

Kuoni Travel Limited

**Directors' report and financial
statements**

Registered number 395623

Year ended 31 December 2007

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activity

The principal activity of the Company and its subsidiary undertakings is to carry on business as Tour Operators and Travel Agents. The company has continued its position as one of the leading long haul Tour Operators in the UK.

Business Review

During the year the Company continued with the strategy to maintain and grow the Company's position as a specialist and premium tour operator. As part of this strategy the Company made the acquisition of CV Travel Holdings Limited, which compliments the core specialist and premium nature of the Company. In addition the company this year has started a new venture, Shoestring, an adventure style tour operation. This was established in 2007 with the first departures from January 2008, consequently the Group result reflects the losses arising on this first period of set-up.

The general tour operating market in the UK has continued to be challenging, particularly in light of the rising costs of fuel and the economic impact on consumers from higher interest rates and general uncertainty in the wider economy. These challenges and issues will continue into 2009.

Sales revenue increased to £341.6m, an increase of £14.8m on the prior year. Operating profit margin at 1.5% is lower than 2006 reflecting the full year goodwill amortisation following the acquisitions of last year and this and the losses from the Shoestring start-up.

The Group made a profit after tax of £5.2m (2006: £12.3m) and distributed dividends of £15.0m (2006: £30.0m).

The main movement in the Balance Sheet was a reduction in the short term deposits as the acquisition was funded from cash and a £15.0m dividend returned to shareholder. Net assets at year end were £67.0m compared to £76.2m in 2006.

Principal risks

A corporate group policy for managing risk is followed which involves regular disclosure covering all aspects of the business, including safety, environmental, legal, financial and employees. Any material risks are to be evaluated and disclosed as they arise, and these are tracked and monitored until the risk is mitigated.

Geographic and political risks are mitigated where possible by having a wide and diverse range of products and destinations available as alternatives so that reliance on one particular destination is minimised.

The main functional currencies of the company are US Dollars, Euros, UAE Dirhams and Swiss Francs. The Company works to group guidelines in hedging exposure to these currencies to ensure that risk is at a minimum to adverse currency fluctuations.

Disclosure of information to auditors

The Directors, who held office at the date of approval of this directors' report confirm, that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Results and dividends

The group made a profit after tax of £5.2 million (2006: £12.3 million).

Dividends of £15.0 million (2006: £30.0 million) were proposed and paid during the year.

Charitable contributions

The company made charitable contributions of £13,125 during the year ended 31 December 2007 (2006 £10,426)

Directors

The following held office during the year

A Meier	Resigned 31 st December 2007
SH Biggs	Resigned 30 th June 2007
ME Katz	(Chairman)
MR Norman	
N Hughes	(Managing Director) Appointed 15 August 2007


Employees

The company continued its policy of giving full and just consideration to applications for employment made by disabled persons, continuing employment and training, career development and promotion. During the year, the company maintained its obligations to develop and improve internal communications aimed at involving employees in all of its affairs in so far as they affect employees.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


M R Norman
Secretary

Kuoni House
Dorking
Surrey

25 June 2008

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss 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,
- 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 and the parent 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities



KPMG LLP
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Kuoni Travel Limited

We have audited the group and parent company financial statements of Kuoni Travel Limited for the year ended 31 December 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Statement of Total Recognised Gains and Losses and the related notes. 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

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 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 group's and 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 UK Generally Accepted Accounting Practice, of the state of the group and company's affairs as at 31 December 2007 and of the group's profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP
Chartered Accountants
Registered Auditor

KPMG LLP

30 June

2008

Consolidated profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	2007 Continuing £000	2007 Acquisitions £000	2007 Total £000	2006 Total £000
Turnover	2	330,368	11,188	341,556	326,826
Cost of sales		(325,671)	(10,759)	(336,430)	(313,361)
Operating profit		4,697	429	5,126	13,465
Interest receivable and similar income	3			4,660	4,875
Other finance costs	4			(60)	(57)
Profit on ordinary activities before taxation	5			9,726	18,283
Tax on profit on ordinary activities	8			(4,554)	(6,032)
Profit on ordinary activities after taxation for the financial year (of which £8.1 million is dealt with in the accounts of the holding company)	18			5,172	12,251
Profit for the financial year	18			5,172	12,251

