

# **The School Travel Group Limited**

Financial statements

For the period ended 31 July 2008



**Company No. 5293885**

## Company information

<b>Company registration number</b>	5293885
<b>Registered office</b>	One Jubilee Street Brighton BN1 1GE
<b>Directors</b>	P D Gilbert M S Bole K Francis H Moore
<b>Secretary</b>	G D Williamson
<b>Bankers</b>	National Westminster Bank plc Unit 40 56 Churchill Square Brighton BN1 2ES
<b>Auditor</b>	Grant Thornton UK LLP Chartered Accountants Registered Auditor Holland Court The Close Norwich Norfolk NR1 4DY

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## Report of the directors

The Directors present their report and the financial statements of the Group for the period ended 31 July 2008.

### **Principal activities and business review**

The group is principally engaged as a tour operator specialising in school and student group travel. The tours organized by the group include winter sports, adventure/activity trips and educational tours.

### **Financial KPIs**

	2008	2007
	£'000	£'000
Turnover	65,160	51,788
Gross profit	13,610	9,975
Operating profit	2,553	1,816

KPI's are not comparable due to the seasonality of the business and the differing period lengths.

### **Results and dividends**

The loss after taxation for the period amounted to £138,000 (2007: loss £42,000).

### **Financial risk management objectives and policies**

The main risks arising from the Group's financial instruments are exchange rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

#### **Liquidity risk**

In common with all travel companies the Group is required to comply with certain net asset requirements as a condition of holding ATOL and ABTA licences. As a result the Group holds significant cash and positive net asset balances and as such liquidity risk in terms of working capital requirements is low. To ensure compliance with net asset requirements detailed forecasts are prepared and monitored on a monthly basis.

#### **Exchange rate risk**

The Group is exposed to both translation and transaction foreign exchange risk. In relation to translation risk, the risk is managed through the use of foreign currency bank accounts. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements.

### **The directors and their interests in the shares of the company**

The Directors in office during the period were as follows

J Bowden (resigned 8 July 2008)  
M S Bole  
H Sleet (resigned 28 August 2008)  
M K Grassby (resigned 8 July 2008)  
M Salter (resigned 8 July 2008)  
T Williamson (resigned 3 September 2008)

P D Gilbert was appointed a director on 15 October 2008 and K Francis and H Moore were appointed directors on 2 October 2008.

### **Directors' responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 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 company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and 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 auditor is unaware; 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 auditor is aware of that information.

### **Auditor**

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

BY ORDER OF THE BOARD



G D Williamson  
Secretary

10/12/08

## Report of the independent auditor to the member of The School Travel Group Limited

We have audited the group and parent company financial statements of The School Travel Group Limited for the period ended 31 July 2008 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, statement of total recognised gains and losses and notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

The directors' responsibilities for preparing the Report of the directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether, in our opinion, the information given in the Report of the directors is consistent with the financial statements. In addition we report to you if, in our opinion, the Group 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 other transactions is not disclosed.

We read the Report of the directors and consider whether it is consistent with the audited financials 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 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 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 member of The School Travel Group Limited

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and parent company's affairs as at 31 July 2008 and of the Group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.



GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS  
NORWICH  
10 December 2008

## Accounting policies

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice). The principal accounting policies of the group are set out below. They are unchanged from the prior year.

### **Basis of consolidation**

The Group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 July 2008. 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 period 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 period 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

	Note	Period ended 31 July 2008 £ '000	Year ended 30 April 2007 £ '000
Turnover	1	65,160	51,788
Cost of sales		(51,550)	(41,813)
Gross profit		13,610	9,975
Administrative expenses		(11,057)	(8,398)
Other operating income		-	239
<b>Operating profit</b>	2	<b>2,553</b>	<b>1,816</b>
Interest receivable		355	765
Interest payable and similar charges	6	(3,215)	(2,297)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(307)</b>	<b>284</b>
Tax on (loss)/profit on ordinary activities	7	169	(326)
<b>Loss for the financial period</b>	18	<b>(138)</b>	<b>(42)</b>

All activities are classed as continuing.

