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TRAIL FINDERS LIMITED

DIRECTORS' REPORT

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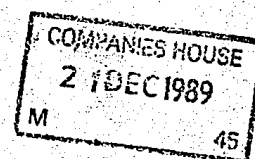
FINANCIAL STATEMENTS

25TH FEBRUARY 1989

KIDSONS

Chartered Accountants

LONDON



TRAIL FINDERS LIMITED

1.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the 52 weeks ended 25th February, 1989.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company continued to be that of travel agents and supplier of related services.

The company has expanded its trade during the period and anticipates continuing, steady expansion. In order to facilitate this growth, the company has purchased and exercised an option to buy an additional leasehold property from which to trade.

PROFITS AND DIVIDENDS

The profit for the period after tax amounted to £1,365,469. During the year a dividend of £232,110 was paid. It is recommended that a further dividend of £206,320 be paid and £27,039 transferred to reserves.

SIGNIFICANT EVENTS

Significant events both during the period and since the balance sheet date are disclosed in the notes on the financial statements.

DIRECTORS

The following were directors of the company at 25th February 1989 and served throughout the period except as stated:-

M.D.W. Gooley (Chairman)
W. Heath, LL.B.
K. Norman, F.C.A. (appointed 1st March 1988)
A. Russell
Lt. Col. T.P. Hardy, T.D.
The Rt. Hon. Viscount Slim, O.B.E.

In addition, R.B.S. Greenhill served until his retirement on 15th December 1988; S.A. Annis served from 1st March 1988 to 28th October 1988; M. Bannister, K.J. Beswick and G.M. Millar were appointed on 2nd April 1989.

DIRECTORS' SHAREHOLDINGS

The interests of the directors in the company's share capital are set out below:-

<u>Director</u>	<u>Ordinary shares of 10 pence each</u>	
	<u>At 25th February 1989</u>	<u>At 27th February 1988</u>
M.D.W. Gooley	925,280	925,280
W. Heath, LL.B.	10,320	10,320
Lt. Col. T.P. Hardy, T.D.	40,000	40,000

FIXED ASSETS

The movements in fixed assets during the period are set out in note 8 to the financial statements.

TRAIL FINDERS LIMITED

2.

DIRECTORS' REPORT

(CONTINUED)

CHARITABLE CONTRIBUTIONS

During the period, the company made contributions for charitable purposes amounting to £2,400 (1988: £1,254).

AUDITORS

A resolution to reappoint the auditors, Messrs. Kidsons, Chartered Accountants, will be proposed at the Annual General Meeting.

Registered Office:

48 Earls Court Road,
London W8 6EJ.

18th May 1989.

By Order of the Board

Mark Bannister

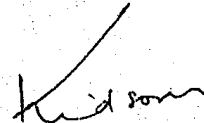
M. BANNISTER

Secretary

TRAIL FINDERS LIMITEDREPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements on pages 4 to 12 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, give a true and fair view of the state of the company's affairs at 25th February, 1989 and of its profit and source and application of funds for the 52 weeks ended on that date and comply with the Companies Act 1985.



KIDSONS

London, 18th May 1989.

Chartered Accountants

TRAIL FINDERS LIMITED

4.

PROFIT AND LOSS ACCOUNT

FOR THE 52 WEEKS ENDED 25TH FEBRUARY 1989

	Note	£	1989 £	1988 £
TURNOVER	2		40,173,990	30,851,815
Cost of sales			35,199,882	27,553,793
Gross profit			4,974,108	3,298,022
Other operating income			154,512	100,689
			5,128,620	3,398,711
Staff costs	5	2,289,740		1,608,240
Depreciation		156,833		130,201
Other operating charges		1,209,545		1,043,808
			3,656,118	2,782,249
			1,472,502	616,462
Other interest receivable and similar income			668,417	388,625
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3		2,140,919	1,005,087
Tax on profit on ordinary activities	6		775,450	353,732
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			1,365,469	651,355
Dividends	7		438,430	206,320
RETAINED PROFIT FOR THE FINANCIAL PERIOD			927,039	445,035
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD			1,206,616	761,581
PROFIT AND LOSS ACCOUNT CARRIED FORWARD			2,133,655	1,206,616

The notes on pages 7 to 12 form part of these financial statements.

