Company Registration No. 01609517

All Leisure group plc

Annual Report and Financial Statements

31 October 2008

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All Leisure group plc

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This annual report of All Leisure group plc ("All Leisure", "the Group", "the Company") contains some forward-looking information and statements that involve known and unknown risks and uncertainties, including statements about the Group's plans, objectives and intentions. The information and statements contained herein are stated by the Directors in good faith as at the date of this report and there exists the risk that actual results and outcomes may differ from the information and statements made.

All Leisure group plc

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All Leisure group plc

Chairman's Statement

The year to 31 October 2008 has been one of the most challenging times within the leisure market. Despite this the Group has continued to develop. Swan Hellenic was acquired in July 2007 and has been successfully integrated, the Group having added a second ship, mv Minerva in November 2007 through the purchase of Atholl Shipping Corporation Limited which holds an operating lease for this ship. I am pleased to report that the Group is now enjoying the expected operational synergies announced at the time of acquisition. Despite a series of technical issues during the summer, disruptions to last year's programmes were kept to a minimum and I am pleased to advise that both vessels are now fully operational. It is testament to our staff and crew that customer feedback during the year remained very positive with over 95% of cruise passengers rating their experience as meeting or exceeding their expectations. The first full year of the Group's listing on the AIM market has required a significant, ongoing investment in our processes, and I believe that as a result, the Group has never been better positioned to navigate the challenging economic conditions currently facing our industry.

Results

Turnover during the year increased by 49.7% to £67.5m due principally to the contribution of mv Minerva and profit for the financial year increased by 64.4% to £8.8m (2007: - £5.4m). Pre-tax profits were £9.1m and before derivatives adjustments grew by 12.6% to £6.3m (2007: £5.6m). In a desire to preserve cash, the proposed final dividend of 1.22p per share will be lower than planned and will, if approved, result in a total payment for the year of 3.66p per share. Including advanced customer receipts of £13.5m (2007: £9.2m), the Group ended the financial year with bank deposits and cash balances of £33.0m (including restricted cash of £3.1m) (2007: £28.1m; restricted cash £0.4m). Further details of the adjusted results can be found in the Finance Director's Report and note 10.

Strategy

The Group's strategy remains unchanged, namely to achieve growth by exploiting the growing demand for cruise holidays and by providing an increasing choice of other niche holiday products.

The Directors believe that the Group's chosen niche markets have a number of fundamental attractions:

- **Significant barriers to entry**. The directors believe that a growing focus by regulators on safety and consumer protection is raising the barriers to entry for those wishing to enter the Group's markets. This is benefiting established brands with strong balance sheets.
- **High levels of repeat business.** The Group has again enjoyed significant repeat passenger business during the year, underlining the benefits of customer loyalty.
- **Strong revenue visibility**. Despite lower prices and a clear trend towards later booking in the ocean cruising market, current year sales as at 25 February 2009 represent 66% of capacity compared with 69% this time last year. Since the start of 2009 booking levels are 20% higher than the same period last year.
- **An attractive tax regime**. From February 2007 mv Discovery qualified for the tonnage tax regime, followed by mv Minerva in May 2008. As a result, the Directors expect the Group tax rate to be lower than the current level of UK corporation tax for the foreseeable future.

In addition, the Group has other considerable strengths:

- **Well established brands.** Swan Hellenic was established in 1954, Voyages of Discovery was established in 1994 and Discover Egypt in 1999. By virtue of their history, we believe that all three brands represent trusted names, generating significant customer loyalty in their niche markets, both in the UK and overseas.
- **Operational excellence.** On-board surveys of ocean cruise passenger attitudes reveal that nine out of ten of last year's passengers surveyed intend to cruise with the Group in the future.
- **A committed and experienced management team**. The board and two other senior executives together own 76.9 per cent. of the shares in issue. The management team brings a wide range of complementary experience from both inside and outside the travel industry.
- **Strong asset backing.** The Group owns the ship mv Discovery, which has recently been valued comfortably in excess of its balance sheet value. The outstanding balance due is scheduled to be repaid by May 2010, leaving the Group debt free.
- **Significant balance sheet liquidity.** Including advanced customer receipts the Group ended the financial year with unrestricted cash (including advanced customer receipts) of £29.9m (2007: £27.7m).

Chairman's Statement (continued)

Hedging
Currency hedges were taken out during the year covering the majority of the Group's currency requirements for the financial year 2008/09. Given that the Group does not employ hedge accounting, the mark-to-market profits for these hedges as at 31 October 2008 appear in the consolidated income statement for the year. The significant cash flow advantage that these hedges provide will be felt in FY 08/09, although the gain in reducing operating costs versus market rates will not appear in the results for FY 08/09. In line with many other cruise operators, the Group has not historically hedged its exposure to marine fuel and lubricant prices, which in FY 07/08 was in excess of US$16 million. Given recent price volatility, however, and the desire to offer customers a no surcharge guarantee for Summer 2009, in May and September 2008 the Group entered into fuel swaps expected to correlate with future movements in marine fuel prices. The value of the swaps entered into represented approximately 50% of the Group's anticipated calendar 2009 fuel requirements. A subsequent reduction in fuel prices in the fourth quarter of FY 07/08 resulted in the board's decision to renegotiate the terms of these fuel price swaps at a cost of £1.42m. This amount was charged to the income statement in the year ended 31 October 2008. At the date of this report the Group has also taken out fuel swaps of similar amount for calendar year 2010.

Dividend policy

2007/08 final dividend
At the time of our interim results the Group paid an interim dividend of 2.44p per share, representing around a third of the board's expected full year payout. Whilst pre-tax profits before derivatives for the year are in line with our expectations, the industry outlook is significantly poorer than that anticipated at our interims in July 2008. For this reason the board feels that it is appropriate to pay a more prudent 1.22p final dividend per share, resulting in a full year FY 07/08 dividend of 3.66p per share.

Current year dividends
Current market conditions represent not only significant challenges but also significant opportunities for the Group and as a result your board considers it prudent to conserve cash, not only in order to protect the financial stability of the Group but also to provide the flexibility to grow the business via acquisition. The decision during the last financial year not to commit the cash raised at flotation has proved to be a wise one, as valuations continue to move significantly in the Group's favour. For these reasons the board believes that shareholder value can be better enhanced by conserving as much cash as possible at the current time and therefore it has decided not to pay an interim dividend for FY 08/09. The decision regarding a final dividend will be made at the time of the FY 08/09 preliminary announcement.

Outlook
The Group successfully overcame significant technical challenges during FY 07/08 which led to a reduction in profits. This included the upgrade of two generators on mv Minerva in November 2008 and an engine repair on mv Discovery. The technical challenges of FY 07/08 have now been replaced by the current uncertain global economic times. Continued pressure on consumer spending, adverse movements in exchange rates and later booking patterns are all currently conspiring to reduce prices and squeeze margins, and are resulting in some of the most challenging trading conditions experienced in recent years.

Despite this outlook, I believe that the Group is better placed to continue its development than ever before, thanks to the Group's strong financial position and the continued levels of dedication and professionalism shown by the staff and crew as reflected in continued high levels of customer satisfaction. On behalf of the board I would like to thank them for their support.

By maintaining our financial strength, we continue to believe that the Group is extremely well placed to take advantage of opportunities that arise during these challenging times.

R J Allard
Chairman

All Leisure group plc

Chairman's Statement (continued)

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RJ Allard
Chairman

All Leisure group plc

Chief Executive's Report

Operating Review

The following table provides the current and historical figures for the principal operating Key Performance Indicators ('KPI's) employed by the Group, including the gross fuel spend:

	FY 2008 (i)	FY 2007 (i)	FY 2006 (ii)
Revenues	67.1	45.1	47.0
Gross profits (%)	11.3	9.4	11.5
Profit for the financial year (£m)	8.81	5.36	4.69
Earnings per share – basic (p)	14.4	9.6	7.6
Dividends per share (p)	3.66	5.0	3171.0
Total assets (£m)	30.4	24.2	8.0
Other operating date			
Non revenue days – Discovery	11	11	-
Non revenue days – Minerva	11	n/a	n/a
Capacity – Antarctic (iii)	700	500	500
Capacity – Maximum (iii)	1,102	708	708
Passengers carried (iv)	18,347 +	17,374 +	17,335 +
Ships – owned	1	1	1
Ships – leased	1	-	-
Discovery fuel spend ($'000) (v)	8,819	5,707	5,774
Minerva fuel spend ($'000) (v)	7,583	n/a	n/a

Notes:

(i) Reported under IFRS

(ii) Under UK GAAP, as restated in the annual report and accounts for year ended 31 October 2007

(iii) As at year end assuming two passengers per cabin

(iv) Counts back to back passengers on each leg of their itinerary

(v) Individual purchases are allocated to a financial year based on date of purchase only. Purchase prices exclude any impact of fuel hedging.

Voyages of Discovery

Voyages of Discovery offers niche year-round destination-led cruises on board the mv Discovery which appeal to mature customers and include a wide variety of itineraries worldwide. The last financial year saw considerable investment in the ship, not only in terms of infrastructure but also in the upgrading of passenger areas. The winter programme included Antarctica, Central and Southern America, while the summer programme (operating out of Harwich) included Northern Europe and the Mediterranean.

During the winter 2007/08 season mv Discovery (which weighs 20,216 tons gross, has 356 cabins and offers a maximum of 708 lower berths) carried around 5,700 passengers, representing around 78,000 revenue passenger days. During the summer 2008 season, mv Discovery carried around 9,300 passengers.

Sales are generated through a number of sources. Cruises sold in the UK are generally sold directly to the public or on the Group's behalf by specific travel agents with an expertise in the cruise market. The direct sales to the public are either to repeat customers of the Group or generated through passenger referrals, advertising and other promotions. In the US and Canada cruises are sold via the Group's Fort Lauderdale sales office and across the rest of the English speaking world, via the Group's arrangements with general sales agents in South Africa, Australia, and New Zealand.

Chief Executive's Report (continued)

Operating Review (continued)

Voyages of Discovery (continued)

In line with our strategy of offering our customers the widest possible choice, we are introducing a number of exciting new destinations in Asia for Winter 2009/10. We are also investing in improving customer access to our product via our online offering.

Swan Hellenic

In November 2007 a bareboat charter for the ship mv Explorer II (renamed mv Minerva in March 2008) commenced. mv Minerva weighs 12,449 tons gross and has 197 cabins and offers a maximum of 394 lower berths. In July 2007 the Group acquired the Swan Hellenic brand and other associated assets, and several senior members of Swan Hellenic's management team joined the existing management team.

Following a successful winter season for mv Minerva in Antarctica, the vessel commenced operating under the Swan Hellenic brand in May 2008 and ran a programme of summer cruises (operating out of Dover) to Northern Europe and the Mediterranean. During that summer season mv Minerva carried c.3,300 passengers.

Early demand for our summer 2008 programme led to exceptionally high levels of forward bookings which underpinned a successful relaunch year for the Swan Hellenic brand. It is important that we continue to differentiate our product in these most challenging of times. As well as re-introducing popular summer itineraries, passengers were offered a range of new products including, given the ability of mv Minerva to enter Antarctic zones 1 and 2, a winter 2008/09 programme that gives passengers the best possible access to this awe inspiring continent.

We are particularly happy with our new summer 2009 Swans river cruise programme on the Danube and the Rhone. The Rhone river cruises are now almost fully booked and we intend to expand the river cruise product further in our summer 2010 offering.

As with mv Discovery, the Group has made significant investment in the passenger areas of mv Minerva. In addition, the ship's generators were upgraded during a two week dry dock commencing 27 October 2008.

