</u>	<u>1,794,418</u>
Reconciliation of net cash flow to movement in net funds (Note 24)			
Increase in cash in the year		55,755	1,794,418
Net funds at 1 October 2004		5,669,905	3,875,487
Net funds at 30 September 2005		<u>5,725,660</u>	<u>5,669,905</u>

HOLIDAY SUPPLIES LIMITED

Notes to the financial statements for the year ended 30 September 2005

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention .

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Land and buildings	-	Straight line over a hundred years
Fixtures, fittings and equipment	-	15% p.a. on a straight line basis
Motor vehicles	-	25% p.a. on the reducing balance

1.4. Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5. Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

1.6. Deferred taxation

The charge for taxation takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. However, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured on a non-discounted basis at the average tax rates that would apply when the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date.

1.7. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

HOLIDAY SUPPLIES LIMITED

Notes to the financial statements for the year ended 30 September 2005

..... continued

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

Income is recognised in the financial statements on the tour departure date and cruising 42 days prior to the departure date. This represents a change in accounting policy and has added a further £10,602 to the current years profit.

Turnover is declared gross from tours and insurance plus commission received on cruising sales.

3. Operating profit

	2005	2004
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off tangible assets	24,148	25,231
Loss on disposal of tangible fixed assets	4,089	-
Loss on foreign currencies	32,957	(15,422)
Auditors' remuneration	8,500	8,500

4. Interest receivable and similar income

	2005	2004
	£	£
Bank interest	304,574	207,991
Other interest	2,230	-
	<u>306,804</u>	<u>207,991</u>

5. Interest payable and similar charges

	2005	2004
	£	£
On overdue tax	-	180

HOLIDAY SUPPLIES LIMITED

Notes to the financial statements for the year ended 30 September 2005

..... continued

6. Employees

Number of employees	2005	2004
The average monthly numbers of employees (including the directors) during the year were:		
Sales and marketing	<u>21</u>	<u>21</u>
Employment costs	2005	2004
	£	£
Wages and salaries	703,515	1,012,458
Social security costs	78,003	116,929
Other pension costs	<u>129,400</u>	<u>101,450</u>
	<u>910,918</u>	<u>1,230,837</u>

6.1. Directors' emoluments

	2005	2004
	£	£
Remuneration and other emoluments	100,146	507,625
Pension contributions	<u>121,000</u>	<u>95,750</u>
	<u>221,146</u>	<u>603,375</u>

	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>1</u>	<u>1</u>

7. Pension costs

The company operates a defined contribution pension scheme in respect of the directors and staff. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £129,400 (2004 - £101,450).

8. Employee Share Ownership Trust

The Company paid £1,200,000 into the trust during the financial year.

HOLIDAY SUPPLIES LIMITED

Notes to the financial statements for the year ended 30 September 2005

..... continued

9. Tax on profit on ordinary activities

Analysis of charge in period	2005 £	2004 £
Current tax		
UK corporation tax	300,702	156,397
Total current tax charge	<u>300,702</u>	<u>156,397</u>
Deferred tax		
Timing differences, origination and reversal	3,875	329
Total deferred tax	<u>3,875</u>	<u>329</u>
Tax on profit on ordinary activities	<u><u>304,577</u></u>	<u><u>156,726</u></u>

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>1,042,621</u>	<u>600,578</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2004 : 30%)	312,786	180,173
Effects of:		
Interest not taxable	(635)	
Expenses not deductible for tax purposes	769	966
Depreciation for period in excess of capital allowances	319	(89)
Marginal rate relief	<u>(12,537)</u>	<u>(24,653)</u>
Current tax charge for period	<u><u>300,702</u></u>	<u><u>156,397</u></u>

10. Dividends

	2005 £	2004 £
Dividends on equity shares:		
Ordinary shares - interim paid	<u>500,000</u>	<u>400,000</u>

HOLIDAY SUPPLIES LIMITED

Notes to the financial statements for the year ended 30 September 2005

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11. Tangible fixed assets	Land and buildings freehold £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 October 2004	540,827	126,282	7,041	674,150
Additions	-	21,296	-	21,296
Disposals	-	(11,577)	-	(11,577)
At 30 September 2005	540,827	136,001	7,041	683,869
Depreciation				
At 1 October 2004	10,817	44,449	4,094	59,360
On disposals	-	(7,488)	-	(7,488)
Charge for the year	5,408	18,004	736	24,148
At 30 September 2005	16,225	54,965	4,830	76,020
Net book values				
At 30 September 2005	524,602	81,036	2,211	607,849
At 30 September 2004	530,010	81,833	2,947	614,790

The estimated useful life of the property has been assessed at 100 years.

