

DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2006



COMPANY NUMBER: 4293908

DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2006

CONTENTS	Page
Company information	1
Directors' report	2
Independent Auditors' report	4
Profit and loss account	5
Balance sheet	6
Accounting policies	7 - 8
Notes to the Financial Statements	9 - 18

**DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)**

COMPANY INFORMATION

DIRECTORS

Dominic James Speakman
Susan Elizabeth Hingley

SECRETARY

Dominic James Speakman

REGISTERED COMPANY NUMBER

4293908

REGISTERED OFFICE

4th Floor
Travel House
43 Churchgate
Bolton
Lancashire
BL1 1TH

BANKERS

Barclays Bank
Wellsprings Branch
Victoria Square
Bolton
Lancashire
BL1 1BY

AUDITORS

Solomon Hare Audit LLP
Oakfield House
Oakfield Grove
Clifton
Bristol
BS8 2BN

**DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2006**

DIRECTORS' REPORT

The directors present their report together with the Financial Statements for the year ended 31 October 2006

Principal activities

The principal activity of the company is the provision of holidays

Business review

The growth of the company further continued in 2006 with an increase in Turnover of 42%

The planned relocation took place during the year, and sees the company well placed to accommodate further expansion. The level of advanced bookings, along with the ongoing increased level of revenue generated by the additional reservation staff, and a stable cost base, will see a move to profit generation during 2007

As at the 31st October 2006 the total value of bookings taken but not yet released to the Profit and Loss account, amounted to £3.1m, an increase of 44% on 2005

Within the Balance Sheet the amount of Deferred Revenue is included in Creditors falling due within 1 year

Results and dividends

The results of the year's trading, the financial position of the company and the transfer to reserves are shown on pages 5 and 6

The company's loss for the year, before taxation, amounted to £453,144 (2005 £81,060 loss)

An appropriation of £19,800 (2005 £19,800) has been made in respect of the redeemable cumulative preference shares. The directors do not recommend the payment of an ordinary dividend this year

The retained loss for the year of £449,908 (2005 £67,380) has been transferred to the profit and loss reserves

Change of name

On the 29 March 2006 the company changed its name from Travel Counsellors Holidays Ltd to Destinology Ltd

Financial risk management and objectives and policies

The financial risk management objectives of the company in relation to financial instruments are set by the directors with a view to minimising its exposure to price risk, credit risk, liquidity risk, exchange risk and cash flow risk. The use of various financial instruments will be considered to mitigate risks or enhance returns, subject to strict control of exposures

Key Performance Indicators

	2006	2005	Increase
	£'000	£'000	%
Turnover	9,487	6,641	42.8
Deferred Revenue	3,112	2,152	44.6
Booking value	10,369	7,741	33.9
Number of bookings	4,454	3,475	28.2

**DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)**

**REPORT AND FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2006**

DIRECTORS' REPORT (Continued)

Directors

The directors who served during the year and their beneficial interests in the shares of the company at the end of the year were as follows

	Ordinary shares		Redeemable Cumulative Preference shares	
	31 10 06	1 11 05 (or date of appointment if later)	31 10 06	1 11 05 (or date of appointment if later)
D J Speakman	30,000	30,000	-	-
S E Hingley	-	-	-	-

In addition to the above, D J Speakman has a non-beneficial interest in the Redeemable Cumulative Preference by virtue of the shares being held by Travel Counsellors PLC, a company in which Mr D J Speakman has an interest

Statement of directors' responsibilities

Company law requires the directors to prepare Financial Statements for each financial period which 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 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,
- Prepare the Financial Statements on a 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

In so far as the directors are aware

- There is no relevant audit information of which the company's auditors are aware, and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Political and charitable gifts

No political or charitable contributions were made during the year (2005 £nil)

**DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)**

**REPORT AND FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2006**

DIRECTORS' REPORT (Continued)

Auditors

During the year Solomon Hare LLP changed its name to Solomon Hare Audit LLP

A resolution to re-appoint Solomon Hare Audit LLP as the company's auditor will be put to the Annual General Meeting



By order of the Board
D J Speakman
Secretary

Date 6 February 2007

**DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)**

We have audited the accounts of Destinology Limited for the year ended 31 October 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. We also report to you if, in our opinion, 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 the 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 misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion

The accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2006 and of its loss for the year then ended,

The accounts have been properly prepared in accordance with the Companies Act 1985, and

The information given in the Directors' Report is consistent with the accounts.