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Profit for the financial year		5,172	12,251
Actuarial gain/(loss) recognised in the pension scheme	22	1,348	(160)
Deferred tax relating to pension liability	22	(524)	(4)
Total recognised gains and losses for the year		5,996	12,087

Consolidated balance sheet
at 31 December 2007

	Note	2007 £000	2006 £000
Fixed assets			
Intangible assets	10	49,465	37,901
Tangible assets	11	7,172	6,367
		<u>56,637</u>	<u>44,268</u>
Current assets			
Debtors	13	13,037	11,133
Short term deposits		85,023	108,457
Cash at bank and in hand		11,252	8,022
		<u>109,312</u>	<u>127,612</u>
Creditors: amounts falling due within one year	14	<u>(96,081)</u>	<u>(91,748)</u>
Net current assets		<u>13,231</u>	<u>35,864</u>
Total assets less current liabilities		<u>69,868</u>	<u>80,132</u>
Provisions for liabilities	15	(1,846)	(1,654)
Net assets excluding pension liability		<u>68,022</u>	<u>78,478</u>
Pension liability	22	(1,071)	(2,293)
Net assets including pension liability		<u>66,951</u>	<u>76,185</u>
Capital and reserves			
Called up share capital	17	1,500	1,500
Profit and loss account	18	65,451	74,685
Equity shareholders' funds	19	<u>66,951</u>	<u>76,185</u>

These financial statements were approved by the board of directors on 25 June 2008 and were signed on its behalf by

Nick Hughes
Director

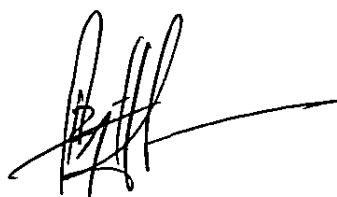


Company balance sheet
at 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Fixed assets			
Intangible assets	10	5,007	6,676
Tangible assets	11	6,383	5,593
Investments	12	38,058	28,340
		<u>49,448</u>	<u>40,609</u>
Current assets			
Debtors	13	20,630	15,837
Short term deposits		67,837	91,145
Cash at bank and in hand		8,015	6,243
		<u>96,482</u>	<u>113,225</u>
Creditors: amounts falling due within one year	14	<u>(73,005)</u>	<u>(73,631)</u>
Net current assets		<u>23,477</u>	<u>39,594</u>
Total assets less current liabilities		<u>72,925</u>	<u>80,203</u>
Provisions for liabilities	15	<u>(1,846)</u>	<u>(1,654)</u>
Net assets excluding pension liability		<u>71,079</u>	<u>78,549</u>
Pension liability	22	<u>(1,071)</u>	<u>(2,293)</u>
Net assets including pension liability		<u>70,008</u>	<u>76,256</u>
Capital and reserves			
Called up share capital	17	1,500	1,500
Profit and loss account	18	68,508	74,756
Equity shareholders' funds	19	<u>70,008</u>	<u>76,256</u>

These financial statements were approved by the board of directors on 25 June 2008 and were signed on its behalf by

N Hughes
Director



Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of preparation

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

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

Basis of consolidation

The group accounts comprise the accounts of Kuoni Travel Limited and all of its subsidiaries to 31 December 2007. The trading results of companies acquired or disposed of during the year are consolidated for the period of ownership.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Turnover

Turnover represents amounts invoiced, exclusive of valued added tax, in respect of holidays taken for departure dates up to 31 December and commissions earned during the year.

Foreign currencies

Income and expenditure arising in foreign currencies has been converted into sterling at the rate ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Differences arising on translation are dealt with as part of the profit on ordinary activities.

As prescribed by FRS 23, the results and financial position of foreign operations where the currency is different to the functional currency are translated into the presentation currency using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet.
- Income and expenses for each income statement are translated at exchange rates at the dates of the transactions.

All resulting exchange differences are recognised as a separate component of equity and shown within the foreign exchange reserve.

Goodwill

On the acquisition of a business fair values are attributed to the separable net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such net assets. Goodwill is capitalised and amortised to the profit and loss account in equal instalments over its estimated useful life, not to exceed 20 years.

The carrying value of goodwill is reviewed annually for impairment and adjusted to the recoverable amount if required.

Goodwill arising on the acquisition of the business and assets of Travel Promotions Limited, Kirker Holdings Limited, Holiday Supplies Limited and CV Travel Holdings Limited have been capitalised and are being written off by equal annual instalments over their estimated economic useful life of 10 years.

