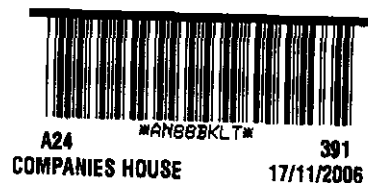


The School Travel Group Limited
Financial statements
For the period ended 30 April 2006

Grant Thornton 



Company No. 5293885

Company information

Company registration number	5293885
Registered office	3 St James's Square London SW1Y 4JU
Directors	M Bole J Bowden H Sleet M K Grassby M Salter
Secretary	S Spooner
Bankers	Natwest Bank plc Unit 40 56 Churchill Square Brighton BN1 2ES
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors The Explorer Building Fleming Way Manor Royal Crawley West Sussex RH10 9GT

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Report of the directors

The Directors present their report and the financial statements of the Group for the period ended 30 April 2006.

Principal activities and business review

The School Travel Group Ltd was created in November 2004, its principle activity is to invest in and act as a holding company for companies operating mainly in the school travel sector.

In December 2004 The School Travel Group Ltd acquired the entire share capital of STS Travel Group Ltd. Further acquisitions were made by the group in September 2005 of Equity Ltd and in April 2006 of the business of Pavilion Tours.

The acquisitions have been funded by bank debt and investment made by funds managed by Bowmark Capital Ltd. Further details of the acquisitions and funding can be found in note 25 to the financial statements.

Results and dividends

The profit after taxation for the period amounted to £306,000.

The directors and their interests in the shares of the company

The Directors in office since 23rd November 2004 are as follows

J Bowden	(appointed 15th December 2004)
M Bole	(appointed 23rd December 2004)
S Nunan	(appointed 24th January 2005, resigned 10th November 2005)
H Sleet	(appointed 23rd December 2004)
M K Grassby	(appointed 23rd December 2004)
M Salter	(appointed 23rd December 2004)
Mitre Directors Ltd	(appointed 23rd November 2004, resigned 15th December 2004)
Mitre Secretaries Ltd	(appointed 23rd November 2004, resigned 15th December 2004)

Directors interests

None of the Directors had any interests in the shares of the company at their date of appointment.

The Directors interests in the ordinary share capital of the company at 30 April 2006 are stated below:

	Ordinary shares of 1p each
J Bowden	2,065
M Bole	200
H Sleet	500

At 30 April 2006, M Salter and M K Grassby had a beneficial interest in the 8,567 ordinary shares of the company owned by funds managed by Bowmark Capital Limited.

Directors' responsibilities

Company law in the United Kingdom 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 the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

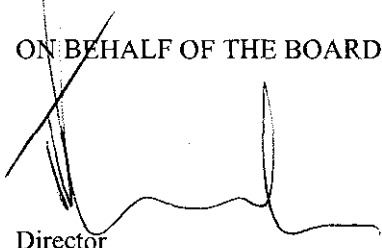
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the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

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

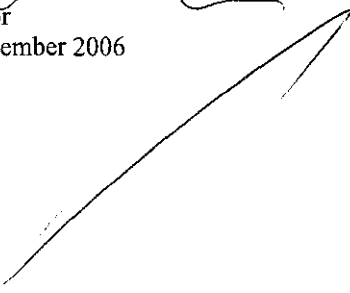
Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



Director
27 September 2006



Report of the independent auditor to the members of The School Travel Group Limited

We have audited the financial statements of The School Travel Group Limited for the period ended 30 April 2006 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and notes 1 to 27. These financial statements 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 auditor's 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

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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 other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

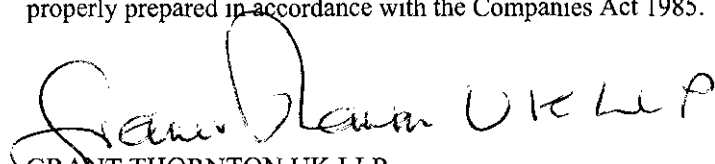
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

Report of the independent auditor to the members of The School Travel Group Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 April 2006 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
GATWICK

27 September 2006

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and applicable accounting standards up to and including FRS 25 as appropriate. The principal accounting policies of the group are set out below. They are unchanged from the policies that the subsidiary companies adopted prior to acquisition by the company.

