
WORLD CHALLENGE HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2007

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WORLD CHALLENGE HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS

Charles Rigby (appointed 2 5 06)
Nigel Miller (appointed 2 5 06)
Huw Evans (appointed 9 10 06)
Nicholas Everard (appointed 3 10 06)
Terence Hayward (appointed 9 10 06)
Ian Bruce Scott (appointed 9 10 06)

SECRETARY

Nigel Miller

COMPANY NUMBER

05758056

REGISTERED OFFICE

35 Old Queen Street
London
SW1H 9JD

WORLD CHALLENGE HOLDINGS LIMITED

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WORLD CHALLENGE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 AUGUST 2007

The directors present their report and the financial statements for the period ended 31 August 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- 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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

PRINCIPAL ACTIVITIES

The company was incorporated on 27 March 2006.

The company's principal activity during the year was to act as a holding company.

BUSINESS REVIEW

During the period the company acquired the whole of the issued share capital of World Challenge Expeditions Limited. The company has charged a management fee to its trading subsidiary sufficient to cover its costs for the period.

RESULTS

The profit for the period, after taxation, amounted to £817.

DIRECTORS

The directors who served during the period were

Charles Rigby (appointed 2 5 06)
Nigel Miller (appointed 2 5 06)
Huw Evans (appointed 9 10 06)
Nicholas Everard (appointed 3 10 06)
Terence Hayward (appointed 9 10 06)
Ian Bruce Scott (appointed 9 10 06)

WORLD CHALLENGE HOLDINGS LIMITED

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 AUGUST 2007**

PROVISION OF INFORMATION TO AUDITORS

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information

AUDITORS

The auditors, Calder & Co, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985

This report was approved by the board on 30th November 2007 and signed on its behalf



Nigel Miller
Secretary

WORLD CHALLENGE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WORLD CHALLENGE HOLDINGS LIMITED

We have audited the financial statements of World Challenge Holdings Limited for the period ended 31 August 2007 set out on pages 4 to 13. These financial statements have been prepared in accordance with the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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 Directors' report is consistent with the financial statements.

In addition we 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 information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

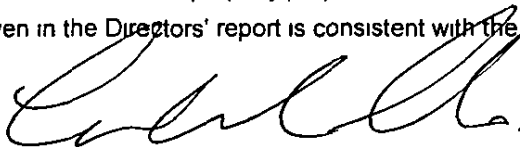
OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2007 and of its profit 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 Directors' report is consistent with the financial statements.

CALDER & CO
Chartered Accountants
and Registered Auditors
1 Regent Street
London
SW1Y 4NW

Date 30th November 2007



WORLD CHALLENGE HOLDINGS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 AUGUST 2007**

	Note	2007 £
TURNOVER	1,2	1,100,000
Administrative expenses		(511,975)
OPERATING PROFIT	3	588,025
Interest receivable		8,020
Interest payable	5	(567,199)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		28,846
Tax on profit on ordinary activities	6	(28,029)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		817

All amounts relate to continuing operations

There were no recognised gains and losses for 2007 other than those included in the Profit and loss account

The notes on pages 7 to 13 form part of these financial statements

WORLD CHALLENGE HOLDINGS LIMITED

**BALANCE SHEET
AS AT 31 AUGUST 2007**

	Note	£	2007 £
FIXED ASSETS			
Fixed asset investments	7		6,690,815
CURRENT ASSETS			
Debtors	8	822,103	
Cash at bank		2,418	
		<u>824,521</u>	
CREDITORS, amounts falling due within one year	9	<u>(726,409)</u>	
NET CURRENT ASSETS			<u>98,112</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,788,927</u>
CREDITORS: amounts falling due after more than one year	10		<u>(6,787,250)</u>
NET ASSETS			<u><u>1,677</u></u>
CAPITAL AND RESERVES			
Called up share capital	12		860
Profit and loss account			<u>817</u>
SHAREHOLDERS' FUNDS	13		<u><u>1,677</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
30th November 2007



