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ETON TRAVEL AGENCY LIMITED

REPORT OF THE DIRECTORS

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The Directors submit their Report and accounts of the Company for the year ended 30 June 1986.

RESULTS AND DIVIDENDS

The results of the year and the financial position of the company are shown in the annexed accounts. In particular the profit for the year after taxation was £46807.

The directors do not recommend payment of a dividend for the year.

No transfer to or from reserves has been made, leaving £146623 profit to be retained.

REVIEW OF THE BUSINESS

The principal activity of the company is that of Travel Agents.

The progress of the company during the year accorded with expectations, turnover having increased by 33%. The position at the year end is regarded as satisfactory. No significant changes in the future development of the company are proposed, nor has there occurred since the end of the year any event of such significance that reference to it should be made in this report.

FUTURE DEVELOPMENTS

The directors have negotiated to acquire a new freehold Head Office building which is now under construction on a site in High Street, Eton and is due for completion in March 1987.

SHARE CAPITAL

No shares or debentures were issued during the year.

FIXED ASSETS

Details of changes in fixed assts are given in the notes to the accounts.

CLOSE COMPANY STATUS

In the opinion of the director's the company is a close company within the meaning of the Income and Corporation Taxes Act 1970.



ETON TRAVEL AGENCY LIMITED

REPORT OF THE DIRECTORS

DIRECTORS

Interests in shares

The directors who served during the year and their respective interests (including family interests) in the shares of the company, as disclosed in the company's register of directors' share interests, were as stated below. These interests were all beneficially held.

Name	Class of Share	Number held at	
		30.6.1986	30.6.1985
Mr. J. Butler	Ordinary shares of £1	42500	42500
Mrs. L.A. Butler	" "	5000	5000
Mr. N. Osborne	" "	500	500

RETIREMENT AND RE-ELECTION OF DIRECTORS

Mr. N. Osborne retires by rotation and, being eligible, offers himself for re-election.

AUDITORS

The Auditors, Foreman and Hill have signified their willingness to continue in office and a resolution to re-appoint them in accordance with Section 384 Companies Act 1985 will be proposed at the Annual General Meeting.

By Order of the Board



J.C. BUTLER
SECRETARY

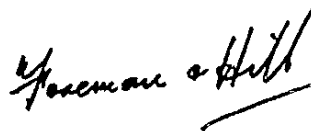
Registered Office and Business Address
100 High Street
ETON, Windsor
Berkshire.

REPORT OF THE AUDITORS TO THE MEMBERS OF

ETON TRAVEL AGENCY LIMITED

We have audited the accounts set out on pages 2 to 10 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at 30th June 1986 and of the profit and source and application of funds for the year ended on that date and comply with the Companies Act 1985.



10TH NOVEMBER 1986

FOREMAN AND HILL

CHARTERED ACCOUNTANTS

14 PARK STREET
WINDSOR
BERKS.

ETON TRAVEL AGENCY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1986

	<u>Notes</u>	<u>1986</u>	<u>1985</u>
TURNOVER	(1)	10440340	7792521
Cost of sales	(2)	(9523519)	(6994179)
GROSS PROFIT		916821	798342
Distribution costs	(2)	36737	56575
Administrative expenses	(2,4-7)	784637	668198
		(821374)	(724773)
Other operating income		10000	-
OPERATING PROFIT	(2)	105447	73569
Other interest receivable		184	2636
		105631	76205
Interest payable	(3)	(32824)	(21551)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		72807	54654
Tax on profit on ordinary activities	(8)	(26000)	(18000)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE YEAR	(20)	£ 46807	£ 36654

The Notes on pages 4 to 10 form an integral part
of these accounts.