The accounts are for the period from incorporation on 23 November 2004 to 30 April 2006 and are statutory accounts within the meaning of section 226 of the Companies Act 1985.

Basis of consolidation

The Group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 30 April 2006. Profits or losses on intra-group transactions are eliminated in full. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting.

Turnover

Turnover is the amount receivable by the Group for services provided, excluding VAT. Turnover is recognised on the date of departure of holidays.

Investments

Investments are included at cost less amounts written off.

Goodwill

Goodwill arising on consolidation and purchased goodwill representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life of 20 years from the original date of acquisition, which the directors consider is appropriate as part of the underlying business has been trading for over 60 years.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on a straight line basis at rates calculated to write down the cost less estimated residual value of each asset over its expected useful life on the following annual basis:

Long leasehold property	50 years
Furniture, fittings and computer equipment	3 - 10 years
Motor vehicles	3 - 5 years
Resort equipment	3 - 5 years

Stocks

Stocks comprise beverages, food and consumables at hotels and are stated at cost, less any provision for excess or unusable items.

Revenue invoiced in advance

Amounts invoiced to customers relating to holidays commencing after the year end are deferred and included in Creditors: amounts falling due within one year, as deposits held on behalf of customers.

Deferred issue costs

Issue costs incurred in arranging financial instruments are deferred and amortised over the life of the liability to which they relate.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions denominated in foreign currencies are recorded at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at that date. The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves.

Brochure and promotional costs

Third party costs incurred in the production of the Group's brochures are charged to the profit and loss account in the season to which they relate. Where external costs are incurred relating to future seasons they are carried forward and charged to the profit and loss in the future period in which the related revenue will be receivable, in so far as the directors are satisfied that future revenue will exceed the costs so deferred.

Pension costs

The Group contributes to personal pension schemes for certain employees. The cost is charged to the profit and loss account in the year to which it relates.

Operating leases

The total payments made under operating leases are charged to the profit and loss account on a straight line basis over the duration of the lease.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where none of the contractual terms of share capital meet the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Where both a liability and an equity instrument are issued together and are not available for subscription separately they are accounted for at fair value. At date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar debt instrument without the equity feature. The liability component is accounted for as a financial liability.

The residual is the difference between the net proceeds of issue and the liability component (at time of issue). The residual is the equity component, which is accounted for as an equity instrument (share capital).

The net proceeds of an instrument include any related issue costs.

The interest expense on the liability component is calculated by applying the effective interest rate for the liability component of the instrument. The difference between this amount and any repayments is added to the carrying amount of the liability in the balance sheet.

Consolidated profit and loss account

		Period from 23 November 2004 to 30 April 2006
	Note	£'000
Turnover	2	61,169
Cost of sales		(49,773)
Gross profit		11,396
Administrative expenses		(8,321)
Other operating charges		(56)
Other operating income		271
Operating profit	3	3,290
Interest receivable		762
Interest payable and similar charges	7	(2,532)
Profit on ordinary activities before taxation		1,520
Tax on profit on ordinary activities	8	(1,214)
Profit for the financial year	20	306

All activities of the group were acquired during the period. Further details can be found in note 25.

The accompanying accounting policies and notes form part of these financial statements.

Balance sheets

	Note	Group 2006 £'000	Company 2006 £'000
Fixed assets			
Intangible assets	9	16,709	-
Tangible assets	10	971	-
Investments	11	-	20,456
		<u>17,680</u>	<u>20,456</u>
Current assets			
Stocks		15	-
Debtors	12	2,831	47
Cash at bank		18,027	1,748
		<u>20,873</u>	<u>1,795</u>
Creditors: amounts falling due within one year	13	<u>(18,193)</u>	<u>(3,203)</u>
Net current assets/(liabilities)		<u>2,680</u>	<u>(1,408)</u>
Total assets less current liabilities		<u>20,360</u>	<u>19,048</u>
Creditors: amounts falling due after more than one year	14	<u>(16,666)</u>	<u>(16,666)</u>
		<u>3,694</u>	<u>2,382</u>
Capital and reserves			
Called-up equity share capital	19	-	-
Share premium account	19	11	11
Other reserves	19	3,379	3,379
Profit and loss account	19	304	(1,008)
Shareholders' funds	20	<u>3,694</u>	<u>2,382</u>

These financial statements were approved by the board on 27 September 2006 and are signed on their behalf by:

Director

The accompanying accounting policies and notes form part of these financial statements.

