

**Trafalgar Travel Limited
(Formerly Trafalgar Tours Limited)**

Company Number 3388989

FINANCIAL STATEMENTS

For The Year Ended 31 December 1999



Trafalgar Travel Limited

Index To The Financial Statements
For The Year Ended 31 December 1999

Page No

1-2	Directors' Report
3	Auditors' Report
4	Profit and Loss account
5	Balance Sheet
6	Statements of Total Recognised Gains and Losses
7-12	Notes to the Accounts
13	Detailed Trading Profit and Loss Account

Trafalgar Travel Limited

Directors' Report

For The Year Ended 31 December 1999

The directors present their annual report on the affairs of the company together with the Accounts and Auditors Report for the above period.

Results and dividends

The net profit for the year, after taxation, was £ 978 (1998 £ Nil). The directors recommend that this be added to the retained earnings at the beginning of the year and that the balance of £ 1,257 be carried forward.

Review of the business

The company, formerly Trafalgar Tours Ltd, changed its name to Trafalgar Travel Limited on 8th September 1999 and commenced trading on 1st October 1999. The company's principal activity during the period was tour operators and travel agents. The directors consider the result for the year and the position of the company at the end of the year to be satisfactory.

Year 2000 compliance

The directors have investigated the risks and uncertainties associated with the Year 2000 problems by setting up a Year 2K project team whose responsibilities are to ensure that all the company's business processes work in compliance to the requirements of the Millennium.

Specific areas addressed have included:

1. Buildings and office equipment
2. Communications systems
3. Hardware and Mainframe operating systems
4. In-house Applications
5. External Applications
6. P.C.Network , including software.

Euro Currency

The impact of the introduction of the euro currency was evaluated and as all company transactions are contracted in sterling, the directors do not see the immediate need to make any transition to the euro currency until such time as the United Kingdom decide to join the euro.

Directors

The directors of the company during the year, none of whom had any beneficial interest in the issued share capital of the company at the beginning and end of the year were :

H.M.Gibb

B.N.Monk (appointed 15th June 1999)

L Jones (appointed 15th June 1999)

K.R.Bunney

Trafalgar Travel Limited

Directors' Report

For The Year Ended 31 December 1999

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 affairs of the company and of the profit or loss for that period. In preparing those 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining 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

Pursuant to the section 366A of the Companies Act 1985 the company has elected to dispense with the requirement to hold an Annual General Meeting. Consequently, the auditors, Messrs. Hargreaves Brown and Benson are appointed to hold office for the forthcoming year.

Signed on behalf of the Board of Directors


K.R. Bunney
Secretary

14th April 2000

Trafalgar Travel Limited

Auditors' Report To The Members of Trafalgar Travel Limited. **For The Year Ended 31 December 1999**

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out in note 1 to the accounts.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Hargreaves, Brown & Benson', written in a cursive style.

Hargreaves, Brown & Benson
Chartered Accountants and Registered Auditor

Colne, Lancashire

17th April 2000

Trafalgar Travel Limited

Profit and Loss Account

For The Year Ended 31 December 1999

	Notes	£	<u>1999</u> £	£	<u>1998</u> £
TURNOVER					
CONTINUING OPERATIONS	2		379,885		-
COST OF SALES			<u>(317,757)</u>		-
GROSS PROFIT			62,128		-
 Administrative expenses			<u>(62,392)</u>		<u>-</u>
OPERATING PROFIT/(LOSS)					
CONTINUING OPERATIONS	3/4		(264)		-
 Interest receivable	5	1,571		-	
Interest payable	6	(41)		-	
			<u>1,530</u>		<u>-</u>
 PROFIT ON ORDINARY ACTIVITIES					
BEFORE TAXATION			1,266		-
 Tax on profit on ordinary activities	7		<u>288</u>		<u>-</u>
 RETAINED PROFIT					
TRANSFERRED TO RESERVES	14		<u>£978</u>		<u>-</u>

There were no acquisitions or discontinued operations during the current or preceding periods

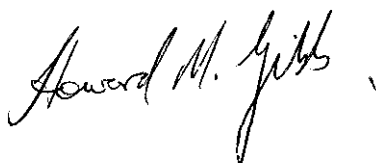
Trafalgar Travel Limited**Balance Sheet****as at 31 December 1999**