Notes (continued)

1 Accounting policies (continued)

Prior to the introduction of FRS 10, goodwill arising on consolidation was written off to reserves in the year of acquisition

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost less provision for any impairment in value

Depreciation

Freehold buildings, furniture, equipment and motor vehicles, net of estimated residual values, are depreciated on a straight line basis over their expected useful lives as follows

Freehold buildings	2% per annum
Fixtures and fittings	20% per annum
Machinery and equipment	33⅓% per annum
Motor vehicles	20% per annum
Computer equipment	20% and 33⅓% per annum

Freehold land is not depreciated

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

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

Pensions

Defined benefit

The group has fully adopted FRS17 Retirement Benefits. The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, being invested with one investment fund manager and administered by trustees.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the group's defined benefit scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

The pension scheme's deficit is recognised in full and presented on the face of the balance sheet net of the related deferred tax.

Defined contribution

The group also operates a group personal pension plan for employees. Contributions by the group are charged to the profit and loss account in the period in which they are due.

Contributions made by the group to certain employees' personal pension plans are charged to the profit and loss account in the period in which they are due.

Notes (continued)

1 Accounting policies (continued)

Leases

Operating lease rentals are charged to the profit and loss account evenly over the contract period

Short term deposits

Short term deposits represent cash deposited with banks and building societies

2 Turnover

The group engages in only one class of business as Tour Operators and Travel Agents. All turnover originates in the United Kingdom. There is no material difference between the origin and the destination of turnover.

3 Interest receivable and similar income

	2007 £000	2006 £000
Property rental income	70	70
Interest receivable	4,590	4,805
	<u>4,660</u>	<u>4,875</u>

4 Other finance costs

	2007 £000	2006 £000
Expected return on pension fund assets	790	649
Interest on pension fund liabilities	(850)	(706)
	<u>(60)</u>	<u>(57)</u>

Notes (continued)

5 Profit on ordinary activities before taxation

	2007 £000	2006 £000
<i>The profit on ordinary activities before taxation is stated after charging the following:</i>		
Depreciation of tangible assets	785	701
Amortisation of goodwill	5,737	2,469
Auditors' remuneration		
Audit fee	147	68
Operating lease rentals – land and buildings	917	947
	<u> </u>	<u> </u>
	2007	2006
	£000	£000
<i>Amounts receivable by auditors and their associates in respect of</i>		
Audit of financial statements of subsidiaries pursuant to legislation	147	68
	<u> </u>	<u> </u>

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis

6 Staff numbers and costs

Staff costs, including directors' remuneration, were as follows

	2007 £000	2006 £000
Wages and salaries	16,870	13,104
Social security costs	1,548	1,192
Other pension costs	967	748
	<u> </u>	<u> </u>
	19,385	15,044
	<u> </u>	<u> </u>

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2007	2006
Sales	473	441
Administration	94	85
	<u> </u>	<u> </u>
	567	526
	<u> </u>	<u> </u>

Notes (continued)

7 Directors' remuneration

	2007 £000	2006 £000
Directors' remuneration comprises		
Emoluments	362	402
Termination payments	417	-
Pension contribution to money purchase scheme	3	6
	<u>782</u>	<u>408</u>

Retirement benefits are accruing to two directors (2006 two directors) under a defined benefit pension scheme and to one director (2006 one) under a money purchase scheme

	2007 £000	2006 £000
Highest paid director		
Emoluments	214	285
Termination payments	417	-
Pension contribution to money purchase scheme	3	6
	<u>634</u>	<u>291</u>
Defined benefit scheme		
Accrued pension at end of year	<u>56</u>	<u>54</u>

8 Tax on profit on ordinary activities

	2007 £000	2006 £000
<i>UK corporation tax</i>		
Current tax on income for the year	4,824	6,349
Adjustments in respect of prior years	(318)	(284)
	<u>4,506</u>	<u>6,065</u>
<i>Deferred tax</i>		
Origination or reversal of timing differences	48	(33)
	<u>4,554</u>	<u>6,032</u>
Tax on profit on ordinary activities		

Notes (continued)

8 Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the current period

The tax charge for the year is higher (2006 higher) than would be expected by multiplying the profit on ordinary activities by the standard rate of corporation tax in the UK of 30% (2006, 30%) The differences are explained below