Discover Egypt

The majority of Discover Egypt's customers take packaged holidays that include seven-night Nile cruises between Luxor and Aswan, flights, accommodation and a number of excursions. Other customers use Discover Egypt to arrange bespoke holidays. The majority of revenues are generated by direct sales to the public, mostly through its website, newspaper advertising and repeat customers. The business also produces brochures and uses a small number of agents.

Discover Egypt has been able to use its extensive knowledge of its niche market to exploit growing demand for bespoke holidays. This has allowed it to continue differentiating its offering in the marketplace and to increase average spend per passenger in what are otherwise difficult trading conditions. As a result the division traded satisfactorily in FY 07/08.

Current Trading

As at February 2009 current winter cruise bookings for Voyages of Discovery and Swan Hellenic are slightly ahead of this time last year, whilst summer 2009 cruise bookings are slightly behind. We believe that this is due to later booking patterns amongst our customers given current economic conditions. Discover Egypt is also trading satisfactorily.

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Chief Executive's Report (continued)

Operating Review (continued)

Operational update

Consistent with market practice, the delivery of services on board Discovery and mv Minerva is mainly outsourced but is strategically and commercially controlled by the senior management of the Company. There are two main suppliers for services on board the vessel, V Ships and Sea Chefs. V Ships employs the deck and engine crew responsible for the ship's maintenance, mechanical operations and health and safety. Sea Chefs employs the hotel and catering staff. Harding Brothers Limited are responsible for the operation of the onboard shop and spa. Guernsey Ship Management Limited, on behalf of All Leisure Holidays, employs 15 key staff that work on board the Discovery, including the captains, chief engineers and doctors.

R D Bryant
Chief Executive

Finance Director's Report

During my first year as Group Finance Director significant improvements have been made to the Group's financial reporting function. This year my priority has been to ensure that the Group meets its financial reporting requirements, in particular reporting under IFRS for the first time and meeting the reporting standard required by AIM. The changes made reflect the commitment of the Group to accurate financial reporting, and set the tone for the future.

As a result of the reviews initiated internally by the Group in the period, and following correspondence with the Financial Reporting Review Panel, the Group has identified and corrected various errors in the 31 October 2007 financial statements. These corrections are summarised below with full details given in note 5, including reconciliations from the prior year financial statements. The profit and loss account, balance sheet and cash flow, together with detailed notes, provide a full disclosure of the nature and impact of the restatements on the prior year results.

The Group has co-operated fully with the Financial Reporting Review Panel, which has now closed its investigation. The board thanks the Panel for the comments made, and the resolution of the various matters raised.

The Group now has a reliable process with which to meet the required standard of financial reporting in the future. It has resolved the issues raised by the Financial Reporting Review Panel, such that in future periods the Group's continued ability to report financial information under IFRS is enhanced. In addition, with the full support of the Board, the Group's internal review and control procedures continue to be under review and will continue to be improved.

Prior year restatement of results under UK Generally Accepted Accounting Principles (UK GAAP)

Profit and loss account

The prior year financial statements have been restated as presented in note 5. The restatements have a significant impact on profit for the year ended 31 October 2007, which has been reduced by £1.3m. This principally reflects the expensing of £0.9m (being £0.7m of cash expenditure and £0.2m share option expense) which were previously charged directly to the share premium account, and the recognition of foreign exchange losses on the revaluation of US Dollar denominated intercompany balances of £0.7m.

Balance sheet

The most significant adjustment with an impact on reported net assets, arises from the reassessment of the functional currency of a subsidiary undertaking, resulting in a change in functional currency from £ sterling to US Dollar. This change has no impact on the cash of the Group, although it does have a significant effect on the net assets of the Group as this subsidiary owns both the Group's principal asset, mv Discovery, and the associated ship loan, both of which are now subject to exchange fluctuations. This accounts for the majority of the decrease in Group net assets at 31 October 2007 of £0.2m from the amounts previously reported, to the restated amount of £25.7m.

Ship accounting

The Group's most significant owned operating asset, other than cash, is the ship mv Discovery. In the financial years up to and including the year ended 31 October 2007, mv Discovery was subject to depreciation. In the current year, the Group has revisited the residual value estimate for mv Discovery, and has determined that the residual value as defined under IFRS exceeds the current carrying value. Accordingly, the Group has ceased to depreciate its core ship asset. This has resulted in a decrease in the depreciation charge year on year of £1.1m. The impact of non-depreciation on EPS is presented in note 16 in an adjusted EPS figure.

International Financial Reporting Standards

In accordance with AIM reporting requirements, the Group has adopted International Financial Reporting Standards (IFRS) for the financial year ended 31 October 2008 as the basis to report its financial results. This transition has led to some differences between reported numbers under IFRS and UK GAAP that are a result of the accounting framework change and are not a reflection of a change in business performance. The principal impact is the presentation of the revaluation to fair value of the Group's derivative financial instruments at each balance sheet date.

Finance Director's Report (continued)

Hedging

The Group takes out derivative contracts to cover fuel and foreign exchange requirements. The nature of the Group's businesses preclude the Group from adopting the hedging provisions of IAS 39 and consequently movements in derivative fair values are taken direct to the income statement, increasing the volatility of stated profits. Derivative related adjustments give rise to a profit effect of £2.8m (2007: £0.9m loss) and are reported within cost of sales. Further details are provided in note 6.

Results presentation and discussion

For clarity of presentation, and to enable meaningful performance commentary, the table below presents the income statement adjusted in two ways:

- Firstly, pre-derivative to exclude the material fluctuations in derivative fair valuations which increase income statement volatility, and
- Secondly, on an adjusted basis. The adjusted basis is calculated on earnings which have been adjusted for non-recurring items and the impact of non-depreciation of the ship.

Management believe that the pre-derivative income statement presents the clearest and most meaningful presentation for results commentary. The commentary below has been prepared on that basis. Non-recurring items are set out in detail in note 9.

	2008 £'000	2007 £'000
Profit before tax	9,052	4,740
Derivative contract related adjustments in cost of sales (see note 8 for details)	(2,777)	831
Pre-derivative profit before tax	6,275	5,571
Non-recurring items affecting:		
- cost of sales	1,052	-
- administrative expenses	370	1,079
mv Discovery Ship depreciation included in cost of sales	-	1,085
Adjusted profit before tax	7,697	7,735
EPS – Basic and Diluted (pence)	14.4p	9.6p
Adjusted EPS – Basic and Diluted (pence)	12.1p	14.9p

Turnover and gross profit

The introduction of the Group's second cruise ship mv Minerva has been a key element in the increase in Group turnover by 49.7% to £67.5m compared with £45.1m in 2007. Gross profit, adjusted for derivatives, decreased 1.3% to £14.0m (2007: £14.2m) with gross margin reducing from 31.4% to 20.7%. As set out in the Chairman's Statement, the year has been challenging on both an operational and a macro-economic level, with factors such as volatile fuel prices, a weakening of £ sterling against the US Dollar and the Euro and technical challenges significantly impacting operating costs, including certain one off costs. The Group has experienced lost revenue and profits as a result of cancelling two cruises.

Finance Director's Report (continued)

Administrative expenses

Administrative expenses in 2007/08 were £9.2m compared with £9.1m in 2006/07, an increase of £0.1m. This small movement however, reflects three main factors:

- Non recurrent IPO costs expensed in the prior year;
- Favourable foreign exchange movements arising on inter-company balances and cash balances; and
- Start-up costs relating to the establishment of the Swan Hellenic business and the general increase in administrative costs of operating the new ship, mv Minerva.

Pre-derivative operating profit

Pre-derivative operating profit decreased 4.6% to £4.8m (2007: £5.1m).

Investment revenues and finance costs

Investment revenues increased 75.3% to £1.7m (2007: £1.0m). The increase is, in part, a result of funds raised from the AIM listing in October 2007 being held on deposit pending an appropriate investment opportunity. Finance costs relate to a notional 4.5% interest charge on the ship loan required under IFRS and represents a non-cash item.

Profit before taxation

Pre-derivative profit before taxation increased by £0.7m to £6.3m in 2008, an increase of 12.6%. On an unadjusted basis, profit before taxation increased 91.0% from £4.7m to £9.1m.

Taxation

The 2008 effective corporation tax rate was 2.6% (2007: credit 13.1%). The Group's mv Discovery related cruise operations have been included in the UK tonnage tax regime since February 2007 and 2008 is the first full year in which these benefits have been realised. Free losses acquired on acquisition of Atholl Shipping Corporation were partially utilised in the period prior to the entry of mv Minerva to the tonnage tax regime in May 2008, at which point they were frozen.

Earnings per share

Basic and diluted earnings per share on an unadjusted basis were 14.4p (2007: 9.6p). Further analysis of EPS, adjusted to present trading profit on a consistent year on year basis, is presented in note 16. Adjusted EPS is 12.1p (2007: 14.9p).

Acquisitions

The Group acquired 100% of the share capital of Atholl Shipping Corporation Limited on 7 November 2007 for a consideration of £1.5m. The Group acquired various assets and liabilities of Atholl on a dollar for dollar basis such that, other than the identified assets acquired (associated with a bareboat charter for mv Minerva (formerly mv Explorer II)), Atholl was left with a zero balance sheet. In addition the Group entered a profit share arrangement with the former shareholders for winter 2007/8 and winter 2008/9 and agreed a contribution towards the necessary dry dock provision and marketing spend. Atholl Shipping Corporation Limited adopted the Group's accounting policies on acquisition and a dry dock asset and provision were recognised at that time in line with the terms of the bareboat charter agreement on mv Minerva. The trading activities of the company were transferred to All Leisure Holidays Limited from May 2008 when the ship began operation under the Swan Hellenic name. At this time technical and commercial management of the ship were transferred to the UK and the ship entered the UK tonnage tax regime.

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Finance Director's Report (continued)

Cash Flows

Net cash inflow from operating activities was £1.2m lower than prior year at £5.6m (2007: £6.8m). Of significance to cash flow during the year were the acquisition of Atholl Shipping Corporation Limited, resulting in a cash inflow of £0.9m, £1.7m repayment of the ship loan, £3.1m dividend payment and £1.5m interest receipt.

Total cash and balances at bank at the year end amounted to £33.0m, of which £3.3m (2007: £10.6m) is classified as unrestricted cash, £3.1m (2007: £0.4m) classified as restricted cash, and £26.6m (2007: £17.1m) as interest bearing bank deposits. The Group has immediate access to all of these balances, other than the amounts reported as restricted cash.

Going concern

The Group continued to maintain its very strong balance sheet throughout the year, ending as at 31 October 2008 with net assets of £30.4m (2007: £24.2m), net current assets of £14.2m (2007: £13.1m) and a (gross) gearing ratio (debt to equity) of only 16.4% (2007: 21.6%).

In light of the current unprecedented economic conditions and uncertainties, the Group notes that even if it cancelled all of its cruises for the forthcoming year, refunded all of the advance customer payments and maintained administrative expenditure at an unavoidable level based on the results for the year ended 31 October 2008, the Group would have sufficient cash resources to remain in operation for at least a year from the date of approval of the financial statements. The Directors note that this scenario is not envisaged in any of the Group's forecasts, and represents an indication of the strength of the Group provided by the significant asset base including significant cash balances and the contractual arrangement for the operations of the ships.

Based on this strong position and after reviewing in detail our FY 2008/09 forecasts, the directors have formed the view that there is a high expectation that the Group has adequate resources to continue as a going concern for the foreseeable future and has prepared the financial statements on this basis.

G S Marchant
Finance Director

All Leisure group plc

Directors and Officers

Roger Allard (54) Chairman

Roger has been involved in the travel industry for almost 40 years. He was a board director of ABTA until 2007 and is a director of several other non-competing travel companies. Roger was instrumental in creating Owners Abroad (now Tui Travel PLC) and in listing it on the London Stock Exchange in 1982. After 20 years, Roger left First Choice in 1993 as Group Managing Director and was involved in the aviation industry until 1996. Roger acquired the Voyages of Discovery brand in 1997.