ETON TRAVEL AGENCY LIMITED

BALANCE SHEET AT 30 JUNE 1986

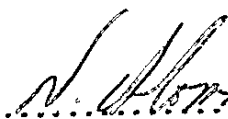
	<u>Notes</u>	<u>1986</u>	<u>1985</u>
FIXED ASSETS			
Intangible assets	(9)	8334	16667
Tangible assets	(10)	409908	194889
Investments	(12)	115816	-
		<u>534058</u>	<u>211556</u>
CURRENT ASSETS			
Stocks	(13)	8700	8000
Debtors	(14)	550744	797434
Cash at Bank and in hand		61097	31394
		<u>620541</u>	<u>836828</u>
CURRENT LIABILITIES			
Creditors - Amounts falling due within one year	(15)	(793412)	(851205)
NET CURRENT (LIABILITIES)/ASSETS		<u>(172871)</u>	<u>(14377)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		361187	197179
Creditors - Amounts falling due after more than one year	(15)	(166564)	(49363)
NET ASSETS		<u>£ 194623</u>	<u>£ 147816</u>
CAPITAL AND RESERVES			
Called up share capital	(19)	48000	48000
Profit and Loss Account	(20)	146623	99816
		<u>£ 194623</u>	<u>£ 147816</u>

Approved by the Board



J. BUTLER

DIRECTORS



N. OSBORNE

The Notes on pages 4 to 10 form an integral part of these accounts.

ETON TRAVEL AGENCY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1986

1. ACCOUNTING POLICIES

(a) Basis of accounting

The accounts are prepared under the historical cost convention.

(b) Turnover

Turnover represents the net value of services and sales, excluding Value Added Tax.

(c) Stocks

Stock is valued at the lower of cost and net realisable value, cost being the original charge for the items computed on a first-in-first-out basis.

(d) Depreciation

Depreciation is calculated to write off the cost of the fixed assets, including assets subject to hire purchase contracts, in equal annual instalments over their estimated useful lives on the following basis:

	Years
Leasehold property	Period of each lease
Office equipment	5
Motor vehicles	4
Fixtures and fittings	7

Goodwill is being amortised over 3 years in equal annual instalments.

(e) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred, because timing differences between the treatment of certain items for accounting and tax purposes. No provision for deferred taxation is made if there is reasonable evidence that such deferred taxation will not be payable in the foreseeable future.

(f) Foreign Currencies

Transaction in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange ruling at the Balance Sheet date. Gains or losses in translation are included in the Profit and Loss account when realised.

ETON TRAVEL AGENCY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1986

1. (g) Finance Charges

Finance charges in respect of leased assets under finance leases and assets subject to hire purchase contracts are being apportioned over the period of the lease or contract on a straight line basis.

2.	OPERATING PROFIT	<u>1986</u>	<u>1985</u>
	This is stated after charging or crediting:		
	<u>Cost of Sales:</u>		
	Tour and ticket purchase and subcontract costs	<u>£9523519</u>	<u>£6994179</u>
	<u>Distribution costs:</u>		
	Depreciation	10606	10374
	Loss on disposal of fixed assets	-	720
	Other costs	<u>26131</u>	<u>45481</u>
		<u>£ 36737</u>	<u>£ 56575</u>
	<u>Administrative expenses:</u>		
	Audit fee and expenses	3250	3000
	Depreciation	36649	29589
	Amortisation of Goodwill	8333	12080
	Other costs (Note 7)	736405	616579
	Loss on disposal of fixed assets	-	6950
		<u>£ 784637</u>	<u>£ 668198</u>
3.	INTEREST PAYABLE		
	On bank loans, overdrafts, and other loans:		
	Repayable within 5 years not by instalments	18413	9910
	Repayable within 5 years by instalments	<u>14411</u>	<u>11641</u>
		<u>£ 32824</u>	<u>£ 21551</u>

ETON TRAVEL AGENCY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1986

	<u>1986</u>	<u>1985</u>
4. DIRECTORS EMOLUMENTS		
Remuneration	34980	50340
Pension premiums	10939	2017
Total Emoluments	<u>£ 45919</u>	<u>£ 52357</u>

5. DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

There were no material contracts, transactions or arrangements during the year in which any director had an interest other than a service contract.