Consolidated cash flow statement

		Period from 23 November 2004 to 30 April 2006
	Note	£'000
Net cash inflow from operating activities	24	4,338
Returns on investments and servicing of finance		
Interest paid		(610)
Interest received		762
Net returns on investments and servicing of finance		152
Taxation		(691)
Capital expenditure		
Payments to acquire tangible fixed assets		(637)
Receipts from sale of tangible fixed assets		24
		(613)
Acquisitions		
Purchase of subsidiary undertakings		(14,786)
Net cash acquired with subsidiary undertakings		14,020
		(766)
Net cash inflow before financing		2,420
Financing		
Issue of share capital (including equity issued in packages with debt)		2,507
New debt		13,100
Net cash inflow from financing		15,607
Increase in cash	24	18,027

Other primary statements

Group statement of total recognised gains and losses

Period from 23 November
2004 to 30 April 2006

	£'000
Profit for the financial year	306
Exchange differences	(2)
Total gains and losses recognised since last financial statements	<u>304</u>

Notes to the financial statements

1 Statutory information

The company was incorporated on 23 November 2004 as Intercede 1980 Limited. On 13 December 2004 the name of the company was changed to STS Travel Group Holdings Limited, and on 10 May 2005, it was changed again to The School Travel Group Limited.

On 23 December 2004, the company acquired the whole of the issued share capital of STS Travel Group Limited. The results of STS Travel Group Limited, and its subsidiaries have been incorporated in these financial statements from that date. Details of the acquisition are set out in note 25.

2 Turnover

The turnover and profit on ordinary activities before taxation are attributable to the principal activity of acting as a tour operator specialising in Group travel. Although the provision of certain services took place abroad, all turnover is considered to arise in the United Kingdom.

3 Operating profit

Operating profit is stated after charging:

Period from 23 November
2004 to 30 April 2006

£'000

Amortisation	828
Depreciation of owned fixed assets	545
Loss on disposal of fixed assets	2
Auditor's remuneration:	
Audit fees	41
Non-audit fees	14
Operating lease costs:	
Land and buildings	<u>1,583</u>

4 Profit for the financial period

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent company's loss for the financial period was £1,008,000.

5 Particulars of employees

The average number of staff employed by the Group during the financial period amounted to:

	Period from 23 November 2004 to 30 April 2006
	No
Number of selling staff	54
Number of administrative staff	60
Number of overseas staff	162
	<u>276</u>

The aggregate payroll costs of the above were:

	Period from 23 November 2004 to 30 April 2006
	£'000
Wages and salaries	5,809
Social security costs	581
Other pension costs	30
	<u>6,420</u>

6 Directors

Remuneration in respect of directors was as follows:

	Period from 23 November 2004 to 30 April 2006
	£'000
Emoluments	433
Fees paid to third party for directors' services	48
Total directors emoluments	<u>481</u>

Emoluments of highest paid director:

	Period from 23 November 2004 to 30 April 2006
	£'000
Total emoluments (excluding pension contributions)	<u>157</u>

7 Interest payable and similar charges

Period from 23 November
2004 to 30 April 2006

£'000

Interest payable

- on Bank loan	681
- on Deep discount bonds	926
- on A loan notes	336
- on B loan notes	262
- on C loan notes	201
- on Vendor loan notes	57

Other interest payable (including amortisation of debt issue costs)

69

2,532

8 Taxation on ordinary activities

(a) Analysis of charge in the year

Period from 23 November
2004 to 30 April 2006

£'000

Current tax:

UK Taxation

UK Corporation tax based on the results for the period at 30%

1,235

1,235

Foreign tax

Current tax on income for the period

(6)

Total current tax

1,229

Deferred tax:

Origination and reversal of timing differences

(15)

Tax on profit on ordinary activities

1,214

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30%.