	Notes	£	<u>1999</u> £	£	<u>1998</u> £
FIXED ASSETS					
Tangible assets	8		2,767		-
CURRENT ASSETS					
Debtors	9	65,366		50,405	
Cash at bank and in hand		<u>397,576</u>		<u>-</u>	
		462,942		50,405	
CREDITORS - amounts falling due within one year	10	<u>(306,452)</u>		<u>(126)</u>	
NET CURRENT ASSETS			<u>156,490</u>		<u>50,279</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			159,257		50,279
CREDITORS - amounts falling after more than one year	11		(108,000)		-
NET ASSETS			<u>£ 51,257</u>		<u>£ 50,279</u>
CAPITAL AND RESERVES					
Called up share capital	13		50,000		50,000
Profit and loss account	14		1,257		279
SHAREHOLDERS' FUNDS			<u>£ 51,257</u>		<u>£ 50,279</u>

These financial statements were approved by the board of directors on 14th April 2000

Signed on behalf of the Board of Directors.

H.M.Gibb
(Director)



Trafalgar Travel Limited

Statement Of Recognised Gains and Losses

For The Year Ended 31 December 1999

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Profit for the Financial Year	<u>978</u>	=
Total Gains and Losses Recognised since last Annual Report	<u>£978</u>	=

Trafalgar Travel Limited
NOTES TO THE ACCOUNTS

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared in accordance with the historical cost convention.

The principal accounting policies which the directors have adopted within that convention are set out below.

The accounts are prepared in accordance with applicable accounting standards.

In preparing these accounts the company has taken advantage of the exemption provided in Financial Reporting Standard 1, Cash Flow Statements , and not presented a cash flow statement .

1.2 Turnover

Turnover is the amount derived from ordinary activities, stated after trade discounts, other sales taxes and net of VAT.

1.3 Depreciation of tangible assets

Provision is made for depreciation on all tangible assets at rates calculated to write off the cost or valuation , less estimated residual value, of each asset over its expected useful life as follows:

Fixtures and fittings	25% straight line
-----------------------	-------------------

1.4 Leasing and hire purchase commitments

Assets held under finance leases are capitalised in the balance sheet under fixed assets and depreciated over their estimated useful lives. The capital element of future payments is treated as a liability and the interest element is charged to the profit and loss account equally over the period of the contract.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

1.5 Deferred taxation

Deferred taxation is not provided on the excess of book written down value of fixtures and fittings over their tax written down value or other short term timing differences, since the directors are of the opinion that no material liability will arise in the foreseeable future.

Trafalgar Travel Limited
NOTES TO THE ACCOUNTS

2 Turnover

The turnover of £ 379,893 (1998 £ Nil) and the profit before taxation is attributable to the Company's principal activities tour operator and travel agents. Income is all earned from bookings made in the United Kingdom.

3 Operating profit	<u>1999</u>	<u>1998</u>
	£	£
This is stated after charging:		
Depreciation of owned fixed assets		
Owned Assets	504	-
Operating lease rentals :		
Land and Buildings	2,219	-
Auditors' remuneration		
Audit fees	1,000	-
Other	300	-
	<u> </u>	<u> </u>

4 Employee Information

A management services company is used by the company for administrative purposes. All staff are the employees of this company and staff costs are included in a management services charges.

The directors received no remuneration from the company in either this or the preceding year.

5 Interest Receivable	<u>1999</u>	<u>1998</u>
	£	£
Bank Interest	<u>1,571</u>	<u>-</u>

6 Interest payable	<u>1999</u>	<u>1998</u>
	£	£
Bank Interest	<u>41</u>	<u>-</u>

Trafalgar Travel Limited
NOTES TO THE ACCOUNTS

7	Taxation	1999	1998
		£	£
	The tax charge on the profit on ordinary activities for the year was as follows:		
	UK corporation tax at 30.2 % (1998 31%)	288	-
		<u>£288</u>	<u>£ -</u>
8	Tangible fixed assets		
	Fixtures and fittings		
	£		
	Cost		
	At 1 January 1999	-	
	Additions	3,271	
	Surplus on revaluation	-	
	Disposals	-	
	At 31 December 1999	<u>£ 3,271</u>	
	Depreciation		
	At 1 January 1999	-	
	Charge for the period	504	
	Surplus on revaluation	-	
	On disposals	-	
	At 31 December 1999	<u>£ 504</u>	
	Net book value		
	At 31 December 1999	<u>£ 2,767</u>	
	At 31 December 1998	<u>£ -</u>	
9	Debtors	1999	1998
		£	£
	Trade debtors	23,408	-
	Group undertakings	20,956	50,405
	Other debtors	10,298	-
	Prepayments and accrued income	10,704	-
		<u>£65,366</u>	<u>£50,405</u>