6. ADDITIONAL INFORMATION RELATING TO EMPLOYEES

Staff costs (including directors) during the year amounted to:

Salaries	403098	310890
Social security costs	38731	29674
Other pension costs	18576	7333
	<u>£ 460405</u>	<u>£ 347897</u>

The average weekly number of persons employed by the company was 70 (1985 - 57) split into the following categories:

	<u>Number 1986</u>	<u>Number 1985</u>
Directors	3	3
Travel operatives	67	54
	<u>70</u>	<u>57</u>

7. EXCEPTIONAL ITEMS

Included under Other administrative costs for 1985 was a charge of £15903 in respect of an irrecoverable loan written off.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1986</u>	<u>1985</u>
<u>Current year</u>		
Corporation Tax at 30% (1984 - 30%) based on the results for the year	<u>£ 26000</u>	<u>£ 18000</u>

If full provision had been made for the potential amount of deferred tax, the tax charge for the year would have been increased by £245 (1985 - £3997).

ETON TRAVEL AGENCY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1985

9.	INTANGIBLE FIXED ASSETS	Goodwill		
	COST			
	At beginning of year	28747		
	Additions	-		
	At end of year	<u>£ 28747</u>		
	AMOUNTS WRITTEN OFF			
	At beginning of year	12080		
	Charge for year	8333		
	At end of year	<u>£ 20413</u>		
	NET BOOK VALUE			
	At end of year	<u>£ 8334</u>		
	At beginning of year	<u>£ 16667</u>		
10.	TANGIBLE FIXED ASSETS			
	COST	Leasehold Freehold Property (Short) Motor Property Vehicles	Fixtures Fittings & Equipment	Total
	At beginning of year	- 41350 41495	170382	253227
	Additions	200250 - 4930	57094	262274
	Disposals	- - -	-	-
	At end of year	<u>£ 200250</u> <u>£ 41350</u> <u>£ 46425</u>	<u>£ 227476</u>	<u>£ 515501</u>
	DEPRECIATION			
	At beginning of year	- 6961 11722	39655	58338
	Charge for year	- 4153 10606	32496	47255
	Disposals	- - -	-	-
	At end of year	<u>-</u> <u>£ 11114</u> <u>£ 22328</u>	<u>£ 72151</u>	<u>£ 105593</u>
	NET BOOK VALUE			
	At end of year	<u>£ 200250</u> <u>£ 30236</u> <u>£ 24097</u>	<u>£ 155325</u>	<u>£ 409908</u>
	At beginning of year	£ - £ 34389 £ 29773	£ 130727	£ 194889

The freehold property was under construction at 30 June 1986.

ETON TRAVEL AGENCY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1986

11. CAPITAL COMMITMENTS

The directors have approved a total commitment of £1,100,000 to acquire a new freehold head-office building in Eton now under construction and due for completion in March 1987. A mortgage loan has been negotiated to assist with the acquisition.

12. INVESTMENTS

The investment of £115816 represents monies invested in the purchase and development of Hotel Fajara, Carrapateira, Portugal. The company owns a 50% share of the hotel which is owned jointly with Griffiths and Griffiths Lda, a Portuguese registered property company. The property is at present registered in the name of that company, but will shortly be transferred into a new company, Lantis S.A.R.L., when 50% of the share capital will be issued to and held by Eton Travel Agency Ltd., directly.