Solomon Hare Audit LLP
Chartered Accountants
Registered Auditors
Oakfield House
Oakfield Grove
Clifton, Bristol
BS8 2BN



Date 6 February 2007

DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 OCTOBER 2006

	Notes	2006 £	2005 (Restated) £
Turnover	1	9,486,839	6,640,658
Cost of sales		(8,516,787)	(5,849,716)
		<u>970,052</u>	<u>790,942</u>
Administrative expenses		(1,406,831)	(864,083)
Operating (loss)	2	(436,779)	(73,141)
Interest receivable	4	5,367	11,881
Interest payable	5	(21,732)	(19,800)
Waiver of dividend		<u>91,575</u>	<u>-</u>
(Loss) on ordinary activities before taxation		(361,569)	(81,060)
Taxation	6	<u>3,236</u>	<u>13,680</u>
(Loss) for the financial year	14	<u>(358,333)</u>	<u>(67,380)</u>

With effect from 31st October 2006 the Cumulative Preference Shareholders waived the right absolutely to the arrears of the attributable dividend to that date

All activities undertaken by the company are continuing

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2006 £	2005 £
(Loss) for the financial year	(358,333)	(67,380)
Prior year adjustment (note 15)	<u>(239,800)</u>	<u>-</u>
Total gains and losses recognised since last annual report	<u>(598,133)</u>	<u>(67,380)</u>

The prior year adjustment shows cumulative redeemable preference shares restated as liabilities in accordance with FRS 25

DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)

BALANCE SHEET AS AT 31 OCTOBER 2006

		2006	2005 (Restated)
	Notes	£	£
Fixed assets			
Tangible assets	7	145,713	40,053
Current assets			
Stock	8	12,559	7,408
Debtors	9	3,124,521	2,367,786
Cash at bank and in hand		615,829	614,084
		<u>3,752,909</u>	<u>2,989,278</u>
Creditors: amounts falling due within one year	10	<u>(3,876,313)</u>	<u>(2,679,426)</u>
Net current (liabilities)/assets		<u>(123,404)</u>	<u>309,852</u>
Total assets less current liabilities		22,309	349,905
Creditors: amounts falling due after more than one year	11	(413,973)	(380,000)
Provision for liabilities and charges	12	-	(3,236)
Net liabilities		<u>(391,664)</u>	<u>(33,331)</u>
Capital and reserves			
Called up share capital	13	30,000	30,000
Profit and loss account	14	(421,664)	(63,331)
Total shareholders' deficit	15	<u>(391,664)</u>	<u>(33,331)</u>

The financial statements were approved by the Board of Directors on 6th February 2007 were signed on its behalf by



D J Speakman
Director

The notes on pages 9 to 18 form part of these financial statements

DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2006

	Notes	2006	2005
		£	£
Cash flow statement			
Net cash inflow/(outflow) from operating activities	20	60,101	(64,844)
Returns on investments and servicing of finance			
Hire purchase and finance lease interest paid		(1,932)	-
Bank interest received		5,367	11,881
Dividend paid to preference shareholders		-	-
Net inflow from returns on investments and servicing of finance		3,435	11,881
Taxation		-	-
Capital expenditure			
Purchase of fixed assets		(49,416)	(17,392)
Net outflow from capital expenditure		(49,416)	(17,392)
Net inflow/(outflow) before financing and use of liquid reserves		14,120	(70,355)
Financing			
Capital element of finance lease rental payments		(12,375)	-
Net inflow from financing		(12,375)	-
Increase/(Decrease) in cash	21	1,745	(70,355)

The notes on pages 9 to 18 form part of these financial statements

**DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)**

**ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 OCTOBER 2006**

The principal accounting policies of the company are set out below

Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards under the historical cost convention

Turnover

Turnover is the total amount receivable by the company in the ordinary course of business in respect of the value of holidays sold excluding VAT. Income is recognised on the date of the holiday makers' departure. Non refundable deposits are recognised upon booking.