The freehold property at Jubilee Lodge, Canning Road, Southport is held as security by the Yorkshire Bank Plc. together with other security in respect of forward contracting commitments.

12. Debtors	2005 £	2004 £
Other debtors	36,403	26,805
Prepayments and accrued income	269,124	109,447
	305,527	136,252

HOLIDAY SUPPLIES LIMITED

Notes to the financial statements for the year ended 30 September 2005

..... continued

13. Creditors: amounts falling due within one year	2005 £	2004 £
Trade creditors	4,600,603	4,596,100
Corporation tax	302,998	156,397
Other taxes and social security costs	38,784	88,433
Other creditors	303,000	618,000
Accruals and deferred income	223,562	33,848
	<u>5,468,947</u>	<u>5,492,778</u>
14. Provisions for liabilities and charges	Deferred taxation (Note 15) £	Total £
At 1 October 2004	24,488	24,488
Movements in the year	3,875	3,875
At 30 September 2005	<u>28,363</u>	<u>28,363</u>
15. Provision for deferred taxation	2005 £	2004 £
Accelerated capital allowances	<u>28,363</u>	<u>24,488</u>
Provision at 1 October 2004	24,488	
Deferred tax charge in profit and loss account	3,875	
Provision at 30 September 2005	<u>28,363</u>	

HOLIDAY SUPPLIES LIMITED

Notes to the financial statements for the year ended 30 September 2005

..... continued

16. Share capital	2005	2004
	£	£
Authorised equity		
50,000 Ordinary shares of 1 each	50,000	50,000
Allotted, called up and fully paid equity		
50,000 Ordinary shares of 1 each	50,000	50,000
17. Reconciliation of movements in shareholders' funds	2005	2004
	£	£
Profit for the year	738,044	443,852
Dividends	(500,000)	(400,000)
	238,044	43,852
Opening shareholders' funds	903,682	859,829
Closing shareholders' funds	1,141,726	903,681

18. Financial commitments

At the year end the Company had contracted to buy foreign currency on forward floating exchange contracts to the value of 10,290,000 New Zealand dollars and 1,750,000 Australian dollars. At the time of signing these financial statements the currency market has moved to our advantage and no currency losses have been provided for in these financial statements.

19. Contingent liabilities

The Company has contingent liabilities in respect of bonds granted in favour of the Civil Aviation Authority for £2,637,962 (2004 £2,955,666) and the Association of British Travel Agents for £69,204 (2004 £143,919).

The ATOL and ABTA bonds are secured in full by insurance policies provided by De Montfort Insurance Co. Plc., Hermes C & G, Royal & Sun Alliance Insurance Plc., Travel & General Insurance Co. Plc. and Coface SA.

HOLIDAY SUPPLIES LIMITED

Notes to the financial statements for the year ended 30 September 2005

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20. Related party transactions

During the financial year Mr A D Laycock was granted interest- free loans as follows:-

	£
31 December 2004	150,000
30 April 2005	75,000
31 May 2005	150,000

The loans had been repaid by the balance sheet date.

Mr A D Laycock and Mr J H Laycock are trustees of the Holiday Supplies Ltd Employee Share Ownership Trust, a trust set up for the benefit of employees of the Company.

During the financial year a contribution of £1,200,000 was made by the Company to acquire an 8% interest in the issued share capital of Holiday Supplies Ltd. Details of movement in the shares are recorded in the Directors Report.

The purpose of the Trust is to grant share options through an Enterprise Management Incentive Scheme.

21. Controlling interest

The Company is controlled by the Laycock family who own 92% of the issued share capital.

22. Subsequent events

On the 29 September 2005 the Company set up an Enterprise Management Incentive Scheme in order to provide a vehicle for employees to be granted options to acquire shares in the Company which could be exercised in a tax efficient manner.

At the time of signing these financial statements no options had been granted under the scheme.

HOLIDAY SUPPLIES LIMITED

Notes to the financial statements for the year ended 30 September 2005

..... continued

23. Gross cash flows

	2005 £	2004 £
Returns on investments and servicing of finance		
Interest received	306,804	207,991
Interest paid	-	(180)
	<u>306,804</u>	<u>207,811</u>
Taxation		
Corporation tax paid	(156,397)	(203,379)
Corporation tax repaid	2,297	-
	<u>(154,100)</u>	<u>(203,379)</u>
Capital expenditure		
Payments to acquire tangible assets	<u>(21,296)</u>	<u>(3,252)</u>

24. Analysis of changes in net funds

	Opening balance £	Cash flows £	Closing balance £
Cash at bank and in hand	5,669,905	55,755	5,725,660
Net funds	<u>5,669,905</u>	<u>55,755</u>	<u>5,725,660</u>