

FINANCE

Negotiations are being continued for the financing of the Trust's capital expenditure. A number of alternative schemes have been submitted. The absence of any fixed initial "capital" has greatly increased the Trust's problems. In September, 1949, at the request of the then Minister of Finance, preparations were made to place debentures on the market. The Trust had already been advised, and had formed the opinion from the facts and advice tendered, that such a scheme would be impracticable and uneconomic at that stage of development. In view of further problems which arose in the drafting of a Trust deed and prospectus, further action was deferred and discussion of a proposal for Government guarantee of the debentures was reopened. Meantime, the earlier temporary method of finance of a Consolidated Fund advance plus a bank overdraft guaranteed by the Government has been continued.

Latest estimates are that the capital cost of the first phase of development (to which the Trust is already committed) may exceed £334,000. A second phase has been under consideration, including the major accommodation hotel. Preliminary estimates for this phase were in the vicinity of £200,000.

TRADING RESULTS FOR THE YEAR

The annual accounts and Balance-sheet are appended and show that the over-all net trading profit, after providing for depreciation, preliminary and short-term capital expenses, but before providing for taxes, amounts to £20,917. Provision for taxes absorbs £12,932 of this, leaving a final net profit for the year of £7,985. Section 41 of the Trust Act requires that a depreciation reserve be established. Accordingly, a nominal sum of £500 has been so set aside, leaving unappropriated profits from two year's trading of £13,310. No profits have been distributed. Taxation for the same period has absorbed over £22,000 which, at this stage, can come only from additional borrowings. Turnover has increased and the ratio of profit to costs is probably at its maximum. The accounts for the Midland Hotel cover a period of six months only. Certain expenses consisting of interest, rates, insurance, &c., dependent on a compensation claim by the former owners, were not ascertained at balance date and could not be included in this year's accounts.

DISTRIBUTION OF PROFITS

The Trust has again considered it prudent, in view of the heavy capital expenditure programme still in progress, to make no distribution of profits in cash this year.

The Trust is of the opinion that the provision of new and modernized buildings in the town and improved accommodation and bar facilities for visitors and local people alike represents the best possible use of its profits at the present juncture.