Rob Bryant (52) Chief Executive

Rob assumed the role of Chief Executive in October 2007 having previously been Chief Operating Officer. He worked for Horizon and was managing director of Owners Abroad Aviation until 1993. Thereafter Rob worked in senior positions within the travel industry until he joined the Group in 2002 as a director, having previously been a consultant to the Company.

Ross Jobber (44) Group Chief Operating Officer

Ross worked in the City of London since 1987, holding a variety of roles in both Equity Research and Corporate Finance. As an analyst he has covered a number of industries including the UK Travel & Leisure sector. He joined Deutsche Bank AG in 1998 and became a Managing Director in 2000, becoming Associate Director of Global Company Research. For the year ended 31 October 2008 Ross was a non-Executive Director and sat on the Remuneration Committee and chaired the Audit Committee. Ross took up an executive position as Group Chief Operating Officer in January 2009.

Guy Marchant (34) Finance Director

Guy joined the Group in February 2008 from the activity sector of TUI Travel where, after a role in Group Finance for First Choice Holidays PLC, he was Head of Finance for The Adventure Company and Trek America. Guy qualified as a chartered accountant with Deloitte prior to joining First Choice in 2003.

Nigel Jenkins (56) Non Executive Director
Chairman, Remuneration Committee

Nigel has been involved in the travel industry for 35 years. A founding Director of Unijet in 1981 he joined First Choice Holidays PLC in 1998. He led the restructuring and turnaround of their Canadian division before returning to the UK in 2004 to become Managing Director of their Activity Holiday Sector and a member of their Group Management Board. He retired from First Choice in October 2006. He is currently Non-Executive Chairman of KBC Public Relations & Marketing Limited. He chairs the Remuneration Committee and sits on the Audit Committee.

Philip Ovenden (66) Non Executive Director

Philip, a chartered accountant, was the Group's Chief Executive until October 2007 when he moved into a non-executive role. Philip has been involved in the travel industry for more than 30 years. He worked at the International Leisure Group for seven years between 1984 and 1991 and was Chief Executive of Leisure International Airlines from 1994 until it was purchased by First Choice Holidays in 1998. He joined All Leisure as Group Chief Executive in 2000. He currently sits on the Remuneration committee and will become chairman of the Audit Committee for the year ended 31 October 2009.

All Leisure group plc

Corporate Governance Statement

The Directors recognise the importance of sound corporate governance, whilst taking into account the size and nature of the Group. The board complies, as far as practicable, with the Corporate Governance Guidelines for AIM Companies issued by the Quoted Companies Alliance, although it recognises that improvements still need to be made. Following the receipt of a comments letter from Financial Reporting Review Panel ('FRRP') in August 2008, the Group has instigated a full review of financial reporting procedures as well as the internal control system adopted currently in all of the Group's businesses. This review is ongoing, but will be completed before the end of the calendar year 2009.

Financial reporting procedures

Prior to the application by All Leisure group plc for its issued and to be issued share capital to be admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange, the directors confirmed that they had put in place plans to implement sufficient financial reporting procedures to provide a reasonable basis for the Group to make proper judgements as to the financial performance, position and cash flow of the Group.

Further details on the significant developments and improvements in this respect are included in the Finance Director's report on page 7. There is still work to be completed in this area, as noted above, and the Group is in the process of implementing new policies and procedures to improve the overall strength of the Group accounting function.

The Board

The Board is responsible to the shareholders for the proper management of the Group. The Board is responsible for setting the Group's strategic direction, the establishment of Group policies and internal controls and the monitoring of operational performance. It meets regularly throughout the year and, in addition to the routine reporting of financial and operational issues, reviews certain key functions such as fuel and currency hedging between meetings. The Board has a schedule of matters specifically reserved to it for decision. The Board meeting agenda normally comprises inter alia strategy, operations review and financial review. Specific meetings cover the approval of the interim and preliminary financial results and the approval of the annual budget. Information is normally provided to all Board members in the week prior to a Board meeting to enable the Directors to consider the issues for discussion and to request clarification or additional information. The Board regularly reviews the type and amount of information provided. The Board plans to meet at least six times a year. All Directors have access to the advice of the Company Secretary Peter Buckley, who is responsible to the Board for ensuring that procedures are followed. A statement of directors' responsibilities in respect of the financial statements is set out in this Annual Report.

At 31 October 2008, the board comprised of three executive directors and three non-executive directors. The Board consisted of the Executive Chairman, two further Executive Directors and three Non-Executive Directors. The positions of Chairman and Group Chief Executive are not combined, ensuring a clear division of responsibility at the head of the Group. Furthermore, during the year the number of executive and non executive directors has been evenly balanced. The board brings a range of experience and expertise sufficient to bring independent judgement on issues of strategy, performance, safety, resources and standards of conduct which is vital to the success of the Group. At the Annual General Meeting held on 15 April 2008, Roger Allard, Nigel Jenkins and Ross Jobber put themselves forward for re-election to office and were duly reappointed.

All three non-executive directors hold shares in the Group, as disclosed in the Directors' Report. However because the number of shares held is relatively small and there are no cross directorships between executive and non-executive directors, these shareholdings are not believed to impact on Non-Executive Directors' independence. Accordingly two of the three Non-Executive Directors (Nigel Jenkins and Ross Jobber), are considered independent directors by the Group. The third non-executive director, Philip Ovenden, is not deemed independent due to previous executive employment arrangements with the Group which ended in October 2007. On 12 January 2009 Ross Jobber was appointed into an executive role as Chief Operating Officer.

The Executive Chairman of the Board is Roger Allard who is responsible for the preparation and execution of the Group's strategic plan. Rob Bryant is the Chief Executive Officer and is responsible for co-ordination of the Group's business activities and during the year Guy Marchant was appointed Group Finance Director.

Corporate Governance Statement (continued)

The Board (continued)

At the forthcoming Annual General Meeting, Guy Marchant and Philip Ovenden are offering themselves for re-election. Subject to re-election at the first AGM after which they are appointed, all Non-Executive Directors are appointed initially for a three year term and, after review, may be proposed for a further three year term. The Group will take into account the balance of skills and experience on the Board, and their contribution and level of independence when considering whether to extend their appointment beyond the initial term.

The Board takes significant measures to ensure that all Board members are kept aware of both the views of major shareholders and changes in the major shareholdings of the Group. This is achieved by giving all Directors access to the Group's Nominated Advisor ("NOMAD"), Blue Oar Securities plc.

Board Committees

In accordance with corporate governance best practice, the Board has established Audit and Remuneration committees, comprising two or three non-executive directors for the audit and remuneration committees respectively.

The committees have duties and responsibilities formally delegated to them by the Board. The committees have the following memberships:

Remuneration Committee (2007/8):	Nigel Jenkins (Chair), Ross Jobber, Philip Ovenden
Remuneration Committee (2008/9):	Nigel Jenkins (Chair), Philip Ovenden
Audit Committee (2007/8):	Ross Jobber (Chair), Nigel Jenkins
Audit Committee (2008/9):	Philip Ovenden (Chair), Nigel Jenkins

Meeting attendance

The Board met 6 times last year and the attendance of the Directors at the Board and committee meetings, where appropriate, are as follows:

	Annual General Meeting	Scheduled Board Meeting	Audit Committee	Remuneration Committee
Roger Allard	1 (1)	6 (6)	1 (-)	- (-)
Rob Bryant	1 (1)	6 (6)	- (-)	- (-)
Guy Marchant	1 (1)	6 (6)	1 (-)	- (-)
Nigel Jenkins	1 (1)	6 (6)	3 (3)	1 (1)
Ross Jobber	1 (1)	5 (6)	3 (3)	1 (1)
Philip Ovenden	1 (1)	6 (6)	- (-)	1 (1)

Attendance includes conference calls. Figures in brackets indicate the maximum number of meetings in the period in which the individual was a member of the Board or the relevant Committee, and required to attend the meeting.

Roger Allard and Guy Marchant each attended an Audit Committee meeting at the request of the Chairman of the Audit Committee.

Corporate Governance Statement (continued)

Audit Committee

The Audit Committee was chaired during the year by Ross Jobber and comprises both independent non-executive directors. The Chairman, Chief Executive and Finance Director are invited to attend meetings, as appropriate. The Audit Committee reviews the half-year and annual financial statements, matters related to internal controls and holds the relationship with the external audit function. In addition, the Audit Committee ensures that an objective and professional relationship is maintained with the external auditors, with particular regard to the nature and extent of any non-audit functions they provide. During the year ended 31 October 2008, the Group's external auditors, Deloitte LLP ("Deloitte"), provided non audit services to the Group. The fees paid to Deloitte for non audit services were £20,000 (2007: £nil) excluding VAT. The use of Deloitte for non-audit work was carefully evaluated by the Audit Committee, which was satisfied that the necessary independence was achieved by virtue of the fact that the accounts in question were prepared and audited prior to Deloitte being appointed group auditor. The Audit Committee views the independence and objectivity of the Group's auditors as essential and ensures that Deloitte are not instructed on any issue which would prejudice this. The Audit Committee obtains written confirmation on at least an annual basis of the independence of the external auditors. The Audit Committee also reviews the possible risks facing the Group, the risk management function and internal controls. In particular it is constantly updated on decisions made by executive directors regarding currency and fuel hedging.

The Group places the utmost importance on the timely dissemination of operational and financial reports. Accordingly during the year it appointed a Group Financial Controller, Mark Jeffries, who reports to the Finance Director and who is responsible for the preparation of the Group's management accounts.

In the year ended 31 October 2008 the Audit Committee met with the Group auditors, Deloitte, without the Chairman or Chief Executive present. The chairman of the Audit Committee also met with the Group auditors in the presence of the Chairman and Chief Executive on several occasions.

Since the year end Ross Jobber has accepted the offer of an executive role on the board as the Group's Chief Operating Officer. With effect from 12 January 2009 Mr Jobber resigned his role as Chairman of the Audit Committee when he took up his new executive duties. Philip Ovenden was appointed as Audit Committee Chairman in his place.

Remuneration Committee

The Remuneration Committee has the primary responsibility to review the performance of the Company's executive directors and Company Secretary and to set their remuneration and other terms of employment. The Remuneration Committee is chaired by Nigel Jenkins and consists of all the Non- Executive Directors.

Nominations Committee

Given the size of the Company the board deems it appropriate that all members are closely involved in nominating new board members and therefore no Nominations Committee exists at this time. The board will review this arrangement annually.

Going concern

After making enquiries, the directors have formed a judgement at the time of approving these financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing these financial statements. Further details are provided in the Finance Director's Report.

Relations with shareholders

Results are released on a semi-annual basis as required under the AIM Rules. Existing and potential institutional investors are offered one-on-one meetings with Executive Directors immediately thereafter. The primary responsibility for this process lies with the Executive Chairman. All shareholders have the opportunity to put questions to the Board at the Annual General Meeting and at other times by emailing or writing to the company or to its NOMAD Blue Oar Securities plc. The Group has appointed Citigate Dewe Rogerson to advise it on the optimal dissemination of relevant information to shareholders and to the market in general. In addition, the Group maintains a website pursuant to Rule 26 of the AIM Rules for Companies containing constitutional documents, press releases and Company contact information.

All Leisure group plc

Directors' Report

The directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 31 October 2008.

Principal activities

The principal activities of the Group comprise the operation of several destination-led cruise holiday brands, namely Voyages of Discovery, Swan Hellenic and Discover Egypt. Voyages of Discovery and Swan Hellenic offer destination-led cruises to a number of countries on board the mv Discovery and mv Minerva respectively, and are focused on the market for mature passengers. Discover Egypt offers package holidays to Egypt, including cruises and excursions on the river Nile. The subsidiary undertakings principally affecting the profits or net assets of the Group in the year are listed in note f to the company financial statements.