13. STOCKS	<u>1986</u>	<u>1985</u>
Finished goods	£ 8700	£ 8000
	<u> </u>	<u> </u>
14. DEBTORS		
Trade debtors	481589	829451
Other debtors	16866	154743
Prepayments and accrued income	52289	13240
	<u>£ 550744</u>	<u>£ 797434</u>

15. CREDITORS	Falling due:			
	Within one year	Within one year	Over one year	Over one year
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
Loans (see Note 18)	262208	317865	5000	-
Trade creditors	412741	449122	-	-
Hire purchase instalments				
(see Note 16)	30964	22563	58971	49363
Current taxation	33000	22000	-	-
Other taxation and social security	12347	1054	-	-
Directors' current and loan accounts	3532	15286	102593	-
Accruals	38620	23315	-	-
	<u>£ 793412</u>	<u>£ 851205</u>	<u>£ 166564</u>	<u>£ 49363</u>

ETON TRAVEL AGENCY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1986

16.	DEFERRED LIABILITY UNDER HIRE PURCHASE	<u>1986</u>	<u>1985</u>
	Total hire purchase instalments outstanding	123937	101713
	Deduct interest included	(34002)	(29787)
		<u>89935</u>	<u>71926</u>
	Less instalments due within one year	(30964)	(22563)
	Balance not due within one year	<u>£ 58971</u>	<u>£ 49363</u>
17.	CURRENT TAXATION		
	Corporation tax current year (payable 1 April 1987)	26000	18000
	Corporation tax balance due in respect of previous year	7000	4000
		<u>£ 33000</u>	<u>£ 22000</u>
18.	LOANS		
	<u>Repayable wholly within 5 years</u>		
	Bank loans and overdrafts (Note 21)	262208	317865
	Other Loans	5000	-
		<u>£ 267208</u>	<u>£ 317865</u>
19.	SHARE CAPITAL		
	<u>Authorised</u>		
	Ordinary shares of £1 each	<u>£ 50000</u>	<u>£ 50000</u>
	<u>Allotted, issued and fully paid</u>		
	Ordinary shares of £1 each	<u>£ 48000</u>	<u>£ 48000</u>
20.	RESERVES		
	PROFIT AND LOSS ACCOUNT:		
	Balance at beginning of year	99816	63162
	Retained profit for year	46807	36654
	Balance at end of year	<u>£ 146623</u>	<u>£ 99816</u>
21.	CHARGE OVER ASSETS		
	Bank loans and overdrafts at 30.6.86 totalling £207238 (1985 - £298729) are secured by a mortgage debenture in favour of National Westminster Bank PLC., in the form of a floating charge over all company assets.		

ETON TRAVEL AGENCY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 30 JUNE 1986

<u>SOURCE OF FUNDS</u>	<u>1986</u>	<u>1985</u>
Profit on ordinary activities before taxation	72807	54654
Adjustments for items not involving the movement of funds:		
Amortisation of Goodwill	8333	12080
Depreciation	47255	44116
Adjustment on disposal of fixed assets	-	7570
	<u>55588</u>	<u>63866</u>
Funds generated from operations	<u>128395</u>	<u>118520</u>
Funds from other sources:		
Proceeds from disposal of fixed assets	-	1800
Loans	69945	33436
	<u>69945</u>	<u>35236</u>
Total funds generated	<u>198340</u>	<u>153756</u>

APPLICATION OF FUNDS

Purchase of fixed assets	262274	147465
Acquisition of investment	115816	-
Acquisition of goodwill	-	25000
Loans becoming repayable in 1 year	47256	-
Tax paid	15000	8500
	<u>(440346)</u>	<u>(180965)</u>
<u>INCREASE/(DECREASE) IN WORKING CAPITAL</u>	<u>£(242006)</u>	<u>£ (27209)</u>

REPRESENTING FUNDED BY)

Increase(decrease) in stocks	700	7460
Increase(decrease) in debtors	(246690)	297682
(Increase)decrease in creditors	21537	(109711)
	<u>(223354)</u>	<u>195431</u>
Net liquid funds:		
Increase(decrease) in bank and cash	29703	2652
(Increase)decrease in borrowings repayable within one year	(47256)	(225292)
	<u>£(242006)</u>	<u>£ (27209)</u>