	2007 £000	2006 £000
Profit on ordinary activities before tax	9,726	18,283
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2006 30%)	2,918	5,485
Effects of		
Non-deductible expenses	1,814	831
Excess of depreciation over capital allowances	92	33
Adjustments in respect of current and prior years	(318)	(284)
Current tax charge for the year	4,506	6,065

Factors affecting future tax charges rate change to 28%

9 Dividend

The dividend of £10.00 each per share was paid on the 20th April 2007

10 Intangible assets

Goodwill	Group £000	Company £000
<i>Cost</i>		
At 1 January 2007	48,715	16,689
Additions (Note 23)	17,301	-
31 December 2007	66,016	16,689
<i>Amortisation</i>		
At 1 January 2007	10,814	10,013
Charge for the year	5,737	1,669
At 31 December 2007	16,551	11,682
<i>Net book value</i>		
At 31 December 2007	49,465	5,007
At 31 December 2006	37,901	6,676

The group made one acquisition in the year, as detailed in note 23

Notes (continued)

11 Tangible fixed assets

Group	Freehold land and buildings £000	Furniture and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2007	7,701	6,113	124	13,938
Acquisitions (Note 23)	-	110	-	110
Additions	141	1,406	-	1,547
Disposals	(5)	(469)	(62)	(536)
At 31 December 2007	7,837	7,160	62	15,059
Depreciation				
At 1 January 2007	1,992	5,537	42	7,571
Charge for the year	300	471	14	785
Disposals	-	(451)	(18)	(469)
At 31 December 2007	2,292	5,557	38	7,887
Net book value				
At 31 December 2007	5,545	1,603	24	7,172
At 31 December 2006	5,709	576	82	6,367

Company	Freehold land and buildings £000	Furniture and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2007	7,055	5,968	124	13,147
Additions	141	1,353	-	1,494
Disposals	(5)	(469)	(62)	(536)
At 31 December 2007	7,191	6,852	62	14,105
Depreciation				
At 1 January 2007	1,989	5,523	42	7,554
Charge for the year	272	351	14	637
Disposals	-	(451)	(18)	(469)
At 31 December 2007	2,261	5,423	38	7,722
Net book value				
At 31 December 2007	4,930	1,429	24	6,383
At 31 December 2006	5,066	445	82	5,593

12 Fixed asset investments

	Company £000
<i>Cost</i>	
At 1 January 2007	28,944
Additions	9,718
As at 31 December 2007	38,662
<i>Provision for impairment in value</i>	
At 1 January 2007 and 31 December 2007	604
<i>Net book value</i>	
As at 31 December 2007	38,058
At 31 December 2006	28,340

The company's principal trading subsidiaries, which are wholly owned are

Name of company	Class of shares held	Nature of business
Kuoni Travel Transport Limited	Ordinary	Air transport broker
Kirker Holdings Limited	Ordinary	Tour Operator
Holiday Supplies Limited	Ordinary	Tour Operator
CV Travel Holdings Limited	Ordinary	Tour Operator

CV Travel Holdings Limited was acquired during the year, as detailed in note 23, and its results have been consolidated from the date of acquisition

All other subsidiaries were dormant throughout the year

Notes (continued)

13 Debtors

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Other loans	34	51	10,272	5,702
Trade debtors	881	322	407	266
Amounts owed by group undertakings	443	319	443	319
Deferred tax asset (note 16)	358	518	301	377
Other debtors	3,665	2,553	3,548	2,485
Deposits paid for future periods	1,339	-	0	-
Prepayments and accrued income	6,317	7,370	5,659	6,688
	<u>13,037</u>	<u>11,133</u>	<u>20,630</u>	<u>15,837</u>

14 Creditors: amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Payments received on account	61,374	53,812	41,317	40,038
Loan notes	2,741	2,669	2,741	2,669
Trade creditors	27,478	28,786	26,457	25,046
Amounts owed to group undertakings	1,961	1,319	1,880	1,364
Corporation tax	(1,108)	2,774	(1,471)	2,405
Other taxation and social security	456	304	334	304
Other creditors	1,270	1,249	1,200	1,021
Accruals and deferred income	1,909	835	547	784
	<u>96,081</u>	<u>91,748</u>	<u>73,005</u>	<u>73,631</u>