FRS 25 "Financial Instruments: Disclosure and Presentation"

FRS 25 "Financial Instruments: Disclosure and Presentation" has been adopted during the year. Prior to this the company classified financial instruments, such as preference shares, as non-equity shareholders funds and were classified in the balance sheet as part of share capital and reserves.

FRS 25 requires that the substance rather than the legal form of a financial instrument be considered when considering the classification of a financial instrument within the balance sheet. The full accounting policy is given below.

The effect of this change in accounting policy as at 31 October 2005 is to reclassify preference shares with a total value of £220,000 as financial liabilities within creditors falling due within one year. To accommodate this change in accounting policy a prior year adjustment of £220,000 has been made to reduce net assets as at 1 November 2005.

In line with the change in balance sheet classification the dividend of £19,800 paid to the preference shareholders has been reclassified as part of net interest paid, rather than being included within dividends paid and proposed in the profit and loss account. This change also has the effect of reducing profit attributable to shareholders for 2005 by £19,800.

Tangible fixed assets and depreciation

Depreciation is calculated to write-off the cost of the assets on a straight line basis over their estimated useful life.

The rate of depreciation used is

Computer hardware and software	-	20% per annum
Fixtures and fittings	-	20% per annum

Deferred taxation

Deferred tax is recognised on a full provision basis in respect of all timing differences which have originated, but not reversed at the balance sheet date. Timing differences represent the accumulated differences between the company's taxable profit and accounting profit and arise primarily from the difference between accelerated capital allowances and depreciation. The provision is not discounted.

DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)

ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2006

Foreign currency

Assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Pension costs

The company operates a defined contribution scheme. The pension costs are charged to the Profit and Loss Account in the period for which contributions are payable. Assets of the scheme are held separately from those of the company in independently administered funds.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the Profit and Loss Account over the period of the lease and represents a constant periodic rate of charge.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Restatement of comparative figures

Other debtors and deferred income have been restated in the comparative balance sheet by £275,751. This has no effect on net assets or the result for the year. This restatement reflects a re-allocation of the various elements of the net travel creditors and, in the opinion of the directors, more fairly presents the balance sheet.

DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2006

1 TURNOVER

In the opinion of the directors there is only one class of business Turnover is entirely attributable to the UK

2 OPERATING (LOSS)

Operating (loss) is stated after charging

	2006	2005
	£	£
Directors emoluments	51,572	99,548
Auditors' remuneration - audit	10,000	4,500
- other	-	-
Depreciation charge for the year		
- Tangible owned fixed assets	4,723	7,974
- Tangible fixed assets under hire purchase contracts	15,242	-
Operating leases – property	41,038	12,500
	<hr/>	<hr/>

3 STAFF COSTS

	2006	2005
	£	£
Staff costs during the year amounted to		
Wages and salaries	668,184	499,463
Pension costs	4,926	633
Social security costs	65,302	46,858
	<hr/>	<hr/>
	738,412	546,954
	<hr/>	<hr/>

The average monthly number of employees during the year including directors within each category of persons was

	No	No
Sales and administration	42	32
	<hr/>	<hr/>

4 INTEREST RECEIVABLE

	2006	2005
	£	£
Bank interest receivable	5,367	11,881
	<hr/>	<hr/>

DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2006

5 INTEREST PAYABLE

	2006	2005 (Restated)
	£	£
Redeemable Cumulative Preference Share dividend	19,800	19,800
Finance lease interest payable	1,932	-
	<u>21,732</u>	<u>19,800</u>

The Redeemable Cumulative Preference shares are entitled to a dividend of 9% per annum. The shareholders have waived their rights absolutely to the arrears of dividends to 31st October 2006.