Business review

A review of the business and its future development (including the information that fulfils the relevant requirements of section 234ZZB of the Companies Act 1985) is given in the Chairman's Statement, Chief Executive's Report and Finance Director's Report. This information has been prepared solely to assist the shareholders to assess the Board's strategies and their potential to succeed. It should not be relied on by any other party, for any other purposes. Forward-looking statements have been made by the Directors in good faith using information available up to the date of this report. Forward-looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks.

Principal risks and uncertainties

The Directors continually identify, evaluate and manage material risks and uncertainties faced by the Group which could adversely affect the Group's business, operating results and financial position. The list below details what the Directors consider to be the principal risks and uncertainties and the actions taken, or to be taken, to mitigate the adverse consequences. This list is not intended to be exhaustive and other risks may emerge over time:

Area	Description of risk	Examples of mitigating activities
Economic	• The Group is competing for a share of disposable income of its target customers, making revenue vulnerable to the impact of an economic downturn.	• The Group invests in brand awareness and pays significant attention to customer feedback in order to maximise brand loyalty.
	• Volatility in markets such as currency and fuel can undermine budgets.	• The Group has maintained its successful currency hedging policies and has recently introduced a degree of fuel hedging into its financial planning.
Geopolitics	• The Group is at risk of geo-political events or natural disasters affecting our business.	• The Group maintains a flexible business model, plans its itineraries with care and offers a broad geographic spread of destinations within its products.

Directors' Report (continued)

Business review (continued)

Principal risks and uncertainties (continued)

Area	Description of risk	Examples of mitigating activities
Regulation	• Changes to legislation (principally regarding the operation of cruise shipping) could result in the Group's vessels (mv Discovery and mv Minerva) becoming uneconomic or inoperable. mv Discovery is owned and this could further impact the carrying value of this significant asset.	• The Group closely monitors regulatory developments across the travel industry through its active membership of industry bodies and the Directors' significant contacts and experience in the travel industry. • The Group manages cash levels carefully in order to meet any unexpected operational expenditure that may arise. • The Group continually reviews the operating assets to plan any replacements and the timing of replacement.
Operational	• The Group's ships carry a risk of operational failure and/or causing environmental damage thus impacting revenues and/or costs.	• All ships operated by the Group are maintained according to the required maritime standards, including two dry dock inspections every five years.
	• The Group outsources a significant element of its operations (namely hotel services and deck & engine maintenance) to third parties. Any damage to these relationships could have a detrimental impact on our business.	• The Executive Directors meet regularly with the Group's key suppliers in order to maintain good working relationships.
	• The Group is dependent on information technology systems, the failure of which would impact its ability to process sales.	• Investment in technology ensures that system reliability is optimised and procedures are in place to minimise the time that any selling system is inoperable.
Competition	• The Group operates in a highly competitive market resulting in the threat of our competitors launching new products or adding products before we make corresponding updates and developments to our own range. This could render our products out-of-date and could result in rapid loss of market share.	• We undertake market research to ensure that our own products continue to meet the needs of our customers and we plan new product development with care to ensure that we have products that remain focused on our niche market.
Financial	• A significant proportion of the Group's cost base remains constant notwithstanding changes to the level of revenues.	• Key performance indicators (as set out in the Chief Executive's Report) are closely monitored to ensure that yields are optimised.

All Leisure group plc

Directors' Report (continued)

Financial risk management policies

Information about the use of financial instruments by the Group is given in note 37 to the consolidated financial statements.

Post balance sheet events

Details of significant events since the balance sheet date are contained in note 38 to the consolidated financial statements.

Results and Dividends

The profit after taxation for the year ended 31 October 2008 amounted to £8.8m (year ended 31 October 2007: £5.4m). The directors propose a final dividend of 1.22p (2007: 5.00p) per share subject to approval at the Annual General Meeting on 14 April 2009. Together with the interim dividend of 2.44 p (2007: 0.00p) paid on 12 November 2008, this makes a total of 3.66p for the year (2007: 5.00p).

These dividends, in accordance with IAS 10 'Events after the balance sheet date' for the Group, and, FRS 21 'Events after the balance sheet date' for the Company, have not been provided for in the attached financial statements.

During the year, the Company paid the final dividend for the year ended 31 October 2007 of 5.00p per share.

Capital Structure

Details of the authorised and issued share capital are shown in note 28. There have been no changes in the issued or authorised share capital in the year. Subsequent to 31 October 2008, the Company issued 338,221 1p ordinary shares by means of a scrip dividend. The issued share capital increased as a result to 61,774,777.

The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

On 20 February 2009, the Company has been notified of the following shareholdings in excess of 3% of the ordinary 1p shares of the Company at that date.

Name of holder	Percentage of voting rights and issued share capital	No. of Ordinary shares	Nature of holding
R Allard	58.8%	36,416,015	Investment
The Right Honourable Lord Sterling of Plaistow	5.97%	3,684,400	Investment
P Buckley	5.09%	3,144,986	Investment
P Ovenden	4.96%	3,065,051	Investment
Framlington Investments	4.50%	2,777,800	Investment
R Bryant	3.66%	2,260,628	Investment

Shareholders' authority for the purchase by the Company of 10% of its own shares existed as at 31 October 2008. It is currently the intention of the Directors to seek to renew the authority to buy back shares at the 14 April 2009 Annual General Meeting.

Directors' Report (continued)

Capital Structure (continued)

Due to the significant shareholding in the company held by the Chairman, Mr Roger Allard, a Relationship Agreement was signed on 24 September 2007. Under the terms of this agreement Roger Allard undertakes to the Company that for so long as he, and connected persons, own 30 per cent. or more of the shares in the Company entitled to vote at general meetings that (i) he will not exercise his voting rights to vote in favour of the appointment of a director who has not been approved by the Board (ii) Roger Allard grants the Company rights to control his ability to build a stake in another cruise business for so long as he, and connected persons, own 25 per cent. or more of the shares in the Company entitled to vote at general meetings, and (iii) Roger Allard undertakes to the Company that for so long as he, and connected persons, own 30 per cent. or more of the shares in the Company entitled to vote at general meetings that he will vote his shares to ensure that the Company shall operate and make decisions for the benefit of the Company as a whole. This agreement terminates if Roger Allard, and connected persons, own less than 25 per cent. of the shares in the Company entitled to vote at general meetings.

No person has any special rights of control over the Company's share capital other than through a majority shareholding as disclosed above and all issued shares are fully paid.

As at the date of this report, the Group has no employee share option schemes in place. Certain options as at 31 October 2008 over 1,074,615 number of ordinary 1p shares (as at the date of this report 1,080,551 ordinary 1p shares) are outstanding in favour of Blue Oar Securities plc, arising from the Initial Public Offering of the Company's shares in October 2007. The principal features of these options are disclosed in note 35 to the consolidated financial statements. Were Blue Oar Securities to exercise all its options, then the issued share capital would increase to 62,819,392 as at 31 October 2008 (62,826,318 at the date of this report) and Blue Oar Securities would control 1.71% of the shares and associated voting rights. There are no other potentially dilutive equity instruments in the Company in issue at 31 October 2008.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Acts and related legislation and requires certain directors annually to retire by rotation. The Articles themselves may be amended by special resolution of the shareholders.

Directors

The directors, who served throughout the year and to the date of this report, except as otherwise noted, were as follows:

Roger Jeffrey Allard	Executive Chairman
Robert David Bryant	Chief Executive
Guy Stephen Marchant	Finance Director (Appointed on 20 February 2008)
Nigel John Jenkins	Senior Non-executive Director, Chairman of Remuneration Committee
Rosslyn Antony Jobber*	Non-executive Director, Chairman of Audit Committee
Philip Sidney Ovenden	Non-executive Director

Mr. Marchant and Mr. Ovenden retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election.

* On 12 January 2009 Mr. Jobber became an executive director of the Group, being appointed Group Chief Operating Officer.

Directors' Report (continued)

Directors' interests

The directors who held office at 31 October 2008 had the following interests in the 1p ordinary shares of the company:

Name of director	31 October 2008		31 October 2007	
	No.	%	No.	%
R. Allard	36,156,539	58.88	36,156,539	58.96
R. Bryant	2,244,521	3.65	2,244,521	3.50
G. Marchant	-	-		-
N. Jenkins	33,400	0.05	33,400	0.05
R. Jobber	55,600	0.09	55,600	0.09
P. Ovenden	3,043,212	4.96	3,043,212	4.96

Between 31 October 2008 and the date of this report the interests of directors increased as a result of each director electing to receive 50% of their 2008 interim dividend entitlement in the form of a scrip dividend. Accordingly the current Directors' shareholdings as at the date of this report are as follows: R. Allard, 36,416,015 (58.98%), R. Bryant 2,260,628 (3.66%), G. Marchant nil (0.00%), N. Jenkins 33,479 (0.05%), R. Jobber 55,999 (0.09%) and P. Ovenden 3,065,051 (4.96%).

Directors' indemnities

During the year the Company has made qualifying third party indemnity provisions for the benefit of its Directors and these remain in force at the date of this report.

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 31 October 2008 were equivalent to 40 (2007: 32) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Fixed assets

In the opinion of the directors the current open market value of the Group's interests in land and buildings is not materially different to the book value.

Charitable and political contributions

During the year the Group made charitable donations of £8,786 (2007 - £8,803), principally to local charities serving the communities in which the Group operates.

No political donations were made during the year (2007 - £nil).

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Directors' Report (continued)

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and the publication of an internal newsletter. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

The Company does not currently have a share option scheme in place for the benefit of employees. This is reviewed regularly by the Board, and an option plan may be implemented in the future if this is considered to be in the best interests of the Group. In addition, all employees receive an annual bonus related to the overall profitability of the Group.

Independent Auditors and statement of provision of information to the Independent Auditors

Effective 1 February 2008, White Hart Associates LLP resigned as independent auditors of the Company. Subsequently, Deloitte & Touche LLP were appointed as independent auditors to fill the casual vacancy arising in their place.

With effect from 1 December 2008, Deloitte & Touche LLP changed their name to Deloitte LLP.

Deloitte LLP have expressed their willingness to continue in office as independent auditors of the Company and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

By order of the Board,

R J Allard
Director
6 March 2009

All Leisure group plc

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. The directors are required to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and the AIM Rules for Companies.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. 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 UK Accounting Standards have been followed; and
- 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 parent company 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report on the Group Financial Statements to the Members of All Leisure group plc

We have audited the Group financial statements of All Leisure group plc for the year ended 31 October 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 40. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of All Leisure group plc for the year ended 31 October 2008.

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 auditors' 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 Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group 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 Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Chief Executive's Report and the Finance Director's Report that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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 Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group 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 Group 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 Group financial statements.

Independent Auditors' Report on the Group Financial Statements to the Members of All Leisure group plc (continued)

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 October 2008 and of its profit for the year then ended;
- the Group 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 Group financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Crawley, United Kingdom

6 March 2009

Note: The maintenance and integrity of All Leisure group plc's website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ in other jurisdictions.

All Leisure group plc

Consolidated Income Statement
For the year ended 31 October 2008

	Note	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Revenue	6, 7	67,512	45,084
Cost of sales (including fair value gains and losses on derivative contracts of £2,777,000 (2007: £831,000 loss) - see note 8)	8	(50,755)	(31,758)
Gross profit	7	16,757	13,326
Administrative expenses		(9,192)	(9,124)
Rental income		34	24
Operating profit	7, 9	7,599	4,226
Investment revenue	6,12	1,681	959
Finance costs	13	(228)	(445)
Profit before taxation		9,052	4,740
Tax (charge)/credit	14	(238)	620
Profit for the financial year		8,814	5,360
Earnings per share (pence):			
Basic	16	14.4p	9.6p
Diluted	16	14.4p	9.6p

All results derive from continuing operations and are attributable to equity holders of the parent Company.