## Balance sheets

	Note	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
<b>Fixed assets</b>					
Intangible assets	8	15,722	16,518	-	-
Tangible assets	9	1,382	1,252	-	-
Investments	10	-	-	20,308	20,456
		<u>17,104</u>	<u>17,770</u>	<u>20,308</u>	<u>20,456</u>
<b>Current assets</b>					
Stocks		15	17	-	-
Debtors	11	20,257	3,544	11	68
Cash at bank		353	17,385	6	1,297
		<u>20,625</u>	<u>20,946</u>	<u>17</u>	<u>1,365</u>
<b>Creditors: amounts falling due within one period</b>	12	(34,008)	(19,419)	(19,588)	(3,155)
<b>Net current (liabilities)/assets</b>		<u>(13,383)</u>	<u>1,527</u>	<u>(19,571)</u>	<u>(1,790)</u>
<b>Total assets less current liabilities</b>		<u>3,721</u>	<u>19,297</u>	<u>737</u>	<u>18,666</u>
<b>Creditors: amounts falling due after more than one year</b>	13	-	(15,553)	-	(15,553)
Deferred taxation	14	(12)	-	-	-
		<u>3,709</u>	<u>3,744</u>	<u>737</u>	<u>3,113</u>
<b>Capital and reserves</b>					
Called-up equity share capital	17	-	-	-	-
Share premium account	18	105	105	105	105
Other reserves	18	-	3,160	-	3,160
Profit and loss account	18	3,604	479	632	(152)
<b>Shareholder's funds</b>	19	<u>3,709</u>	<u>3,744</u>	<u>737</u>	<u>3,113</u>

These financial statements were approved by the board and authorised for issue on and are signed on their behalf by:

H Moore  
 Director

10.12.2008

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

## Consolidated cash flow statement

	Note	Period ended 31 July 2008 £'000	Year ended 30 April 2007 £'000
<b>Net cash inflow from operating activities</b>	23	6,042	3,808
<b>Returns on investments and servicing of finance</b>			
Interest paid		(836)	(616)
Interest received		355	765
<b>Net (outflow)/returns on investments and servicing of finance</b>		<u>(481)</u>	<u>149</u>
<b>Taxation</b>		(950)	(680)
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(691)	(626)
Payments to acquire intangible fixed assets		(405)	-
Receipts from sale of tangible fixed assets		178	-
		<u>(918)</u>	<u>(626)</u>
<b>Acquisitions</b>			
Purchase of business and deferred consideration settlement		-	(721)
<b>Net cash inflow before financing</b>		<u>3,693</u>	<u>1,930</u>
<b>Financing</b>			
Issue of share capital (including equity issued in packages with debt)		-	94
New debt		-	574
Repayment of loans		(20,923)	(3,240)
		<u>(20,923)</u>	<u>(2,572)</u>
<b>Decrease in cash</b>	23	<u><u>(17,230)</u></u>	<u><u>(642)</u></u>

## Other primary statements

### **Group statement of total recognised gains and losses**

	Period ended 31 July 2008 £ '000	Period ended 30 April 2007 £ '000
Loss for the financial period	(138)	(42)
Exchange differences	103	(2)
<b>Total gains and losses recognised since last financial statements</b>	<b><u>(35)</u></b>	<b><u>(44)</u></b>

## Notes to the financial statements

### **1 Turnover**

The turnover and (loss)/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.

### **2 Operating profit**

Operating profit is stated after charging:

	2008 £ '000	2007 £ '000
Amortisation	1,201	892
Depreciation of owned fixed assets	491	327
(Profit)/loss on disposal of fixed assets	(18)	9
Auditor's remuneration:		
Audit fees	48	42
Non-audit fees	31	16
Operating lease costs:		
Land and buildings	<u>2,002</u>	<u>788</u>

### **3 Loss 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 £2,376k (2007: profit of £637k).

### **4 Particulars of employees**

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

	2008 No	2007 No
Number of selling staff	35	35
Number of administrative staff	115	107
Number of overseas staff	163	163
	<u>313</u>	<u>305</u>

**Particulars of employees (continued)**

The aggregate payroll costs of the above were:

	2008 £ '000	2007 £ '000
Wages and salaries	7,128	5,187
Social security costs	625	467
Other pension costs	16	26
	<u>7,769</u>	<u>5,680</u>

**5 Directors**

Remuneration in respect of directors was as follows:

	2008 £ '000	2007 £ '000
Emoluments	1,065	367
Fees paid to third party for directors' services	40	40
Total directors emoluments	<u>1,105</u>	<u>407</u>

Emoluments of highest paid director:

	2008 £ '000	2007 £ '000
Total emoluments	<u>545</u>	<u>104</u>

No directors were accruing any pension scheme benefits.