6 TAXATION

	2006	2005
	£	£
Analysis of charge in year:		
UK Corporation Tax		
Current year	-	(8,073)
Prior year	-	(43)
	<u>-</u>	<u>(8,116)</u>
Deferred Tax (note 12)		
Current year	(3,236)	(5,632)
Prior year	-	68
	<u>(3,236)</u>	<u>(5,564)</u>
	<u>(3,236)</u>	<u>(13,680)</u>

Factors affecting tax charge for year:

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

	2006	2005
	%	%
Standard rate of corporation tax in the United Kingdom	(30.0)	(30.0)
Effects of		
Expenses not deductible for tax	0.3	-
Small companies' relief	-	7.6
Depreciation in excess of capital allowances	(2.4)	0.4
Unrelieved tax losses and other deductions arising in the period	32.1	8.8
Adjustments to tax charge in respect of previous periods	-	(0.1)
UK corporation tax charge for year	<u>0.00</u>	<u>(13.3)</u>

DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2006

6 TAXATION (Continued)

Factors which may affect future tax charges:

Losses of approximately £466,138 (2005 £17,981) are available to set off against future taxable trading profits

7 TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer hardware and software £	Total £
Cost			
At 1 November 2005	7,523	64,731	72,254
Additions	87,303	38,322	125,625
At 31 October 2006	94,826	103,053	197,879
Depreciation			
At 1 November 2005	(968)	(31,233)	(32,201)
Charge for the year	(9,587)	(10,378)	(19,965)
At 31 October 2006	(10,555)	(41,611)	(52,166)
Net book value as at 31 October 2006	84,271	61,442	145,713
Net book value as at 31 October 2005	6,555	33,498	40,053

Hire purchase agreements

The net book value of fixtures and fittings, and computer hardware and software includes £41,829 (2005 £nil) and £34,380 (2005 £nil) respectively, in respect of assets held under finance leases. The amount of depreciation in respect of such assets amounted to £6,876 (2005 £nil), and £8,366 (2005 £nil) respectively for the year.

8 STOCK

	2006 £	2005 £
Stationery, advertising materials and consumables	12,559	7,408

DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2006

9 DEBTORS

	2006	2005 Restated
Amounts falling due within one year		
	£	£
Trade debtors	2,023,679	1,480,883
Other debtors	979,966	811,657
Prepayments and accrued income	77,342	41,152
Social security and taxes	35,461	26,021
Corporation tax	8,073	8,073
	<u>3,124,521</u>	<u>2,367,786</u>

Included within other debtors is an amount of £68,247 (2005 £51,216) being a deposit with a supplier. This is secured by a guarantee given by Yorkshire Bank plc who have a charge over this sum.

10 CREDITORS: amounts falling due within one year

	2006	2005 Restated
	£	£
Trade creditors	637,566	432,911
Dividend payable	-	71,775
Obligations under finance leases and hire purchase contracts	29,861	-
Amounts owed to related undertaking	6,256	2,217
Social security and other taxes	30,211	11,846
Accruals	60,579	9,417
Deferred Revenue	3,111,840	2,151,260
	<u>3,876,313</u>	<u>2,679,426</u>

11 CREDITORS: amounts falling due after more than one year

	2006	2005 Restated
	£	£
Amount owed to related undertaking	160,000	160,000
Redeemable Cumulative Preference Shares (220,000 of £1 each)	220,000	220,000
Obligations under finance leases and hire purchase contracts	33,973	-
	<u>413,973</u>	<u>380,000</u>

The above amount owed to a related undertaking represents an interest free loan from a related undertaking. This loan is subordinated to the CAA and cannot be withdrawn without the CAA's prior written consent.

The Redeemable Cumulative Preference shares are redeemable at par at the company's option and are entitled to a dividend of 9% per annum.

DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2006

12 PROVISION FOR LIABILITIES AND CHARGES

The amounts provided for deferred taxation calculated on the liability method, are set out below

	2006	2005
	£	£
Accelerated capital allowances	8,631	8,631
Tax losses	(5,395)	(5,395)
	<u>3,236</u>	<u>3,236</u>
Provision at 1 November 2005	3,236	3,236
Deferred tax credit in profit and loss account	(3,236)	-
Provision at 31 October 2006	<u>-</u>	<u>3,236</u>

The 2005 provision for deferred tax was included within the corporation tax creditor for that year

13 CALLED UP SHARE CAPITAL

	2006	2005
	£	£
Authorised		
50,000 Ordinary shares of £1 each (Class A)	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid		
30,000 Ordinary shares of £1 each (Class A)	<u>30,000</u>	<u>30,000</u>