Charles Rigby
Director

The notes on pages 7 to 13 form part of these financial statements

WORLD CHALLENGE HOLDINGS LIMITED

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2007**

	Note	2007 £
Net cash flow from operating activities	14	2,947,114
Returns on investments and servicing of finance	15	(554,650)
Acquisitions and disposals	15	(6,690,906)
CASH OUTFLOW BEFORE FINANCING		(4,298,442)
Financing	15	4,300,860
INCREASE IN CASH IN THE PERIOD		2,418

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE PERIOD ENDED 31 AUGUST 2007**

	2007 £
Increase in cash in the period	2,418
Cash inflow from increase in debt and lease financing	(4,300,000)
MOVEMENT IN NET DEBT IN THE PERIOD	(4,297,582)
NET DEBT AT 31 AUGUST 2007	(4,297,582)

The notes on pages 7 to 13 form part of these financial statements

WORLD CHALLENGE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2007

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 TURNOVER

Turnover comprises revenue recognised by the company in respect of management fees charged

1.3 INVESTMENTS

Investments in subsidiaries are valued at cost less provision for impairment

1.4 DEFERRED TAXATION

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are discounted

2. TURNOVER

The whole of the turnover is attributable to the management fees charged to the company's trading subsidiary

All turnover arose within the United Kingdom

3. OPERATING PROFIT

The operating profit is stated after charging

Auditors' remuneration

2007
£

3,500

WORLD CHALLENGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2007**

4 STAFF COSTS

The company has no employees other than the directors, who did not receive any remuneration

5 INTEREST PAYABLE

	2007 £
On bank loans and overdrafts	334,292
On other loans	232,907
	<u>567,199</u>

6 TAXATION

	2007 £
ANALYSIS OF TAX CHARGE IN THE PERIOD	
CURRENT TAX (see note below)	
UK corporation tax charge on profit for the period	70,380
DEFERRED TAX (see note 11)	
Origination and reversal of timing differences	(42,351)
	<u>28,029</u>
TAX ON PROFIT ON ORDINARY ACTIVITIES	

FACTORS AFFECTING TAX CHARGE FOR THE PERIOD

The tax assessed for the period is the same as the standard rate of corporation tax in the UK (30%) as set out below

	2007 £
Profit on ordinary activities before tax	<u>28,846</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	8,654
EFFECTS OF:	
Expenses not deductible for tax purposes	61,726
	<u>70,380</u>
CURRENT TAX CHARGE FOR THE PERIOD (see note above)	

WORLD CHALLENGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2007**

6. TAXATION (continued)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that may affect future tax charges

7 FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST OR VALUATION	
Additions	6,690,815
At 31 August 2007	<u>6,690,815</u>

SUBSIDIARY UNDERTAKING

The following was a subsidiary undertaking of the company

World Challenge Expeditions Limited	100% of its issued share capital
-------------------------------------	----------------------------------

The company holds 100% of the issued ordinary share capital of World Challenge Expeditions Limited

At 31 August 2007, the aggregate of the share capital and reserves of World Challenge Expeditions Limited amounted to £1,829,715 (2006 - £1,806,561) and the profit for the year to that date was £23,154 (2006 - £481,347)

8 DEBTORS

	2007 £
Amounts owed by group undertakings	743,184
Other debtors	36,568
Deferred tax asset (see note 11)	42,351
	<u>822,103</u>

WORLD CHALLENGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2007**

**9 CREDITORS
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2007 £
Bank loans and overdrafts	500,000
Corporation tax	70,380
Accruals and deferred income	156,029
	<hr/> 726,409 <hr/>

The bank loans are secured by a floating charge over the company's assets

**10. CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2007 £
Bank loans	3,800,000
Other creditors	2,987,250
	<hr/> 6,787,250 <hr/>

The bank loans represent a term loan facility 'A' of £2,500,000 repayable by instalments of £500,000 on 30 September 2007 (included in current liabilities), £1,000,000 on 30 September 2008 and by a further £1,000,000 on 30 September 2009 and a term loan facility 'B' of £1,800,000 repayable on 9 October 2009 but subject to renegotiation at that time. Both loan facilities carry interest at a rate that aggregates the applicable margin, LIBOR and mandatory cost if any. The margin being 2.75% on the facility 'A' loan and 4% on the facility 'B' loan.