TRAIL FINDERS LIMITED

5.

BALANCE SHEET - 25TH FEBRUARY 1989

	Note	£	1989	£	1988	£
FIXED ASSETS						
Tangible assets	8		1,046,047		976,127	
Investments	9		409,607		204,943	
			<u>1,455,654</u>		<u>1,181,070</u>	
CURRENT ASSETS						
Stocks	10	15,100		14,485		
Debtors	11	341,916		464,003		
Cash at bank and in hand		7,186,104		3,840,043		
		<u>7,543,120</u>		<u>4,318,531</u>		
CREDITORS: amounts falling due within one year	12	6,524,299		3,951,049		
NET CURRENT ASSETS			1,018,821		367,482	
TOTAL ASSETS LESS CURRENT LIABILITIES			2,474,475		1,548,552	
PROVISIONS FOR LIABILITIES AND CHARGES	13		9,143		10,259	
NET ASSETS			<u>2,465,332</u>		<u>1,538,293</u>	
CAPITAL AND RESERVES						
Called up share capital	14		103,160		103,160	
Share premium account			32,020		32,020	
Revaluation reserve			192,497		192,497	
Other reserves			4,000		4,000	
Profit and loss account			2,133,655		1,206,616	
SHAREHOLDERS' FUNDS			<u>2,465,332</u>		<u>1,538,293</u>	

The financial statements were approved by the Board of Directors on 18th May 1989.

M.D.W. GOOLEY

M.D.W. Gooley
) Directors

K. NORMAN

The notes on pages 7 to 12 form part of these financial statements.

TRAIL FINDERS LIMITED

6.

SOURCE AND APPLICATION OF FUNDS

FOR THE 52 WEEKS ENDED 25TH FEBRUARY 1989

SOURCE OF FUNDS	£	1989	£	1988
				£
Profit on ordinary activities before taxation		2,140,919		1,005,087
Adjustment for items not involving the movement of funds:				
Profit on disposal of investments	-			(54,332)
Depreciation	156,833			130,201
Profit on sale of tangible fixed assets	(15,862)			(3,384)
		140,971		72,485
TOTAL GENERATED FROM OPERATIONS		2,281,890		1,077,572
FUNDS FROM OTHER SOURCES				
Proceeds from disposal of investments		-		1,254,792
Proceeds from disposal of tangible fixed assets		45,597		16,350
		2,327,487		2,348,714
APPLICATION OF FUNDS				
Dividend paid	386,850			154,740
Purchase of tangible fixed assets	256,488			238,785
Corporation tax paid	357,545			332,939
Purchase of investments	204,664			402,914
		1,205,547		1,129,378
INCREASE IN WORKING CAPITAL		1,121,940		1,219,336
REPRESENTED BY:-				
Increase in stocks		615		7,688
(Decrease)/increase in debtors		(142,164)		174,455
Increase in creditors falling due within one year		(2,082,572)		(1,434,078)
		(2,224,121)		(1,251,935)
Movement in net liquid funds:				
Increase in cash and bank		3,346,061		2,471,271
		1,121,940		1,219,336

The notes on pages 7 to 12 form part of these financial statements.

NOTES ON FINANCIAL STATEMENTS - 25TH FEBRUARY 1989

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost accounting rules as modified by the revaluation of certain fixed assets.

(b) Depreciation

Depreciation is calculated to write off the cost or valuation of all tangible fixed assets, in equal annual instalments over their estimated useful lives at the following rates:-

	%
Freehold property	2
Short leaseholds	period of lease
Furniture and equipment	10
Computer equipment	20
Motor vehicles	20

(c) Stocks

Stocks are stated at the lower of cost and net realisable value.

(d) Leasing transactions

All leases are operating leases and rentals payable are charged to the profit and loss account in the period in which they are paid.