**Period from 23 November
2004 to 30 April 2006
£'000**

Profit on ordinary activities before taxation	1,520
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	456
Effect of:	
Expenses not deductible for tax purposes	418
Amortisation of goodwill	248
Other adjustments	113
Total current tax (note 8(a))	<u>1,235</u>

9 Intangible fixed assets

**Goodwill
£000**

Group

Cost	
At 23 November 2004	-
Additions	17,537
At 30 April 2006	<u>17,537</u>
Amortisation	
At 23 November 2004	-
Charge for the period	828
At 30 April 2006	<u>828</u>
Net book value	
At 30 April 2006	<u><u>16,709</u></u>

10 Tangible fixed assets

Group	Furniture, Fittings and Computer Equipment £000	Motor Vehicles £000	Resort equipment £000	Long leasehold property £000	Total £000
Cost					
At 23 November 2004	-	-	-	-	-
Acquisitions	1,332	428	627	163	2,550
Additions	531	15	91	-	637
Disposals	(54)	(50)	(5)	-	(109)
Exchange difference	8	1	1	-	10
At 30 April 2006	<u>1,817</u>	<u>394</u>	<u>714</u>	<u>163</u>	<u>3,088</u>
Depreciation					
At 23 November 2004	-	-	-	-	-
Acquisitions	824	336	490	-	1,650
Charge for the year	399	56	83	7	545
On disposals	(43)	(37)	(4)	-	(84)
Exchange difference	2	1	3	-	6
At 30 April 2006	<u>1,182</u>	<u>356</u>	<u>572</u>	<u>7</u>	<u>2,117</u>
Net book value					
At 30 April 2006	<u>635</u>	<u>38</u>	<u>142</u>	<u>156</u>	<u>971</u>

11 Investments

Company - Investment in subsidiary undertakings

	£000
Cost	
At 23 November 2004	-
Acquisitions	20,456
At 30 April 2006	<u>20,456</u>

At 30 April 2006 the Company owned the whole of the issued share capital of the following companies:

Company	Country of incorporation	Class of shares	Principal activity
STS Travel Group Limited	England and Wales	£1 ordinary	Holding company
Skiplan Travel Limited	England and Wales	£1 ordinary	Tour operator
Skiplan (Air & Coach) Limited	England and Wales	£1 ordinary	Transport provider
Alphotels 2000 SARL	France	€14 ordinary	Hotel operator
STS School Travel Service Limited	England and Wales	£1 ordinary	Tour operator
STS Holidays Limited	England and Wales	£1 ordinary	Transport provider

12 Debtors

	Group 2006	Company 2006
	£'000	£'000
Trade debtors	120	-
Deferred brochure costs	237	-
Deposits for accommodation and other services	454	-
Other debtors	487	23
Prepayments and accrued income	1,533	24
	<u>2,831</u>	<u>47</u>

13 Creditors: amounts falling due within one year

	Group 2006	Company 2006
	£'000	£'000
Bank loans	1,464	1,464
B loan notes	1,261	1,261
Trade creditors	4,188	-
Deposits received for bookings after 30 April	8,241	-
Amounts owed to subsidiary undertakings	-	34
Amounts owed to related companies	16	-
Corporation tax	546	-
Social security and other taxes	345	-
Other creditors	17	-
Directors current accounts	30	-
Accruals and deferred income	2,085	444
	<u>18,193</u>	<u>3,203</u>

14 Creditors: amounts falling due after more than one year

	Group 2006	Company 2006
	£'000	£'000
A loan notes	1,556	1,556
C loan notes	1,754	1,754
Bank loan	6,953	6,953
Deep discounted bonds	4,588	4,588
Vendor loan notes	1,815	1,815
	<u>16,666</u>	<u>16,666</u>

15 Borrowings - Group and company

Borrowings are repayable as follows

	£'000
Due in less than one year:	
B loan notes	1,261
Bank loan	1,464
	<u>2,725</u>
Due in 1 to 2 years:	
Bank loan	1,627
Vendor loan notes	1,815
	<u>3,442</u>
Due in 2 to 5 years:	
Deep discounted bonds	4,588
A loan notes	1,556
C loan notes	1,754
Bank loan	5,326
	<u>13,224</u>
	<u>19,391</u>

Accounting for financial liabilities

As disclosed in the accounting policies section Financial Reporting Standard 25 has been adopted in these financial statements. The effect of the adoption of this standard is set out below:

In accordance with FRS 25, where debt instruments and equity instruments are issued in 'packages' (not available for subscription individually) then FRS 25 requires that the debt element of these 'packages' be recorded at its fair value with any residual from the proceeds of these 'packages' recorded in equity.