The comparatives for the year ended 31 October 2007 have been restated as described in note 5 for the transition of the Group to IFRS, and for various restatements to the amounts previously reported under UK GAAP.

All Leisure group plc

Consolidated Statement of Changes in Equity
At 31 October 2008

	Note	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total £'000
At 1 November 2006		53	14	11	-	7,353	7,431
Profit for the financial year		-	-	-	-	5,360	5,360
Total income for the financial year		-	-	-	-	5,360	5,360
Issue of share capital	28	562	13,131	-	-	(503)	13,190
Share issue costs	28	-	(391)	-	-	-	(391)
Dividends paid	15	-	-	-	-	(1,665)	(1,665)
Share options credit		-	20	-	-	204	224
Exchange gain on translation of subsidiary entities	30	-	-	-	10	-	10
At 1 November 2007		615	12,774	11	10	10,749	24,159
Profit for the financial year		-	-	-	-	8,814	8,814
Total income for the financial year		-	-	-	-	8,814	8,814
Dividends paid	15	-	-	-	-	(3,070)	(3,070)
Exchange gain on translation of subsidiary entities	30	-	-	-	455	-	455
At 31 October 2008		615	12,774	11	465	16,493	30,358

All Leisure group plc

Consolidated Balance Sheet
At 31 October 2008

	Note	At 31 October 2008 £'000	At 31 October 2007 £'000
Non-current assets			
Intangible assets	17	3,130	3,235
Property, ship, plant and equipment	18	14,882	11,504
Investment property	19	272	276
Restricted bank balances	22	2,635	-
		20,919	15,015
Current assets			
Inventories	21	1,485	805
Trade and other receivables	22	5,041	1,669
Derivative financial instruments	24	3,686	-
Interest bearing bank deposits	22	26,645	17,095
Restricted bank balances	22	464	361
Cash and cash equivalents	22	3,264	10,599
Total current bank balances and cash in hand		30,373	28,055
		40,585	30,529
Total assets		61,504	45,544
Current liabilities			
Trade and other payables	26	(24,230)	(14,882)
Current tax liabilities		(60)	(211)
Borrowings	23	(1,645)	(1,350)
Derivative financial instruments	24	(493)	(1,006)
		(26,428)	(17,449)
Non-current liabilities			
Borrowings	23	(3,330)	(3,869)
Deferred tax liabilities	25	(54)	(67)
Provisions	27	(1,334)	-
		(4,718)	(3,936)
Total liabilities		(31,146)	(21,385)
Net assets		30,358	24,159
Equity			
Share capital	28	615	615
Share premium account		12,774	12,774
Revaluation reserve	29	11	11
Currency translation reserve	30	465	10
Retained earnings		16,493	10,749
Total equity		30,358	24,159

The comparatives for the year ended 31 October 2007 have been restated as described in note 5 for the transition of the Group to IFRS, and for various restatements to the amounts previously reported under UK GAAP.

The financial statements were approved by the board of directors and authorised for issue on 6 March 2009. They were signed on its behalf by:

G S Marchant
Director

All Leisure group plc

Consolidated Cash Flow Statement
For the year ended 31 October 2008

	Note	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Net cash inflow from operating activities	32	5,550	6,829
Investing activities			
Interest received		1,476	834
Acquisition of subsidiary		900	-
Rental income		34	24
Purchases of property, plant and equipment		(268)	(2,196)
Movement to short-term interest bearing cash deposits		(9,551)	-
Net cash used in investing activities		(7,409)	(1,338)
Financing activities			
Proceeds from issue of shares		-	10,000
Share issue costs		-	(388)
Dividends paid		(3,070)	(1,665)
Repayment of loans		(1,667)	(2,170)
Management of liquid resources – bank deposits		(1,988)	(4,090)
Net cash (used in) / from financing activities		(6,725)	1,687
Net (decrease) / increase in cash and cash equivalents		(8,584)	7,178
Cash and cash equivalents at the start of the year		10,599	3,400
Effect of foreign exchange rate changes		1,249	21
Cash and cash equivalents at the end of the year	22	3,264	10,599

The comparatives for the year ended 31 October 2007 have been restated as described in note 5 for the transition of the Group to IFRS, and for various restatements to the amounts previously reported under UK GAAP.

All Leisure group plc

Notes to the Consolidated Financial Statements
For the year ended 31 October 2008

1. **General information**

All Leisure group plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in note 6 and in the Chairman's Statement, Chief Executive's Report, the Finance Director's Report and the Directors' Report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

2. **Adoption of IFRS, prior year restatements and standards in issue not yet effective**

First time adoption of IFRS

The Group has adopted IFRS from 1 November 2006 ('the date of transition'). The effect of the transition from UK GAAP as previously reported and subsequently restated (see below) by the Group to IFRS as at 1 November 2006 and 31 October 2007, and for the financial year ended 31 October 2007, is included in note 5. In accordance with IFRS 1 the Group is entitled to a number of voluntary exemptions from full restatement for certain standards, which have been adopted as dealt with below:

Fair value or revaluations as deemed cost: as described in the IFRS accounting policies in note 3, the Group has elected to adopt the cost model available under IAS 40, *Investment Property*. Accordingly, the net book value of the sole investment property held by the Group at the date of transition from UK GAAP is the deemed cost under IFRS.

Cumulative translation differences: Under IAS 21, *The Effects of Changes in Foreign Exchange Rates*, translation differences arising on the conversion of subsidiary undertakings with financial currencies that differ to the Group presentation currency of £ sterling are required to be initially recognised as a separate component of equity that is only recognised in the income statement in the event of a disposal of that foreign operation. The Group has elected not to comply with this requirement for cumulative translation differences that existed at the date of transition and accordingly, the cumulative translation differences for all non sterling functional currency operations are deemed to be zero at the date of transition.

Prior year restatements arising from corrections to errors under UK GAAP

During the preparation of the financial statements for the year ended 31 October 2008, the Group has identified various errors in the financial statements for the year ended 31 October 2007 which were presented under UK GAAP. The restatements arising from the correction of these errors are significant, and disclosed in note 5 as a restatement of the amounts previously reported under UK GAAP prior to the adjustments arising as a result of the transition to IFRS. The Directors are of the opinion that in the context of the transition to IFRS and the change in the basis of preparation of the financial statements arising, that the amounts are not sufficiently significant to require the financial statements for the year ended 31 October 2007 to be re-issued.

2. Adoption of IFRS, prior year restatements and standards in issue not yet effective (continued)

Standards and interpretation in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 1	(Amended 2008)	First-time Adoption of International Financial Reporting Standards - Amendment relating to cost of an investment on first-time adoption
IFRS 2	(Amended 2008)	Share-based Payment - Amendment relating to vesting conditions and cancellations
IFRS 3	(Revised 2008)	Business Combinations - Comprehensive revision on applying the acquisition method
IFRS 5	(Amended 2008)	Non-current Assets held for Sale an Discontinued Operations
IFRS 8		Operating Segments
IAS 1	(Revised 2007, Amended 2008)	Presentation of Financial Statements
IAS 16	(Amended 2008)	Property, Plant and equipment
IAS 19	(Amended 2008)	Employee Benefits
IAS 27	(Amended 2008)	Consolidated and Separate Financial Statements
IAS 32	(Amended 2008)	Financial Instruments: Presentation - Amendments relating to puttable instruments and obligations arising on liquidation
IAS 36	(Amended 2008)	Impairment of Assets
IAS 38	(Amended 2008)	Intangible Assets
IAS 39	(Amended 2008)	Financial Instruments: Recognition and Measurement
IAS 40	(Amended 2008)	Investment Property
IFRIC 13		Customer Loyalty Programmes
IFRIC 16		Hedges of a Net Investment in a Foreign Operation
IFRIC 17		Distributions of Non-cash Assets to Owners
IFRIC 18		Transfers of Assets from Customers

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies adopted are set out below.

The financial statements have been prepared on a going concern basis as discussed in the Financial Director's Report and Corporate Governance Statement.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 October each year. Control is achieved when the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

All subsidiaries are 100% owned and there are no minority interests in the Group.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the IFRS policies used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

All Leisure group plc

Notes to the Consolidated Financial Statements
For the year ended 31 October 2008

3. Significant accounting policies (continued)

Foreign exchange

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Property, ship, plant and equipment

Property, ship, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation

Depreciation is provided on all property, dry docks, ship improvements and plant and equipment, other than freehold land, at rates calculated to write off the cost or revalued amount, less estimated residual value of each asset evenly over its expected useful life, as follows:

Freehold land and buildings	2% per annum straight line
Ship (core asset)	Not depreciated
Dry dock assets	Over period to next planned dry dock
Ship leasehold improvements	Over lease period
Ship improvements, fixtures and fittings	10% - 20% per annum straight line
Office equipment	20% per annum reducing balance

The carrying values of property, plant and equipment are reviewed at least annually for impairment or if events or changes in circumstances indicate the carrying value may not be recoverable.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

As discussed in the critical judgements section in note 4, mv Discovery has ceased to be depreciated in the year as the residual value is considered by the Directors to be in excess of her net carrying value.

3. Significant accounting policies (continued)

Depreciation (continued)

Land and buildings held for administrative purposes are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties' revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties' revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale of a revalued property, the attributable revaluation surplus remaining in the properties' revaluation reserve is transferred directly to retained earnings.

Investment property

Investment property, which is property held to earn rentals, is stated at deemed cost as the Group elected, under the transitional arrangements available under IFRS 1, to use the previous carrying value under UK GAAP as deemed cost on transition to IFRS. The investment property is depreciated on a straight-line basis of 2% per annum. The land on which it is situated is not depreciated.

Intangible assets

Intangible assets with a finite useful life are carried at cost less amortisation and any impairment losses. Intangible assets represent items which meet the recognition criteria of IAS 38, "Intangible Assets".

Amortisation of intangible assets is calculated over the following periods:

Customer database	- 10% per annum straight line
Trademark	- 4% per annum straight line
Computer software	- 25% per annum straight line
Order backlog	- over the period supplied

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet at fair value when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

In accordance with IAS 39, *'Financial Instruments: Recognition and Measurement'* financial assets are classified into the following specified categories:

- financial assets 'at fair value through profit or loss' (FVTPL);
- 'held-to-maturity' investments;
- 'available-for-sale' (AFS) financial assets; and
- 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Currently the Group has financial assets classified as 'loans and receivables' and financial assets at 'fair value through profit and loss'. No financial assets are classified as 'held to maturity' or 'available-for-sale'.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

The principal financial assets included in this measurement category are:

Trade receivables

Trade receivables represent net amounts receivable and payments made in the normal course of business. All amounts which are not interest bearing are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, which are charged to the income statement.

3. Significant accounting policies (continued)

Financial instruments (continued)

Loans and receivables (continued)

Bank balances and cash in hand

Bank balances and cash in hand comprises all balances held by the Group with banking institutions and cash in hand (principally held on board the ships). This category includes the following:

- cash and cash equivalents which comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value;
- short and long term restricted bank balances which comprises bank deposits over which counterparties have guarantees charged, such that the Group cannot access the funds until the guarantee is released. The principal amounts of this nature arise from the bare boat charter agreement for mv Minerva, which has a cash guarantee in place for $4.1m; and,
- interest bearing bank deposits with a maturity of over three months. Whilst the Group has immediate access to these funds, the Group typically retains these funds in the deposit account until the deposit term as the counterparty financial institution has the right to restrict interest payments in the event of early withdrawal.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. The Group has not designated any financial assets as being at FVTPL and accordingly only holds financial instruments in this category that are deemed to be held for trading under the provisions of IAS 39.