(e) Deferred taxation

Deferred taxation is provided at the rates at which timing differences between the profit computed for taxation purposes and the profit stated in the financial statements are expected to crystallise. Where it is considered with reasonable probability that no such liability will become payable in the foreseeable future, no provision is made.

2. TURNOVER

Turnover represents the sales value of air tickets and travel insurance, and commissions on hotel bookings and sundry related services.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1989 £	1988 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	156,833	130,201
Auditors' remuneration	10,500	8,500
Directors' emoluments (including pension contributions) (see note 4)	328,755	285,669
Leasing of equipment and vehicles	8,393	7,309
and after crediting:		
Income from listed investments	6,773	702
Profit on disposal of investments	-	54,332
Bank interest received	661,645	333,591
Rents received	38,276	24,567
Profit on disposal of tangible fixed assets	15,862	3,384

TRAIL FINDERS LIMITED

8.

NOTES ON FINANCIAL STATEMENTS - 25TH FEBRUARY 1989

(CONTINUED)

4. DIRECTORS' EMOLUMENTS	<u>1989</u>	<u>1988</u>
	£	£
(a) For management	303,755	285,669
Ex-gratia payment made to former director	25,000	-
	<u>328,755</u>	<u>285,669</u>
(b) Emoluments, excluding pension contributions, are analysed as follows:-		
Chairman and highest paid director	<u>74,538</u>	<u>71,381</u>
Number of other directors whose emoluments were within the ranges:-		
£ 0 - £ 5,000	3	3
£15,001 - £20,000	1	-
£25,001 - £30,000	-	1
£30,001 - £35,000	-	1
£35,001 - £40,000	3	-
5. STAFF COSTS	<u>1989</u>	<u>1988</u>
(a) The average number of persons including directors employed by the company during the year was:		
Travel consultants	95	63
Management and administration	51	41
	<u>146</u>	<u>104</u>
(b) Staff costs:	£	£
Wages and salaries	1,960,434	1,322,954
Social security costs	200,282	136,904
Other pension costs	129,024	148,382
	<u>2,289,740</u>	<u>1,608,240</u>
6. TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>1989</u>	<u>1988</u>
	£	£
United Kingdom corporation tax at 35% (1988: 35%)	779,450	355,000
(Over)/under-provision in respect of prior years	-	(2,268)
Transfer (from)/to deferred taxation	(4,000)	1,000
	<u>775,450</u>	<u>353,732</u>
7. DIVIDENDS	<u>1989</u>	<u>1988</u>
	£	£
Interim paid during the year	232,110	51,580
Proposed second interim	206,320	154,740
	<u>438,430</u>	<u>206,320</u>

NOTES ON FINANCIAL STATEMENTS - 25TH FEBRUARY 1989

(CONTINUED)

8. TANGIBLE ASSETS

	Freehold Property	Short Leaseholds	Computer Equipment	Furniture and Equipment	Motor Vehicles	Total
COST OR VALUATION	£	£	£	£	£	£
28th February 1988	375,000	277,364	226,161	259,198	202,185	1,339,908
Additions	-	97,547	75,206	22,588	61,147	256,488
Disposals	-	-	(21,000)	(5,500)	(52,677)	(79,177)
25th February 1989	375,000	374,911	280,367	276,286	210,655	1,517,219

DEPRECIATION

28th February 1988	7,500	15,119	155,434	92,440	93,288	363,781
Charge for year	7,500	18,708	58,055	27,888	44,682	156,833
Disposals	-	-	(12,600)	(5,500)	(31,342)	(49,442)
25th February 1989	15,000	33,827	200,889	114,828	106,628	471,172

NET BOOK AMOUNT

25th February 1989	360,000	341,084	79,478	161,458	104,027	1,046,047
28th February 1988	367,500	262,245	70,727	166,758	108,897	976,127

- (i) Valuations of the freehold and short leasehold properties were made on the basis of open market value for continuing use and were carried out by a firm of Chartered Surveyors as at 28th February 1987.