Trafalgar Travel Limited
NOTES TO THE ACCOUNTS

10 Creditors: amounts falling due within one year	<u>1999</u> £	<u>1998</u> £
Trade creditors	48,366	-
Group undertakings	256,798	126
Corporation tax	288	0
Other taxes and social security costs	-	-
Accruals and deferred income	1,000	0
	<u>£306,452</u>	<u>£126</u>

11 Creditors - amounts falling due after more than one year	<u>1999</u> £	<u>1998</u> £
Subordinated Loan from group undertaking	<u>108,000</u>	<u>-</u>

11.1 The company received a loan of £108,000 from Trafalgar Retail Travel Limited (T.R.T) in respect of a Deed of Undertaking dated 12th August 1999 between the company, T.R.T. and the Civil Aviation Authority (C.A.A.).

Under the terms of the Deed of Undertaking :-

1. The company will not repay the loan nor will T.R.T accept repayment of the loan, whilst the company holds an Air Travel Organisers' Licence, without prior written consent of the C.A.A.

2. The company will not repay the loan nor will T.R.T accept repayment after the company has ceased to hold any Travel Organisers' License until all claims in respect of the period during which the company held an Air Travel Organisers' License have been satisfied.

12 Deferred Taxation

Analysis of provision made and amount unprovided for liabilities or (assets), calculated at 30.25% is:

	<u>1999</u> Provided	<u>1999</u> Not Provided £	<u>1998</u> Provided £	<u>1998</u> Not Provided £
Capital allowances in advance of depreciation		95	-	-

13 Share Capital

	<u>Authorised</u> £	<u>Allotted, Issued and fully paid</u> <u>1999</u> £	<u>1998</u> £
Ordinary shares of £1 each	50,000	50,000	50,000
	<u>£ 50,000</u>	<u>£ 50,000</u>	<u>£ 50,000</u>

Trafalgar Travel Limited
NOTES TO THE ACCOUNTS

**14 Movement on reserves and reconciliation of
Movements in shareholders' fund**

	<u>Share Capital</u>	<u>Profit & Loss Account</u>	<u>Total Shareholders' Funds</u>
	£	£	£
Balance at 1st January 1998	50,000	279	50,279
Balance as at 31st December 1998	50,000	279	50,279
Ordinary Shares issued			-
Profit attributable to the shareholders		978	978
Balance at 31st December 1999	£ 50,000	£ 1,257	£ 51,257

The aggregate amount of shareholders' funds are analysed as:

	<u>1999</u>	<u>1998</u>
	£	£
Share Capital	50,000	50,000
Reserves	1,257	279
Equity Interests	£ 51,257	£ 50,279

Trafalgar Travel Limited
NOTES TO THE ACCOUNTS

15 Contingent Liabilities

15.1 The company has contingent liabilities in respect of bonds given by its bankers to:

- (i) Association of British Travel Agents - £ 322,700
- (ii) Civil Aviation Authority/ ATOL - £ 431,256

One of the bonds is secured by a charge over one of the company's bank accounts. The amount so secured was £15,153.

15.2 Commitments Under Operating Leases

At 31 December 1999 the company was committed to making the following payments during the forthcoming year in respect of non-cancelable operating leases:

Contracts in respect to land and buildings :	£
between 2 and 5 years	<u>17,750</u>

16 Related Parties

Advantage is taken of the exemption from disclosure of transactions and balances with entities that are part of the group, as the company is included in the publicly available consolidated financial statements of Trafalgar Retail Travel Limited.

17 Holding Companies

The immediate parent company which prepares group accounts is Trafalgar Retail Travel Limited, whose accounts are available from the Registrar of Companies. The directors consider The Travel Corporation Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company. The accounts of this company are not available to the public.