The A loan notes, the B loan notes, the C loan notes and the Deep discount bonds were all issued in such packages. Therefore the Group has assessed the fair value of these packages at inception by applying an appropriate discount factor to the expected future cashflows.

The amounts set out above in respect of these instruments reflect these balances on an amortised cost basis including the effect of any relevant issue costs. The equity component of these packages has been recorded in other reserves.

Set out below is a description of each of the above instruments. The interest rates noted are based upon the nominal value of the various instruments, the fair value discount factors have been included in brackets.

Deep discounted bonds (DDBs)

The DDBs were issued on 23 December 2004. They are repayable in whole or in part at the option of the holder, subject to a number of provisions being met, by giving 10 business days notice. The final redemption date is 23 December 2009. Whilst no interest is payable on the DDBs, the redemption prices imply an effective interest rate of 10% per annum (fair value 18%), and this is reflected in the carrying value in the balance sheet.

A loan notes

The A loan notes carry an interest rate of 4.88% per six monthly (effectively 10% per annum) (fair value 20%) although interest is only payable on redemption. They are repayable in full, together with accrued interest thereon, no later than 23 December 2009 or on an Initial Public Offering (IPO) or sale of the Group, but cannot be redeemed before the B loan notes are redeemed.

B loan notes

The B loan notes carry an interest rate of 10% per annum (fair value 15%), and are payable on redemption. They are repayable in tranches, with interest thereon, each year if the group has satisfied the minimum asset requirement of the Civil Aviation Authority (CAA).

C loan notes

The C loan notes carry an interest rate of 4.88% per six monthly (effectively 10% per annum) (fair value 20%) although interest is only payable on redemption. They are repayable in full, together with accrued interest thereon, no later than 2 September 2010 or on an IPO or sale of the Group.

Vendor loan notes

The vendor loan notes carry an interest rate of 5% per annum (no fair value requirement). They are guaranteed by the Group's bankers and are redeemable 24 months after the date of issue which was 5 September 2005.

Bank loan

The bank loan attracts interest at 7% per annum (no fair value requirement) and is secured on the ordinary share capital of STS Travel Group Ltd.

16 Related party transactions

The following transactions occurred during the period with related companies controlled by Mr J Bowden, a director.

Company	Service provided	Period from 23 November 2004 to 30 April 2006
		£'000
SA Beausoleil	Hotel charges provided to Alphotels and branch	408
SARL Chateau Colombieres	Hotel accommodation provided to STS School Travel Service Limited	95

The balances due from/(to) the related parties at 30 April 2006 were as follows:

	2006 £'000
S A Beausoleil	(16)
SARL Chateau Colombieres	nil

17 Operating lease rentals

Group

Operating lease payments amounting to £1,880,000 are due within one year in respect of land and buildings. The leases to which these amounts relate expire as follows:

	2006 £'000
In one year or less	618
Between one and five years	789
After more than five years	473
	<hr/> 1,880 <hr/>

18 Share capital

Authorised share capital:

	2006 £'000
4,312 Ordinary shares of 1p each	-
8,567 Ordinary A shares of 1p each	-
	<hr/> - <hr/>

Allotted and called up:
Equity shares

	2006 £'000
3,797 Ordinary shares of 1p each	-
8,567 Ordinary A shares of 1p each	-
	<hr/> - <hr/>

The company was incorporated with an authorised share capital of 100 ordinary £1 shares, of which one was issued at par (later converted to 100 1p shares).

6,384 A Ordinary and a further 2,101 Ordinary shares were issued on 23 December 2004 in packages with various debt instruments as detailed in note 15. In addition, a further 1,000 Ordinary shares were subscribed for a total consideration of £50,000 respectively.

On 2 September 2005 a further 696 Ordinary shares and 2,183 Ordinary A shares were issues in packages with C loan notes as detailed in note 15.