The amounts of freehold properties and short leases (included above at valuation) determined according to the historical cost convention are as follows:-

	Freehold Property	Short Leaseholds
	£	£
Cost	274,060	243,293
Depreciation	(26,748)	(43,602)
Net book value at 25th February 1989	247,312	199,691
Net book value at 28th February 1988	252,793	128,241

- (ii) Included in short leaseholds are costs of £40,000 comprising £5,000 in respect of the option to buy a property and £35,000 deposit on the same property. There is a further capital commitment of £315,000 on this property.

TRAIL FINDERS LIMITED

10.

NOTES ON FINANCIAL STATEMENTS - 25TH FEBRUARY 1989

(CONTINUED)

9. FIXED ASSET INVESTMENTS	Unlisted £	Listed £	
<u>Cost</u>			
At 28th February 1988	-	204,000	
Additions	170,000	34,607	54
At 25th February 1989	170,000	239,607	204,607

The market value of listed investments which are all listed on a recognised stock exchange was £267,974 at 25th February 1989. During the year the company acquired 170,000 £1 Ordinary Shares in Britannic Group (Holdings) Limited, at a cost of £170,000. This holding represents a 42.5% interest in the ordinary share capital of this company.

10. STOCKS	1989 £	1988 £
Goods for resale	15,100	14,485

11. DEBTORS	1989 £	1988 £
Trade debtors	11,537	97,337
Other debtors (note 16)	86,524	208,291
Prepayments and accrued income	197,939	132,536
	296,000	438,164
Amounts recoverable after more than one year:		
Advance corporation tax	45,916	25,839
	341,916	464,003

12. CREDITORS	Amounts falling due within one year	
	1989 £	1988 £
Trade creditors	5,119,262	3,229,630
Corporation tax	788,273	349,175
Other creditors	124,120	-
Accruals and deferred income	286,324	217,504
Proposed dividend	206,320	154,740
	6,524,299	3,951,049

TRAIL FINDERS LIMITED

11.

NOTES ON FINANCIAL STATEMENTS - 25TH FEBRUARY 1989

(CONTINUED)

13. PROVISIONS FOR LIABILITIES AND CHARGES

The provision included in the balance sheet relating to deferred taxation consists of the following:-

	<u>1989</u> £	<u>1988</u> £
Accelerated capital allowances	15,000	26,000
Other short term timing differences	17,000	10,000
Advance corporation tax recoverable	(22,857)	(25,741)
	<u>9,143</u>	<u>10,259</u>

The additional potential liability to deferred taxation is as follows:-

Surplus on revaluation of property	<u>57,750</u>	<u>57,750</u>
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14. CALLED UP SHARE CAPITAL

	<u>Authorised</u> <u>1989 and 1988</u> £	<u>Allotted, Called up and Fully Paid</u> <u>1989 and 1988</u> £
Ordinary Shares of 10 pence each	<u>1,000,000</u>	<u>103,160</u>

15. LEASE COMMITMENTS

The company has annual rental commitments in respect of operating leases as follows:

Leases expiring:

Within one year	-	2,215	-	2,129
Between one and five years	-	6,883	-	6,251
Over five years	33,350	-	24,125	-
	<u>33,350</u>	<u>9,098</u>	<u>24,125</u>	<u>8,380</u>

NOTES ON FINANCIAL STATEMENTS - 25TH FEBRUARY 1989

(CONTINUED)

16. TRANSACTIONS INVOLVING DIRECTORS

- (a) Included in other debtors is an amount of £70,588 due from Trail Finders (Services) Limited, a company controlled by M.D.W. Gooley. The maximum amount outstanding during the period was £170,457.
- (b) Included in other creditors is an amount of £31,000 held by the company on behalf of Trail Finders (Services) Limited.
- (c) Mr. W. Heath, a director of the company, is a partner in William Heath & Co., solicitors, whose firm is one of those instructed by the company in the ordinary course of business on legal matters. The firm also received fees for Mr. Heath's services to the company, which in this period amounted to £3,460.
- (d) The Rt. Hon. Viscount Slim, O.B.E., a director of the company, is also a director and shareholder of Runcorda Limited which company received fees for his services to the company which in this period amounted to £3,000.