**6 Interest payable and similar charges**

	2008 £ '000	2007 £ '000
Interest payable		
- on bank loans	246	548
- on other loans	590	1,690
Movement in net present value of other loan notes on realisation	2,379	59
	<u>3,215</u>	<u>2,297</u>



**7 Taxation on ordinary activities**

(a) Analysis of (credit)/charge in the period

	2008 £ '000	2007 £ '000
Current tax:		
UK Taxation		
UK Corporation tax based on the results for the period at 30%	-	499
Adjustment in respect of prior periods	(181)	(248)
	<u>(181)</u>	<u>251</u>
Foreign tax		
Current tax on income for the period	-	89
Total current tax (note 7(b))	<u>(181)</u>	<u>340</u>
Deferred tax:		
Origination and reversal of timing differences	12	(14)
Tax on (loss)/profit on ordinary activities	<u>(169)</u>	<u>326</u>

(b) Factors affecting current tax charge

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

	2008 £ '000	2007 £ '000
(Loss)/profit on ordinary activities before taxation	<u>(307)</u>	<u>284</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(92)	85
Effect of:		
Expenses not deductible for tax purposes	168	136
Amortisation of goodwill	360	268
Capital allowances in excess of depreciation	(42)	-
Group relief claimed	(410)	-
Adjustment in respect of prior periods	(181)	(248)
Other adjustments	16	99
Total current tax (note 7(a))	<u>(181)</u>	<u>340</u>

**8 Intangible fixed assets**

Group	Sales list £ '000	Goodwill £ '000	Total £ '000
Cost			
At 1 May 2007	-	18,238	18,238
Additions	142	263	405
At 31 July 2008	<u>142</u>	<u>18,501</u>	<u>18,643</u>
Amortisation			
At 1 May 2007	-	1,720	1,720
Charge for the period	7	1,194	1,201
At 31 July 2008	<u>7</u>	<u>2,914</u>	<u>2,921</u>
Net book value			
At 31 July 2008	<u>135</u>	<u>15,587</u>	<u>15,722</u>
At 30 April 2007	<u>-</u>	<u>16,518</u>	<u>16,518</u>

**9 Tangible fixed assets**

Group	Furniture, fittings and computer equipment £ 000	Motor vehicles £ 000	Resort equipment £ 000	Long leasehold property £ 000	Total £ 000
Cost					
At 1 May 2007	2,206	385	871	163	3,625
Additions	580	-	111	-	691
Disposals	(23)	(316)	(8)	(163)	(510)
Exchange difference	172	10	38	-	220
At 31 July 2008	<u>2,935</u>	<u>79</u>	<u>1,012</u>	<u>-</u>	<u>4,026</u>
Depreciation					
At 1 May 2007	1,343	375	645	10	2,373
Charge for the period	327	8	156	-	491
On disposals	(17)	(315)	(8)	(10)	(350)
Exchange difference	91	8	31	-	130
At 31 July 2008	<u>1,744</u>	<u>76</u>	<u>824</u>	<u>-</u>	<u>2,644</u>
Net book value					
At 31 July 2008	<u>1,191</u>	<u>3</u>	<u>188</u>	<u>-</u>	<u>1,382</u>
At 30 April 2007	<u>863</u>	<u>10</u>	<u>226</u>	<u>153</u>	<u>1,252</u>

**10 Investments**

**Company - Investment in subsidiary undertakings**

	£ 000
Cost	
At 1 May 2007	20,456
Reversal of accrual	(148)
At 31 July 2008	<u>20,308</u>

At 31 July 2008 the Company owned the whole of the issued share capital of the following companies:

Company	Country of incorporation	Class of shares	Principal activity
STG Travel Group Limited (On 7 March 2008 the company changed its name from 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
Equity Limited (On 10 August 2008 the company changed its name to STG Travel Limited)	England and Wales	£1 ordinary	Tour operator
Equity Travel Limited	England and Wales	£1 ordinary	Dormant
Equity Total Travel (Transport) Limited	England and Wales	£1 ordinary	Transport provider

**11 Debtors**

	Group 2008 £ '000	Group 2007 £ '000	Company 2008 £ '000	Company 2007 £ '000
Trade debtors	1,857	356	-	-
Deferred brochure costs	-	197	-	-
Deposits for accommodation and other services	-	1,244	-	-
Corporation tax recoverable	762	-	-	-
Amounts due from group undertaking	13,295	-	-	-
Amounts due from fellow subsidiaries	-	-	1	45
Other debtors	-	655	10	6
Amounts due from related parties	1,530	14	-	-
Prepayments and accrued income	2,813	1,078	-	17
	<u>20,257</u>	<u>3,544</u>	<u>11</u>	<u>68</u>

**12 Creditors: amounts falling due within one year**

	Group 2008 £ '000	Group 2007 £ '000	Company 2008 £ '000	Company 2007 £ '000
Bank loans	-	1,650	-	1,650
Bank overdraft	198	-	-	-
Vendor loan notes	-	1,341	-	1,341
Trade creditors	1,435	4,230	-	-
Deposits received for bookings after 31 July	9,122	8,724	-	-
Amounts owed to group undertakings	17,621	-	19,550	-
Corporation tax	-	369	-	-
Social security and other taxes	1,509	438	-	-
Other creditors	262	65	-	-
Directors current accounts	-	1	-	1
Accruals and deferred income	3,861	2,601	38	163
	<u>34,008</u>	<u>19,419</u>	<u>19,588</u>	<u>3,155</u>

**13 Creditors: amounts falling due after more than one year**

	Group 2008 £ '000	Group 2007 £ '000	Company 2008 £ '000	Company 2007 £ '000
A loan notes	-	1,867	-	1,867
C loan notes	-	2,105	-	2,105
Bank loan	-	5,521	-	5,521
Deep discounted bonds	-	6,060	-	6,060
	<u>-</u>	<u>15,553</u>	<u>-</u>	<u>15,553</u>

All borrowings were repaid in full during the period.

**14 Deferred taxation**

The movement in the deferred taxation provision during the period was:

Group	2008 £ '000	2007 £ '000
Provision brought forward	-	-
Movement in the period	12	-
Provision carried forward	<u>12</u>	<u>-</u>

**Creditors: amounts falling due after more than one year (continued)**

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2008 £'000
Excess taxation allowances over depreciation on fixed assets	<u>12</u>

The company has no deferred taxation liability.

**15 Related party transactions**

The following transactions occurred during the period with related companies controlled by Mr J Bowden, who was a director until 8 July 2008.

Company	Service provided	2008 £'000	2007 £'000
SA Beausoleil	Hotel charges provided to Alphotels and branch	305	229
SARL Chateau Colombieres	Hotel accommodation provided to STS School Travel Service Limited	26	72

The balances due to the related parties at 31 July 2008 and 30 April 2007 were as follows:

	2008 £'000	2007 £'000
S A Beausoleil	21	5
SARL Chateau Colombieres	<u>7</u>	<u>3</u>

**16 Operating lease rentals**

**Group**

Operating lease payments amounting to £1,924,000 (2007: £1,393,000) are payable annually in respect of land and buildings. The leases to which these amounts relate expire as follows:

	2008 £'000	2007 £'000
In one period or less	210	154
Between one and five periods	1,427	905
After more than five periods	<u>287</u>	<u>334</u>
	<u>1,924</u>	<u>1,393</u>

**17 Share capital**

Authorised share capital:

	2008 £ '000	2007 £'000
10,500 (2007 4,312) Ordinary shares of 1p each	-	-
15,000 (2007 8,567) 'A' Ordinary shares of 1p each	-	-
	<u>-</u>	<u>-</u>

Allotted and called up:  
Equity shares

	2008 £ '000	2007 £'000
10,207 (2007: 9,387) Ordinary shares of 1p each	-	-
8,567 (2007: 8,567) 'A' Ordinary shares of 1p each	-	-
	<u>-</u>	<u>-</u>

On 30 November 2007 820 £0.01 ordinary shares were issued at par.