15 Provisions for liabilities and charges

Group and Company

	Deferred Consideration 2007 £000
At 1 January 2007	1,654
Charge for the year	192
At 31 December 2007	<u>1,846</u>

Notes (continued)

16 Deferred taxation

	Group 2007 £000	Company 2007 £000
At 1 January 2007	518	377
Acquisitions (note 23)	(112)	-
Credit to the profit and loss account	(48)	(76)
At 31 December 2007	358	301

	Group 2007 £000	2006 £000	Company 2007 £000	2006 £000
The deferred tax asset comprises				
Capital allowances	258	418	201	277
Other timing differences	100	100	100	100
	358	518	301	377

17 Called up share capital

	2007 £000	2006 £000
Authorised		
2,000,000 ordinary shares of £1 each	2,000	2,000
Allotted, called up and fully paid		
1,500,000 ordinary shares of £1 each	1,500	1,500

18 Profit and loss account

	Group 2007 £000	Company 2007 £000
At 1 January 2007	74,685	74,756
Profit for the financial year	5,172	8,138
Dividends	(15,000)	(15,000)
Revaluation reserve	(230)	(210)
Actuarial gain recognised	1,348	1,348
Related tax effect	(524)	(524)
At 31 December 2007	65,451	68,508

The profit and loss account includes a deficit of £1,071,000 (2006 deficit of £2,293,000) net of a deferred tax asset of £459,000 (2006 asset of £982,000) in respect of the Group's defined benefit pension fund

The cumulative amount of goodwill resulting from acquisitions made in earlier financial years which has been written off to consolidated reserves is £3,565,000 (2006 £3,565,000)

Notes (continued)

19 Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Profit for the financial year	5,172	12,251	8,138	12,322
Dividends	(15,000)	(30,000)	(15,000)	(30,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Other recognised gains and losses	(9,828) 594	(17,749) (164)	(6,862) 614	(17,678) (164)
	<hr/>	<hr/>	<hr/>	<hr/>
Net reduction in shareholders' funds	(9,234)	(17,913)	(6,248)	(17,842)
Opening shareholders' funds	76,185	94,098	76,256	94,098
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	66,951	76,185	70,008	76,256
	<hr/>	<hr/>	<hr/>	<hr/>

20 Leasing commitments

At 31 December 2007 there were annual commitments under operating leases on properties as set out below

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Leases which expire				
Within two to five years	173	234	173	234
After more than five years from the balance sheet date	1,005	682	774	574
	<hr/>	<hr/>	<hr/>	<hr/>
	1,178	916	947	808
	<hr/>	<hr/>	<hr/>	<hr/>

21 Contingent liabilities and guarantees

The group has contingent liabilities in respect of foreign exchange forward contracts entered into in the normal course of business amounting to £96,274,806 (2006 £131,607,194)

Notes (continued)

22 Pension schemes

Defined benefit scheme

The group operates a defined benefit scheme which is funded by the payment of contributions to a separate trustee administered fund. Contributions to the company scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 January 2006, and showed that the scheme's assets had a market value of £11,283,000 and the actuarial value of the assets was sufficient to cover 85% of the benefits which had accrued to members. The actuarial valuation recommended a contribution level of 26.3% and it was agreed that this be borne by the company and employees at a rate of 16.3% and 10% respectively. The actuarial valuation also recommended additional contributions by the company of £284,000 per annum payable from 1 January 2006 for a period of ten years. The scheme has been closed to new entrants from 1 April 2002 and it is therefore expected that, under the projected unit method of valuation, the current service cost will increase as members approach retirement.

The valuation at 1 January 2006 has been updated by the actuary to 31 December 2007.

The main financial assumptions used by the scheme actuary were

	2007	2006	2005
Rate of increase in pensionable salaries	3.2%	3.1%	2.9%
Rate of increase of pensions in payment - LPI	3.2%	3.1%	2.9%
Rate of revaluation of deferred pensions	3.2%	3.1%	2.9%
Discount rate	5.6%	5.3%	4.8%
Inflation rate	3.2%	3.1%	2.9%
Loading for mortality improvements	5.0%	5.0%	5.0%

75% of members are assumed to retire at age 65, the remainder retiring at age 60.