With respect to the Group, all financial assets that are held for trading are derivative instruments that are not designated and effective as hedging instruments (see the derivative accounting policy below).

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in note 37.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been reduced.

Objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default on payments; or
- it becoming probable that the counterparty will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

Notes to the Consolidated Financial Statements
For the year ended 31 October 2008

3. **Significant accounting policies (continued)**

Impairment of financial asset (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are immediately recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

<u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. The Group has not designated any financial liabilities as being at FVTPL and accordingly only holds financial instruments in this category that are deemed to be held for trading under the provisions of IAS 39.

With respect to the Group, all financial liabilities that are held for trading are derivative instruments that are not designated and effective as hedging instruments (see the derivative accounting policy below).

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Notes to the Consolidated Financial Statements
For the year ended 31 October 2008

3. Significant accounting policies (continued)

Financial instruments (continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and changes in the price of fuel for the ships. Derivative financial instruments are used by the Group to hedge its exposure to movements in currency exchange rates and movements in the price of fuel. The Group does not use derivative financial instruments for speculative purposes.

Whilst the Group's derivatives do not meet the hedge classification criteria of IAS 39, the derivatives operate as economic hedges against movements in the price of fuel, and foreign exchange rates, principally linked to items included within cost of sales. Accordingly, the Group includes the fair value movements on derivative financial instruments meeting the criteria of economic hedges within cost of sales. The amounts in the year are included in note 8 and 9.

The Group's current hedging method precludes it from adopting the hedge accounting provisions of IAS 39. Derivative financial instruments are measured at fair value as described above.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Dividends

Dividends are provided for in the period in which they become a binding liability on the Group.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Inventories

Inventories representing engineering spares, fuels and lubricants are stated at the lower of cost (being purchase price to the Group) and net realisable value.

Where necessary, provision is made for obsolete and damaged stocks.

3. Significant accounting policies (continued)

Leases

Leases taken by the Group are assessed individually as to whether they are finance leases or operating leases.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rental payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The benefit of any lease incentives is spread over the term of the lease.

All Group leases (which include Bareboat Charter agreements) are classified as operating leases.

Taxation

The tax expense represents the sum of current tax expense and deferred tax expense.

Current tax expense is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Certain of the Group subsidiary companies are subject to taxation under the UK Tonnage Tax regime. Under this regime, a shipping company may elect to have its taxable profits computed by reference to the net tonnage of each of the qualifying ships it operates.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax balances are not significant to the Group due to the majority of the operations being within the tonnage tax regime, or taxed on a basis equivalent to the accounting basis.

Where relevant, deferred tax is measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based upon tax rates and legislation that have been enacted or substantively enacted at that balance sheet date. Deferred tax is charged or credited to the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Share capital and share premium account

There is one class of shares. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium account.

Incremental external costs directly attributable to the issue of new shares are recorded in equity as a deduction, net of tax, in the share premium account.

Share-based payment

The Group has applied the requirements of IFRS 2, '*Share-based Payment*', to all grants of equity instruments. The Group issued equity-settled share-based payments to its NOMAD in the year ended 31 October 2007. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments was expensed immediately as the options vested immediately on grant.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Notes to the Consolidated Financial Statements
For the year ended 31 October 2008

3. Significant accounting policies (continued)

Revenue recognition

Revenue comprises sales to third parties (excluding VAT and similar sales and port and other taxes). Cruise revenues, together with revenues from onboard and other activities, which include transportation and shore excursion revenues, are recognised in income upon completion of a voyage or on a pro rata basis for cruises underway at the period end.

Client monies received at the balance sheet date relating to holidays commencing after the year end are deferred and included within trade and other payables.

Retirement benefit costs

The Group operates a defined contribution pension scheme. The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Operating profit

Operating profit is stated before investment income and finance costs.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. Critical accounting judgements and key sources of estimates uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Prior year restatement

As part of the preparation of the financial statements for the year ended 31 October 2008, the Group has identified significant deficiencies in the amounts reported as at 31 October 2007 and for the year then ended.

These deficiencies and related adjustments are disclosed in more detail in note 5.

Due to the significance of the overall restatements, the Group has presented all adjustments required to the amounts previously reported under UK GAAP as prior year adjustments. The Group has paid particular attention to FRS 18, '*Accounting policies*' and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and is of the opinion that, while some of the adjustments are not individually fundamental under UK GAAP, or material under IAS, in aggregate, and to improve the clarity and comparability of the financial position, financial performance and cash flows of the Group, it is appropriate to reflect all adjustments in the correct period to which they apply.

Residual value of mv Discovery

The basis of assessing the residual value of the Group's owned ship mv Discovery has changed in the period, resulting in a cessation of depreciation on the core ship component from 1 November 2007. The residual value is now measured on the basis of an operating cruise ship at the current projected end of the economic life to the Group. In prior periods, the residual value was estimated on a scrap basis. Due to the determination of residual values being inherently judgmental, the Group has accounted for this change prospectively from 1 November 2007 as a revision to the residual value estimate. The Group is aware that this change leads to an increase in earnings per share on a comparative basis, and accordingly, the Group presents in note 16 an adjusted EPS to show the results on a year by year basis, as if depreciation had not been charged in the prior period.

The change in the basis of estimating the residual value reflects specialist advice received by the Company from a member of the Institute of Chartered Ship Brokers, relating to the likely disposal value of the ship being $31.0m at 31 October 2008, and at the projected end of the economic life to the Group. This advice indicates that the ship has reached a certain age, such that the passage of time has a much less significant impact on the value of the ship than the state of repair and maintenance. mv Discovery is maintained to a high and increasing standard through ongoing maintenance programmes and regular dry docks such that the residual value is not considered to be decreasing over time in real terms.

4. Critical accounting judgements and key sources of estimates uncertainty (continued)

Intangible asset valuation and amortisation period

The valuation of intangible assets, for which there is not a readily available market, requires significant judgment on the part of the Group. Intangible assets consist predominantly of two cash generating units: a database of Swan Hellenic past passenger and enquirer names and the Swan Hellenic trademark. These assets were valued in 2007, by White Hart Associates LLP, as required by s108 of the Companies Act 1985 (concerning the issue of shares for a non-cash consideration) to establish the premium arising on the issue of shares that the Company issued as consideration for the purchase of the assets. The directors are of the opinion that this valuation is appropriate to establish the fair value of the assets acquired in the prior period.

The amortisation period is also judgmental. The intangible value has been split between the trademark and the database on the basis of discounted future cash flows attributable to each cash generating unit. The database is being amortised over 10 years. The trademark is being amortised over 25 years. The long period attributable to the life of the trademark reflects the fact that the Swan Hellenic brand has a history stretching over more than 50 years and ongoing investment in the brand will ensure its continued development.

These intangible assets became available for use in May 2008 from which date amortisation has commenced.

Functional currency of Discovery Cruises Limited

The functional currency of Discovery Cruises Limited, a subsidiary entity in the Group is considered by the directors to be US dollars. Discovery Cruises Limited transacts business on behalf of the Group in the United States of America from our Fort Lauderdale office. On transition to IFRS, the Group determined that the functional currency of this subsidiary should always have been US Dollars, as this is the currency of the primary economic environment in which the subsidiary operates. All of its revenue (both from third party customers, and intra group through the bare boat chartering of mv Discovery to All Leisure Holidays Limited) is derived in US Dollars, as are the majority of its costs.

This subsidiary had historically been treated as a sterling local currency entity under UK GAAP, and this change has required a restatement to the Group accounts, as presented in note 5.

This judgment has a significant impact on the reported results and financial position of the Group, for the following reasons:

1. This subsidiary owns the Group's owned asset, mv Discovery, with the associated funding loan. Accordingly, gains and losses arise each period on the retranslation of the assets and liabilities of the entity, are reported within the currency translation reserve in equity. As the ship asset is no longer depreciating, and the ship loan is being repaid, this increases the volatility of movements in net assets to the underlying US Dollar to £ sterling exchange rate, though has limited impact on reported results.

2. The relationship between Discovery Cruises Limited and All Leisure Holidays Limited (a fellow Group subsidiary) is such that the amounts due to or from All Leisure Holidays Limited and Discovery Cruises Limited are US Dollar denominated. Accordingly, the Group now reports exchange gains and losses on this intercompany balance in the income statement for each period, which do not eliminate on consolidation. Due to the significant size of the inter-company balance, the resulting gains and losses can be significant, and create volatility in the Group. In the current period, they amount to a gain amounting to £725,000 (2007: loss £636,000).

4. Critical accounting judgements and key sources of estimates uncertainty (continued)

Insurance claims

During the period, the generators on mv Minerva, the Group leased ship, ceased to operate and have been replaced in dry dock over the year end with enhanced, more fuel efficient generators. The replacement is the subject of an insurance claim that the Group is in the process of submitting.

The Group has expensed all costs associated with the replacement of the generators, other than for amounts that qualify to be capitalised as fixed asset leasehold improvements, estimated at £300,000. Separately, the Group has recorded an insurance receivable asset, for the minimum amount that the Group can be assured to recover under the terms of the insurance contract on mv Minerva. The Group is currently in discussion with the loss adjusters on this claim.

In arriving at the above treatment, the directors have considered in detail the requirements of IAS 16, *Tangible fixed assets*, and IAS 37, *Provisions, Contingent liabilities and Contingent assets* and the terms of the relevant insurance contract, discussions to date with the loss adjusters and all other relevant facts.

Based on these considerations, the directors are of the opinion that only enhancements to fixed assets can be capitalised, and have derived an estimate based on the difference between indicative values of like for like replacement generators, and the actual generators installed on the ship from the company installing the generators.

The Directors are also of the opinion that it is appropriate to record an insurance receivable under the terms of the insurance contract, which covers the insured loss. In this respect, the recognition of the insurance claim asset is the amount that the directors believe meets the 'virtually certain' criteria under IAS 37. The amount recorded as a receivable has been arrived at after taking a prudent view of the total potential insurance asset to be recovered, and represents the minimum amount that the Group expects to recover. The Group is confident that it will recover the costs incurred in full, but does not feel that under IAS 37, there is sufficient certainty, given evidence available at the balance sheet date and the date of signing these financial statements to classify the total insurance claim as virtually certain.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuation of derivative financial instruments

The Group has significant derivative assets and liabilities on balance sheet as at 31 October 2007 and 31 October 2008, which are carried at fair value as required by IAS 39, *Financial instruments: Recognition and Measurement*. The fair value is reported in the income statement, and creates volatility in reported results. The Group is fortunate to have significant technical knowledge on derivatives in house through the experience and expertise of the Board. The Group believes that the estimation of the derivative market value at the year end is based on appropriate estimates. The Group notes though that the valuation of derivative financial instruments requires significant estimates, and is subject to change outside of the control of the Group, through changes in forward currency rates and changes in fuel prices between the balance sheet date and the date that the relevant contracts mature. The significance of changes in the value of derivative instruments is shown in notes 8 and 37.

4. Critical accounting judgements and key sources of estimates uncertainty (continued)

Dry dock provisions

The bareboat charter agreement for mv Minerva establishes certain minimum return conditions on the vessel at the end of the agreement. To the extent that these are considered unavoidable, the Group records a provision for the best estimate of the expected expenditure to be incurred, with a corresponding asset recorded. The asset is depreciated to the date that the work is planned to be completed. The estimation of the provision requires significant judgment, and has inherent uncertainties relating to the cost of the work to be completed. Further, the liability will be settled principally in Euro, and is carried in a US Dollar functional currency entity. Accordingly, the level of the liability at Group level is subject to both fluctuations in value between the US$ and Euro exchange rate, and the Euro and £ sterling exchange rate. Due to the significance of the provided amounts, the estimate of the provision and associated foreign exchange fluctuations can create volatility in the Group reported financial position and financial performance, and ultimately in the Group cash flows in the period that the repair and maintenance obligations are discharged.