The other loans represent loans from shareholders totalling £750,000 redeemable on 9 October 2009 at a premium calculated at 8% per annum on a cumulative basis and £2,031,750 repayable on 1 September 2011 with interest at the greater of 8% and 3% over bank base payable in full on redemption. Interest and premium accrued to date is included in the outstanding loan balance.

The bank loans are secured by a floating charge over the company's assets

11. DEFERRED TAXATION

	2007 £
Provision for year	<hr/> 42,351 <hr/>

WORLD CHALLENGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2007**

11 DEFERRED TAXATION (continued)

The deferred taxation balance is made up as follows

	2007 £
Tax recoverable on loan interest when paid	42,351
	<u>42,351</u>

12. SHARE CAPITAL

	2007 £
AUTHORISED	
100,000 Ordinary Shares shares of 1p each	1,000
	<u>1,000</u>
ALLOTTED, CALLED UP AND FULLY PAID	
86,000 Ordinary Shares shares of 1p each	860
	<u>860</u>

During the year 86,000 ordinary shares of £0.01 each were allotted and fully paid for cash at par

In order to retain the services of employees and reward their performance, the company has formed an employee share option scheme during the period. The company granted options over 9,048 Ordinary shares of 1p to employees on 20 February 2007 at a cost of 1p per share, the market value at the date of the grant. The options are exercisable on request but lapse on termination of employment.

As of 31 August 2007 there remained 9,044 options outstanding and the directors consider that the market value of the shares as at that date remains at 1p per share hence no value is reflected in the accounts for the expense of services provided by employees to date in respect of these options.

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £
Opening shareholders' funds	-
Profit for the period	817
Shares issued during the period	860
	<u>1,677</u>
Closing shareholders' funds	<u>1,677</u>

WORLD CHALLENGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2007**

14. NET CASH FLOW FROM OPERATING ACTIVITIES

	2007 £
Operating profit	588,025
Increase in debtors	(36,568)
Amounts owed by group undertakings	(743,184)
Increase in creditors	3,138,841
NET CASH INFLOW FROM OPERATIONS	2,947,114

15 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2007 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	8,020
Interest paid	(562,670)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(554,650)

	2007 £
ACQUISITIONS AND DISPOSALS	
Purchase of fixed asset investments	(6,690,906)

	2007 £
FINANCING	
Issue of ordinary shares	860
New secured loans	4,300,000
NET CASH INFLOW FROM FINANCING	4,300,860

WORLD CHALLENGE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2007

16. ANALYSIS OF CHANGES IN NET DEBT

	27 April 2006	Cash flow	Other non-cash changes	31 August 2007
	£	£	£	£
Cash at bank and in hand	-	2,418	-	2,418
DEBT				
Debts due within one year	-	(4,300,000)	3,800,000	(500,000)
Debts falling due after more than one year	-	-	(3,800,000)	(3,800,000)
NET DEBT	-	(4,297,582)	-	(4,297,582)

17. RELATED PARTY TRANSACTIONS

Mr C Rigby and Mr H Evans being directors of the company are considered to be related parties within the meaning of FRS 8

During the year unsecured loan notes of £2,031,750 and £250,000 were issued to C Rigby and H Evans respectively. Details of the interest charged and the redemption dates are detailed in note 10 as above. At 31 August 2007 the loan interest accrued to C Rigby and H Evans amounted to £151,254 and £18,082 respectively.

The directors consider World Challenge Expeditions Limited (WCE Ltd) to be a related party under the meaning of FRS 8 by virtue of owning 100% of its issued share capital on 9 October 2006. During the year loans amounting to £356,816 was advanced from WCE Ltd to the company. The company also invoiced WCE Ltd the sum of £1.1m in respect of management charges.

At the end of the year, the amount due from WCE Ltd was £743,184 as detailed in note 8 above.