**18 Reserves**

Group	Share Premium Account £ '000	Other Reserve £ '000	Profit and Loss Account £ '000	Total £ '000
Balance brought forward	105	3,160	479	3,744
Loss for the financial period	-	-	(138)	(138)
Exchange differences	-	-	103	103
De-recognition of equity component of convertible debt	-	(3,160)	3,160	-
Balance carried forward	<u>105</u>	<u>-</u>	<u>3,604</u>	<u>3,709</u>

  

Company	Share Premium Account £ '000	Other Reserve £ '000	Profit and Loss Account £ '000	Total £ '000
Balance brought forward	105	3,160	(152)	3,113
Loss for the financial period	-	-	(2,376)	(2,376)
De-recognition of equity component of convertible debt	-	(3,160)	3,160	-
Balance carried forward	<u>105</u>	<u>-</u>	<u>632</u>	<u>737</u>

The Other reserve which arose as a result of the accounting for debt and equity issued in packages has been released following repayment in full of the relevant debts.

**19 Reconciliation of movements in shareholder's funds**

**Group**

	2008 £ '000	2007 £'000
Loss for the financial period	(138)	(42)
Premium on shares issued in period	-	94
Exchange differences	103	(2)
	<u>(35)</u>	<u>50</u>
Opening shareholder's funds	3,744	3,694
Closing shareholder's funds	<u>3,709</u>	<u>3,744</u>

**20 Bonds**

Bonds have been lodged on behalf of the group with the Civil Aviation Authority and the Association of British Travel Agents Limited for a total of £9,795,000 (2007: £2,721,000) which have been guaranteed by insurance contracts.

**21 Capital commitments**

There were no capital commitments in the Group at 31 July 2008 or 30 April 2007.

**22 Contingent liabilities**

All group undertakings have given an unlimited multilateral guarantee to the group's bankers in respect of amounts owed under the group's banking arrangements.

**23 Notes to the statement of cash flows**

**Reconciliation of operating profit to net cash inflow from operating activities**

	2008 £ '000	2007 £'000
Operating profit	2,553	1,816
Depreciation and amortisation	1,692	1,210
Profit on disposal of fixed assets	(18)	9
Decrease in stocks	2	17
Increase in debtors	(15,951)	(550)
Decrease in creditors	17,764	1,306
Net cash inflow from operating activities	<u>6,042</u>	<u>3,808</u>

**Analysis of changes in net debt**

	At 1 May 2007 £ '000	Cash flows £ '000	Other non cash movements £ '000	At 31 July 2008 £ '000
Cash in hand and at bank	17,385	(17,032)	-	353
Bank overdraft	-	(198)	-	(198)
	<u>17,385</u>	<u>(17,230)</u>	<u>-</u>	<u>155</u>
Debt	(18,544)	20,923	(2,379)	-
	<u>(1,159)</u>	<u>3,693</u>	<u>(2,379)</u>	<u>155</u>

**24 Ultimate controlling related party**

The largest group of undertakings for which consolidated accounts are prepared to include the results of this company is headed by EATG (Debtco) Limited registered in England.

EATG Sarl, incorporated in Luxembourg is the ultimate parent undertaking for The School Travel Group Ltd.

The company is ultimately controlled by funds managed by DLJ Merchant Banking, Inc., the General Partner of DLJ Merchant Banking IV (Cayman) LP, which is the general partner of DLJMB Overseas Partners IV, LP.

**25 Commitments**

The Group has entered into an agreement with its bankers for forward foreign currency purchases amounting to £27,286,000 (2007: £13,298,622) to meet the costs of clients travelling after 31 July 2008 under confirmed bookings. The value of these contracts has been calculated at a fair value using the spot rate of exchange as at 31 July 2008. The difference between the fair value and contract value for these agreements is a loss of £651,852 (2007: £256,791).