Impairment reviews

The directors have considered whether the assets of the Group are impaired at the balances sheet date. The principal assets, other than cash, are attributable to either the Swan Hellenic or Voyages of Discovery brands. The principal asset in the Voyages of Discovery brand is the ship, mv Discovery, which is not considered to be impaired due to the factors noted above in the section on key accounting judgments relating to the residual value of the ship exceeding its carrying value.

The Group has completed a detailed impairment review of the assets in the Swan Hellenic cash generating unit. The table below summarises the results of that impairment review:

	Book Value £'000	Recoverable amount £'000	Surplus of recoverable amount over book value £'000
Swan Hellenic CGU	4,524	44,149	39,625

In determining the recoverable amount, the Group has used the following principal inputs:

	Measure
Discount rate – pre tax	5.4
Cash flow forecast period	6 years + terminal value
Rate of increase of cash flows beyond the budget period	0%

Based on this review, the Group is satisfied that the assets are not impaired at the balance sheet date. The Directors note that the assumptions made in preparing the impairment review have a significant impact on the recoverable amount of the CGU, and actual events may differ materially from expectation.

Residual value of mv Discovery

As noted in the section on critical accounting judgments, mv Discovery is no longer depreciated due to the estimated residual value of the ship. Cruise ships by their nature are unique assets and as such cannot be valued with the same degree of certainty as more regularly traded generic assets. The Directors have satisfied themselves that the valuation of the ship has been based on the best available information at the point in time in which it was carried out. Reference is made to the section above for further details.

5. Restatement of the comparative information under UK GAAP and transition to IFRS

As required by the AIM Rules, the Group has prepared the 31 October 2008 consolidated financial statements, including comparative information, under International Financial Reporting Standards ('IFRS'). The Group reported on its preliminary IFRS transition as at 31 October 2006 and for the year ended 31 October 2007 in the unaudited condensed interim consolidated financial statements for the six month period ended 30 April 2008, released on 25 July 2008.

As disclosed in the unaudited condensed interim consolidated financial statements for the six month period ended 30 April 2008, during the process of completing the IFRS conversion for the Group, the Group identified various errors in the accounting treatment previously adopted under UK GAAP in the preparation of the 31 October 2007 financial statements. Where material to the profit and loss account, or individual line items on the balance sheet, the Group presented these adjustments clearly as restatements to the amounts previously reported under UK GAAP.

Subsequent to the issue of the unaudited condensed interim consolidated financial statements for the six month period ended 30 April 2008, the Group received a comments letter from the Financial Reporting Review Panel ('FRRP') dated 5 August 2008. The Group has paid particular attention to the comments raised in this initial letter and co-operated fully with the FRRP. As a result of the comments raised through the dialogue with the FRRP, and internally initiated improvements in the Group's accounting function and processes, certain further adjustments have been required to present fairly the Group's financial position, financial performance and cash flows under IFRS, and to provide a true and fair presentation of the UK GAAP comparative information, had this been appropriately prepared.

We present below details of the restatements required to the amounts previously reported under UK GAAP in note 5.1. for the financial position of the Group as at 31 October 2006, 31 October 2007 and for the results of operations and cash flows for the year ended 31 October 2007. We present in note 5.2. details of the adjustments required to the restated UK GAAP amounts arising from the transition of the Group to IFRS from 1 November 2006.

5.1 Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007

The Group presents below a reconciliation of the adjustments that are required to the amounts previously reported under UK GAAP as at 31 October 2007 and 1 November 2006 and for the year ended 31 October 2007. While certain of these adjustments are not material, and would not individually require a restatement under FRS 18, '*Accounting policies*' of the amounts previously reported, the Group presents all relevant adjustments to UK GAAP amounts to provide a complete analysis of adjustments reported in the periods to which they apply.

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5. Restatement of the comparative information under UK GAAP and transition to IFRS (continued)

5.1.1 Restatement of UK GAAP Profit and Loss Account for the year ended 31 October 2007

	UK GAAP as previously stated £'000	FRS 15 Revised Ship accounting £'000	FRS15 Freehold Building Depreciation £'000	SSAP 20 Foreign currency translation £'000	FRS 25 IPO costs £'000	FRS 20 Share based payments £'000	UK GAAP as restated £'000
Turnover	45,400	-	-	(316)	-	-	45,084
Cost of sales	(30,383)	(1,181)	-	509	-	-	(31,055)
Gross profit	15,017	(1,181)	-	193	-	-	14,029
Administrative expenses	(8,841)	1,233	(20)	(613)	(675)	(204)	(9,120)
Other operating income	24	-	-	-	-	-	24
Operating profit	6,200	52	(20)	(420)	(675)	(204)	4,933
Interest receivable and similar income	958	-	-	1	-	-	959
Interest payable and similar charges	(124)	-	-	-	-	-	(124)
Profit on ordinary activities before taxation	7,034	52	(20)	(419)	(675)	(204)	5,768
Tax on profit on ordinary activities	522	-	-	(57)	-	-	465
Profit for the financial year	7,556	52	(20)	(476)	(675)	(204)	6,233

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5. Restatement of the comparative information under UK GAAP and transition to IFRS (continued)

5.1 Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007 (continued)

5.1.2 Restatement of UK GAAP Balance Sheet at 31 October 2007

	UK GAAP as previously stated £'000	Other Reserves £'000	SSAP 19 Investment property £'000	FRS 10 Goodwill and intangible fixed assets £'000	FRS 15 Revised fixed asset accounting £'000	FRS 15 Freehold building depreciation £'000	SSAP 20 Foreign currency translation £'000	FRS 25 IPO costs £'000	FRS 1 Cash £'000	UK GAAP As restated £'000
Fixed assets										
Intangible assets:										
Goodwill	3,207	-	-	(3,207)	-	-	-	-	-	-
Other intangible assets	-	-	-	3,207	-	-	-	-	-	3,207
	3,207	-	-	-	-	-	-	-	-	3,207
Tangible assets:										
Ship, property, plant and equipment	12,825	-	(280)	-	1,220	(20)	(1,283)	-		12,462
Investment property	-	-	280	-	-	-	-	-	-	280
	12,825	-	-	-	1,220	(20)	(1,283)	-	-	12,742
	16,032	-	-	-	1,220	(20)	(1,283)	-	-	15,949
Current assets										
Stocks	805	-	-	-	-	-	-	-	-	805
Debtors:										
Trade debtors	6	-	-	-	-	-	-	-	-	6
Other debtors and prepayments	2,533	-	-	-	(920)	-	-	50	-	1,663
	2,539	-	-	-	(920)	-	-	50	-	1,669
Interest bearing bank deposits	-	-	-	-	-	-	-	-	17,095	17,095
Restricted bank balances	-	-	-	-	-	-	-	-	361	361
Cash and cash equivalents	28,055	-	-	-	-	-	-	-	(17,456)	10,599
Total bank balances and cash in hand	28,055	-	-	-	-	-	-	-	-	28,055
	31,399	-	-	-	(920)	-	-	50	-	30,529
Creditors: amounts falling due within one year										
Ship loan	(1,763)	-	-	-	-	-	199	-	-	(1,564)
Trade creditors	(2,651)	-	-	-	-	-	-	-	-	(2,651)
Corporation tax	(63)	-	-	-	-	-	-	-	-	(63)
Other taxation and social security	(148)	-	-	-	-	-	-	-	-	(148)
Other creditors	(12)	-	-	-	-	-	-	-	-	(12)
Accruals and deferred income	(12,219)	-	-	-	-	-	-	-	-	(12,219)
	(16,856)	-	-	-	-		199	-	-	(16,657)
Net current assets	14,543	-	-	-	(920)		199	50	-	13,872
Total assets less current liabilities	30,575	-	-	-	300	(20)	(1084)	50	-	29,821
Creditors: amounts falling due after more than one year										
Ship loan	(4,612)	-	-	-	-	-	520	-	-	(4,092)
Provisions for liabilities										
Deferred taxation	(13)	-	-	-	-	-	-	-	-	(13)
Net assets	25,950	-	-	-	300	(20)	(564)	50	-	25,716

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5. Restatement of the comparative information under UK GAAP and transition to IFRS (continued)

5.1 Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007 (continued)

5.1.2 Restatement of UK GAAP Balance Sheet at 31 October 2007 (continued)

	UK GAAP as previously stated £'000	Other reserves £'000	SSAP 19 Investment property £'000	FRS 10 Goodwill and intangible fixed assets £'000	FRS 15 Revised ship accounting £'000	FRS 15 Freehold building depreciation £'000	SSAP 20 Foreign currency translation £'000	FRS 25 IPO costs £'000	FRS 1 Cash £'000	UK GAAP as restated £'000
Capital and reserves										
Called up share capital	615	-	-	-	-	-	-	-	-	615
Share premium	12,049	-	-	-	-	-	-	725	-	12,774
Revaluation reserve	226	-	-	-	-	-	-	-	-	226
Other reserves	83	(83)	-	-	-	-	-	-	-	-
Profit and loss account	12,977	83	-	-	300	(20)	(564)	(675)	-	12,101
Shareholders' funds	25,950	-	-	-	300	(20)	(564)	50	-	25,716

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5. Restatement of the comparative information under UK GAAP and transition to IFRS (continued)

5.1 Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007 (continued

5.1.3 Restatement of UK GAAP Balance Sheet at 1 November 2006

	UK GAAP as previously stated £'000	Other reserves £'000	SSAP 19 Investment property £'000	FRS 15 Revised ship accounting £'000	SSAP 20 Foreign currency translation £'000	FRS1 Cash £'000	UK GAAP as restated £'000
Fixed assets							
Tangible assets:							
Ship, property, plant and equipment	14,552	-	(280)	(987)	(374)	-	12,911
Investment property	-	-	280	-	-	-	280
	14,552	-	-	(987)	(374)	-	13,191
Current assets							
Stocks	205	-	-	-	-	-	205
Debtors:							
Trade debtors	1,118	-	-	-	(34)	-	1,084
Other debtors and prepayments	2,124	-	-	-	(10)	-	2,114
	3,242	-	-	-	(44)		3,198
Interest bearing bank deposits	-	-	-	-	-	13,005	13,005
Restricted bank balances	-	-	-	-	-	393	393
Cash and cash equivalents	16,787	-	-	-	11	(13,398)	3,400
	16,787	-	-	-	11	-	16,798
	20,234	-	-	-	(33)		20,201
Creditors: amounts falling due within one year							
Ship loan	(2,170)	-	-	-	74	-	(2,096)
Trade creditors	(3,608)	-	-	1,237	-	-	(2,371)
Corporation tax	(2,373)	-	-	-	9	-	(2,364)
Other taxation and social security	(69)	-	-	-	-	-	(69)
Other creditors	(100)	-	-	-	(34)	-	(134)
Accruals and deferred income	(11,535)	-	-	-	68	-	(11,467)
	(19,855)	-	-	1,237	117	-	(18,501)
Net current assets	379	-	-	1,237	84	-	1,700
Total assets less current liabilities	14,931	-	-	250	(290)	-	14,891
Creditors: amounts falling due after more than one year							
Ship loan	(6,375)	-	-	-	218	-	(6,157)
Provisions for liabilities							
Deferred taxation	(591)	-	-	-	33	-	(558)
Net assets	7,965	-	-	250	(39)	-	8,176
Capital and reserves							
Called up share capital	53	-	-	-	-	-	53
Share premium	14	-	-	-	-	-	14
Revaluation reserve	226	-	-	-	-	-	226
Other reserves	83	(83)	-	-	-	-	-
Profit and loss account	7,589	83	-	250	(39)	-	7,883
Shareholders' funds	7,965	-	-	250	(39)	-	8,176