14 RESERVES

	Profit and Loss Account
	£
As at 1 November 2005	(43,531)
Prior year adjustment (note 15)	<u>(19,800)</u>
As at 1 November 2005 restated	(63,331)
Retained (loss) for the year	<u>(358,333)</u>
Balance at 31 October 2006	<u>(421,664)</u>

DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2006

15 SHAREHOLDERS' FUNDS

Reconciliation of movement on shareholders' funds

	2006	2005
	£	£
Opening shareholders funds as originally stated	206,469	254,049
Prior year adjustment	(239,800)	(220,000)
Opening shareholders funds restated	(33,331)	34,049
(Loss) for the year as originally stated	(358,333)	(47,580)
Prior year adjustment	-	(19,800)
(Loss) for year as restated	(358,333)	(67,380)
Closing shareholders funds	(391,664)	(33,331)

As stated in the Accounting Policies, the company has adopted FRS25 in the year. Accordingly the Cumulative Redeemable Preference Shares of £220,000 have been restated as a liability (formerly included within shareholders funds, non equity) and the dividend of £19,800 has been restated as a finance charge within interest payable.

16 RELATED PARTY TRANSACTIONS

During the year the company paid rent of £4,166 (2005 £12,500) and a management charge of £7,200 (2005 £8,400) together with sundry other directly recharged expenses to Travel Counsellors PLC, a company in which Mr DJ Speakman has an indirect interest. Travel Counsellors PLC acted as agent in respect of the sale of holidays with a gross value of £4,787,403 (2005 £4,952,469), which are included in trade debtors, net of cash received of £39,988 (2005 £950,068). An additional balance was outstanding at 31 October 2006 of £983 (2005 £2,217) (Note 10).

Travel Counsellors PLC have advanced an interest free loan of £160,000 which is outstanding at the year end (2005 - £160,000).

17 ULTIMATE CONTROLLING PARTY

The directors consider the ultimate controlling party to be Mr DJ Speakman by virtue of his shareholding.

DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2006

18 OPERATING LEASE COMMITMENTS

At 31 October 2006, the company had annual commitments under operating leases as set out below

	2006		2005	
	Land and Buildings	Other	Land and Buildings	Total
	£	£	£	£
Operating leases which expire				
Within 1 year	-	-	-	-
Within 2 to 5 years	94,600	16,750	-	-
	<u>94,600</u>	<u>16,750</u>	<u>-</u>	<u>-</u>

19 COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	2006	2005
	£	£
Amounts payable within 1 year	29,861	-
Amounts payable between 2 to 5 years	33,973	-
	<u>63,834</u>	<u>-</u>

20 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006	2005
	£	£
Operating loss	(436,779)	(73,141)
Depreciation charges	19,965	8,031
Decrease/(Increase) in stocks	(5,151)	(933)
Decrease/(Increase) in debtors	(1,032,487)	(962,061)
Increase in creditors	1,514,553	963,260
Net cash inflow/(outflow) from operating activities	<u>60,101</u>	<u>(64,844)</u>

DESTINOLOGY LIMITED
(FORMERLY TRAVEL COUNSELLORS HOLIDAYS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2006

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006	2005
	£	£
Reconciliation of net cash flow to movement in net funds		
Increase / (Decrease) in cash in the year	1,745	(70,355)
Cash outflow from decrease in debt and lease financing	12,375	-
Change in net funds resulting from cash flows	14,120	(70,355)
New finance leases	(76,209)	-
Movement in net funds in the year	(62,089)	(70,355)
Net funds at beginning of year	614,084	684,439
Net funds at end of year	551,995	614,084

22 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 November 2005	Cash flows	Other changes	At 31 October 2006
	£	£	£	£
Cash at bank and in hand	614,084	1,745	-	615,829
Finance leases	-	12,375	(76,209)	(63,834)
Subtotal	-	12,375	(76,209)	(63,834)
	614,084	14,120	(76,209)	551,995

During the year the company entered into new finance lease arrangements with a value of £76,209 (2005 £nil)