a) The assets of the scheme and expected rate of return were

	2007 £000		2006 £000		2005 £000	
Equities	5,886	7.7%	2,815	6.5%	1,994	6.1%
Bonds	2,907	5.6%	2,637	5.3%	2,775	4.8%
Others	5,073	6.4%	7,246	6.1%	6,514	5.9%
Total market value of assets	13,866		12,698		11,283	
Present value of scheme liabilities	(15,395)		(15,973)		(14,569)	
Pension deficit	(1,529)		(3,275)		(3,286)	
Related deferred tax	458		982		986	
Net pension liability	(1,071)		(2,293)		(2,300)	

Notes (continued)

22 Pension schemes (continued)

(b) Analysis of amounts charged to operating profit

	2007 £000	2006 £000
Current service cost	137	178

(c) The actuarial gains/(losses) recognised in the consolidated statement of total recognised gains and losses

	2007 £000	2006 £000
Actual return less expected return on pension scheme Assets	(226)	266
Experience gains on the pension scheme liabilities	560	111
Changes in assumptions underlying the present value of the scheme liabilities	1,014	(537)
Actuarial gains/(losses) recognised	1,348	(160)

(d) History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets (£000)	(226)	266	357	48	857
Percentage of scheme assets	(1.6%)	2.1%	3.2%	0.5%	9.0%
Experience gains/(losses) on pension scheme liabilities (£000)	560	111	285	(69)	(763)
Percentage of the present value of the scheme liabilities	4.0%	0.7%	2.0%	0.6%	6.0%
Total amount recognised in the consolidated statement of total recognised gains and losses (£000)	1,348	(160)	(955)	(313)	(997)
Percentage of the present value of the scheme liabilities	9.7%	1.0%	6.6%	2.5%	8.0%

(e) The movements in the scheme's deficit were

	2007 £000	2006 £000
Deficit in the scheme at 1 January 2007	(3,275)	(3,286)
Current service cost (included in operating profit)	(137)	(178)
Contributions	595	406
Other finance cost	(60)	(57)
Actuarial gains/(losses)	1,348	(160)
Deficit in the scheme at 31 December 2007	(1,529)	(3,275)

Notes (continued)

22 Pension schemes (continued)

Defined contribution schemes

The contributions made to the Group Personal Pension Plan for the year ended 31 December 2007 amounted to £261,000 (2006 £224,000)

The contributions made to personal pension plans by the company for the year ended 31 December 2007 amounted to £3,304 (2006 £6,428)

23 Acquisition

The company made one acquisition in the year, which gave rise to goodwill of £17.3m

On 21 June 2007 the Company acquired all of the ordinary share capital of CV Travel Holdings Limited. The consideration for CV Travel Holdings Limited was £9.7m including deferred consideration of £0.3m

	Net assets acquired	Fair value adjustments	Accounting policy alignments	Fair value
	£000	£000	£000	£000
Goodwill	6,815	(6,815)	-	-
Tangible fixed assets	190	-	(80)	110
Debtors	1,864	(293)	-	1,571
Creditors	(6,291)	-	-	(6,291)
Overdraft	(3,058)	-	-	(3,058)
Deferred tax	-	112	-	112
	<hr/>	<hr/>	<hr/>	<hr/>
Net liabilities	(480)	(6,996)	(80)	(7,556)
	<hr/>	<hr/>	<hr/>	<hr/>
Goodwill arising				17,301
				<hr/>
				9,745
				<hr/>
Represented by				
Consideration				9,300
Acquisition costs				445
				<hr/>
				9,745
				<hr/>

The resulting goodwill of £17,301,000 was capitalised and is being written off over 10 years

The acquired undertakings of CV Travel Holdings Limited made a loss after tax of £0.5m from the beginning of its financial year to the date of acquisition. In its previous financial year, commencing 1 October 2006, the loss after tax was £0.2m

Notes *(continued)*

24 Parent undertaking and controlling parties

The directors regard Kuoni Travel Holding Limited, incorporated in Switzerland, as being the immediate and the ultimate controlling party and the ultimate parent company. This is also the parent undertaking of the only group for which consolidated accounts are prepared. A copy of the consolidated accounts may be obtained from Kuoni Travel Holding Limited, Neue Hard 7, 8010 Zurich, Switzerland.

25 Related party transactions

The directors have taken advantage of the FRS8 exemption available to subsidiary undertakings from the requirement to disclose transactions with other group undertakings.