19 Reserves

Group	Share Premium Account	Other Reserve	Profit and Loss Account	Total
	£'000	£'000	£'000	£'000
Balance brought forward	-	-	-	-
Profit for the financial period	-	-	306	306
Exchange differences	-	-	(2)	(2)
Premium on shares issued	11	-	-	11
Equity element of debt/equity packages	-	3,379	-	3,379
Balance carried forward	<u>11</u>	<u>3,379</u>	<u>304</u>	<u>3,694</u>

Company	Share Premium Account	Other Reserve	Profit and Loss Account	Total
	£'000	£'000	£'000	£'000
Balance brought forward	-	-	-	-
Profit for the financial period	-	-	(1,008)	(1,008)
Premium on shares issued	11	-	-	11
Equity element of debt/equity packages	-	3,379	-	3,379
Balance carried forward	<u>11</u>	<u>3,379</u>	<u>(1,008)</u>	<u>2,382</u>

The Other reserve arises as a result of the accounting for debt and equity issued in packages as detailed in note 15.

20 Reconciliation of movements in shareholders' funds

Group

	2006 £'000
Profit for the financial period	306
Premium on shares issued in period	11
Equity element of debt/equity packages	3,379
Exchange differences	(2)
	<u>3,694</u>
Opening shareholders' funds	-
Closing shareholders' funds	<u>3,694</u>

21 Bonds

Bonds have been lodged on behalf of the Group companies with the Civil Aviation Authority and the Association of British Travel Agents Limited for a total of £3,994,000 which have been guaranteed by insurance contracts.

22 Capital commitments

There were no capital commitments in the Group at 30 April 2006.

23 Contingent liabilities

At 30 April 2006 Group companies had pledged £32,000 of its bank balances to its bankers as security against various commercial contracts. There were no other contingent liabilities in the company or the Group at 30 April 2006.

24 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2006 £'000
Operating profit	3,290
Depreciation and amortisation	1,373
Increase in stocks	(1)
Decrease in debtors	126
Decrease in creditors	(450)
Net cash inflow from operating activities	<u>4,338</u>

Analysis of changes in net debt

	At 23 November 2004 £'000	Cash flows £'000	Acquisitions £'000	Other non cash movements £'000	At 30 April 2006 £'000
Cash in hand and at bank	-	18,027	-	-	18,027
Debt	-	(13,100)	(4,261)	(2,030)	(19,391)
	<u>-</u>	<u>4,927</u>	<u>(4,261)</u>	<u>(2,030)</u>	<u>(1,366)</u>

25 Acquisitions

a) On 23 December 2004 the company acquired STS Travel Group Limited and its subsidiaries. The net assets acquired and the consideration were as follows:

	Book value and fair value £'000
Tangible assets	805
Stock	13
Debtors	2,152
Corporation tax recoverable	4
Deferred tax asset	28
Cash at bank and in hand	11,373
Creditors	(12,063)
Directors loans	(252)
Net assets acquired	2,060
Goodwill	12,528
Total consideration	14,588
The total consideration was satisfied by:	
Cash paid	11,203
A loan notes and shares issued in packages (note 15)	1,885
B loan notes and shares issued in packages (note 15)	1,500
	14,588

b) On 5 September 2005 the company acquired 66,476 ordinary shares of £1 each in Equity Limited ("Equity") being 100% of its nominal share capital, for a consideration of £5,400,000 (approximately £300,000 of which is deferred), satisfied by £3,333,333 in cash and the issue of £1,759,000 in loan notes. The assets and liabilities of Equity acquired were as follows:

	Book value and fair value £'000
Tangible assets	95
Debtors	776
Cash at bank and in hand	2,647
Deposits in advance	(2,401)
Creditors	(176)
Other creditors	(104)
Accruals	(39)
Net assets acquired	798
Goodwill	4,956
Total consideration	5,754
The total consideration was satisfied by:	
Cash paid	3,333
Loan notes	1,759
Deferred consideration	291
Costs of acquisition	371
	5,754

Equity was transferred to a subsidiary of the company STS School Travel Group for a consideration of £5,754,000 on 2 December 2005.

In addition, the Group acquired the trade and certain assets of Pavillion Tours on 7 April 2006 for a consideration of £250,000 giving rise to Goodwill of £245,000.

26 Ultimate controlling related party

The School Travel Group Ltd has been ultimately controlled by funds managed by Bowmark Capital Ltd.

27 Commitments

The Group has entered into an agreement with its bankers for forward foreign currency purchases amounting to £16,871,622 to meet the costs of clients travelling after 30 April 2006 under confirmed bookings. The value of these contracts has been calculated at a fair value using the spot rate of exchange as at 30 April 2006. The difference between the fair value and contract value for these agreements is a loss of £296,315.