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5. Restatement of the comparative information under UK GAAP and transition to IFRS (continued)

5.1 Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007 (continued

5.1.4 Restatement of the UK GAAP Cash Flow Statement for the year ended 31 October 2007

	UK GAAP as previously stated £'000	FRS 15 Ship accounting £'000	FRS15 Freehold Building Depreciation £'000	FRS 25 IPO costs £'000	SSAP 20 Local currency adjustment £'000	FRS 20 Share options expense £'000	FRS 1 Cash £'000	UK GAAP As restated £'000
Operating profit	6,200	52	(20)	(675)	(420)	(204)	-	4,933
Depreciation charges	1,233	481	20	-	-	-	-	1,734
Decrease in stock	(600)	-	-	-	-	-	-	(600)
Decrease/(increase) in debtors	703	920	-	(50)	-	-	-	1,573
(Decrease)/increase in creditors	(282)	1,237	-	-	(216)	-	-	739
Unrealised loss on intercompany balances	-	-	-	-	636	-	-	636
Share based payments	-	-	-	-	-	204	-	204
Net cash flow from operating activities	7,254	2,690	-	(725)	-	-	-	9,219
Returns on investments and servicing of finance	834	-	-	-	-	-	-	834
Taxation	(2,366)	-	-	-	-	-	-	(2,366)
Capital expenditure	494	(2,690)	-	-	-	-	-	(2,196)
Equity dividends paid	(1,665)	-	-	-	-	-	-	(1,665)
Cash inflow before management of liquid resources and financing	4,551	-	-	(725)	-	-	-	3,826
Management of liquid resources – bank deposits	-	-	-	-	-	-	(4,090)	(4,090)
Financing - Issue of share capital	8,887	-	-	725	-	-	-	9,612
Financing - Loan repayments	(2,170)	-	-	-	-	-	-	(2,170)
Revaluation of bank balances	-	-	-	-	21	-	-	21
Increase in cash in the year	11,268	-	-	-	21	-	(4,090)	7,199

5. Restatement of the comparative information under UK GAAP and transition to IFRS (continued)

5.1 Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007 (continued

5.1.5 Explanation of the adjustments required to restate the amounts previously reported under UK GAAP

SSAP 19, Accounting for investment properties

The Group owns a freehold property at 54/54a The Hundred, Romsey, Hampshire. This building is held to earn rental income and for capital appreciation. Accordingly, under SSAP 19, this property should have been separately classified as an investment property, and carried at open market value. The Group previously carried this property at open market value within Freehold land and buildings and accordingly the change in classification has no impact on the profit and loss account for the year to 31 October 2007, net assets as at 1 November 2006 and 31 October 2007, or the face of the balance sheet, but does cause a reclassification within the fixed asset note as at 1 November 2006 and 31 October 2007, of £280,000 from Freehold land and buildings to Investment properties.

FRS 10, Goodwill and intangible fixed assets

The Group acquired the Swan Hellenic customer database and trademark during the year ended 31 October 2007. The surplus of the consideration paid measured by reference to the fair value of the shares issued to acquire the customer database and trademark was incorrectly classified as goodwill in the 31 October 2007 financial statements. Under UK GAAP, goodwill can only arise in a business combination. After further careful consideration, the Group is now of the opinion that this acquisition represents the purchase of an intangible asset rather than a business combination, and accordingly the asset has been reclassified from goodwill to intangible assets. This reclassification has no impact on the reported net assets or profit for the year to 31 October 2007 or as at 31 October 2006.

FRS 15, Revised ship accounting

Component accounting

The Group owns one of the ships that it operates – mv Discovery. Under FRS 15, the Group is required to component account for this fixed asset where the identifiable components have different useful economic lives. The Group has determined that the ship has three significant components with a shorter useful economic life to the principal asset, being the service potential that will be restored by legally required dry dock overhauls, ship upgrades and fixtures and fittings.

In the year ended 31 October 2007, the Group determined that it was necessary to account separately for the dry dock component. The amount of the dry dock expense incurred in November 2006 was written off to reflect the consumption of the initial dry dock component inherent in the ship when it was acquired in May 2005. The cost of this dry dock was capitalised within Other Debtors. The Group has considered the appropriateness of this policy and determined that it is not compliant with FRS 15 as the dry dock asset should have been recorded within fixed assets. Accordingly, the Group has reclassified the amount that was reported under Other Debtors of £920,000 into fixed assets. Separately, adjustments have been made to decrease the depreciation charges for the period from the acquisition of the vessel in May 2005 through to 31 October 2007.

The Group has also further analysed the ship into identifiable components for fixtures and fittings and ship upgrades, which are now depreciated over their useful economic lives, assessed as 5 years and 10 years respectively.

The impact of the above adjustments is an increase in reported profit for the year to 31 October 2007 of £52,000 and an increase in net assets at 31 October 2007 of £300,000.

5. Restatement of the comparative information under UK GAAP and transition to IFRS (continued)

5.1 Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007 (continued)

5.1.5 Explanation of the adjustments required to restate the amounts previously reported under UK GAAP (continued)

FRS 15, Revised ship accounting (continued)

Component accounting (continued)

Until 31 October 2006, the Group had adopted a different approach to accounting for dry dock expenditure. As at that date, the Group did not component account for the dry dock within fixed assets, and accordingly stated the ship fixed asset as if it was one component. The Group recognised a separate liability (included within the amounts reported for the ship loan) for the next dry dock expenditure to be incurred through building up a provision equal to the anticipated cost of the next dry dock expenditure. Accordingly, the adjustment required at 31 October 2006 is to offset the amount provided for within trade creditors of £1,237,000 against the fixed asset to reflect the consumption of the dry dock component.

This adjustment, combined with the impact of the revised component depreciation referred to above results in an increase in reported net assets at 31 October 2006 of £250,000.

In the year to 31 October 2007, the Group reported depreciation on mv Discovery within administrative expenses. The Group is of the opinion that the expense is more akin to a cost of sales item, and accordingly the Group has reclassified £1,233,000 of depreciation from Administrative expenses to Cost of Sales. This reclassification has no impact on the reported net profit, cash flows or net assets of the Group for the year ended 31 October 2007.

FRS 15, Freehold building depreciation

The Group owns freehold land with an administrative building (Lynnem House) in Burgess Hill. Lynnem House has a revalued carrying value of £850,000 at 31 October 2006 based on a valuation completed at that date by an external valuer. In the financial statements for the year ended 31 October 2007, the Group did not record depreciation against the building component of Lynnem House. FRS 15 contains a general requirement for tangible fixed assets, other than land, to be depreciated. The Group has accordingly recorded a depreciation charge for the year to 31 October 2007 of £20,000, reducing the carrying value of tangible fixed assets by this amount, with a corresponding decrease in the profit for the year and Group net assets.

SSAP 20, Foreign currency translation

SSAP 20 requires that each subsidiary in the Group identifies, and reports transactions, in its local currency. Local currency is defined as the currency of the primary economic environment in which the company operates and generates net cash flows. The Group has determined that a subsidiary company in the Group has a local currency of US$. This company previously reported transactions and year end balances in £ Sterling in error.

This subsidiary undertaking owns the Group's ship, mv Discovery which was acquired in 2005 for $28,000,000 with an associated interest free loan of $21,000,000. In the 31 October 2007 financial statements, due to the incorrect local currency of the subsidiary, the ship was carried at the historical conversion rate to £ Sterling and the loan was not revalued to the closing US$:£ Sterling conversion rate.

As a result of the correction of the local currency of this entity, which principally affects the reported amounts for the ship and the associated loan, its net assets have been determined under its local currency of US$. For Group reporting purposes its net assets have then been converted at the closing rate to £ sterling, and its results for the period at the average rate, with exchange differences arising on the conversion being reported directly to Group retained earnings. Further, the inter-company balance between this entity and a fellow Group company has been determined to be US$ denominated. Accordingly, the revaluation of the inter-company balance at the year end results in foreign currency gains or losses reported in the consolidated profit and loss account. As a result of this adjustment, the Group profit for the financial year ended 31 October 2007 has been reduced by £476,000 and the net assets of the Group at 31 October 2007 by £564,000. At 31 October 2006, the net assets of the Group have been reduced by £39,000.

5. Restatement of the comparative information under UK GAAP and transition to IFRS (continued)

5.1 Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007 (continued)

5.1.5 Explanation of the adjustments required to restate the amounts previously reported under UK GAAP (continued)

FRS 25, Financial instruments: Disclosure and presentation – IPO Costs

When preparing the 31 October 2007 financial statements, the Group expensed all costs associated with the Company's Initial Public Offering ('IPO') and listing on AIM in October 2007, to the share premium account.

FRS 25 requires that transaction costs that relate jointly to more than one transaction (for example, costs of a concurrent offering of certain exiting shares and a stock exchange listing of other new shares) are allocated to those transactions using a basis of allocation that is rational and consistent with similar transactions. In light of this guidance, the Group has reallocated the expenses incurred with the listing and issue of new shares between the profit and loss account and share premium account based on the nature of the expenses incurred. Where these related directly to new shares, the Group has allocated the expenses to the share premium account. Where the expenses relate to both the issuance of new shares and the listing of existing shares, the expenses have been allocated between the profit and loss account and share premium account based on the relative number of new shares issued at IPO, and the existing number of shares. Accordingly, £675,000 of the costs incurred which were previously expensed to the share premium account have been expensed to the profit and loss account and £50,000 has been recorded as a prepayment of NOMAD fees (billed in advance for NOMAD continuing obligations covering FY2007/08). The adjustment has an impact on net assets of £50,000.

This adjustment has no impact on the reported net assets at 31 October 2006.

FRS 20, Share based payments

As disclosed in paragraph 9.13 of the Company's admission document to AIM, the Company granted options over shares in the Company to Blue Oar Securities, the Company's NOMAD. Blue Oar Securities has the option to subscribe, at any time within 5 years of the admission date of the Company's shares to trading on AIM for:

(1) a number of shares equal to 1 per cent. of the issued share capital of the Company immediately following the admission, at a price equal to the placing price at the initial admission date; and
(2) a number of shares equal to 0.75 per cent. of the issued share capital of the Company immediately following the admission, at a price equal to 1.5 times the placing price at the initial admission date.

The Group is required under FRS 20 to determine the fair value of the services provided by Blue Oar Securities for which the options granted represent compensation. The Group determined that the granting of these options reduced the cash costs payable to Blue Oar Securities for the listing and raising of new share capital. As noted above, the Group previously expensed all costs associated with the IPO to the share premium account. Accordingly, the Group was of the opinion that the share option expense determined under FRS 20 would also be expensed to the share premium account. As the options are equity settled, the associated credit to equity would also have been recorded to the share premium account with no impact on the amounts reported at 31 October 2007.

Due to the guidance noted above under FRS 25, the Group is now of the opinion that the treatment adopted was incorrect, as the share option expense related both to the issuance of new shares, and to the concurrent listing of existing shares. Accordingly, the Group has determined the expense that would have arisen under FRS 20 (determined by reference to the fair value of the options granted using the Black-Scholes Merton Valuation Model). The aggregate expense of £204,000 has been allocated between the share premium account and the profit and loss account on the same basis as the allocation of all other joint listing and issue expenses, resulting in an additional expense of £204,000 to the profit and loss account, covering the year ended 31 October 2007. As the options are equity settled in shares of the Company, this adjustment has no impact on the reported net assets of the Group, or the amounts reported within equity for the share premium account or the retained earnings.

This adjustment has no impact on the reported net assets at 31 October 2006.

5. Restatement of the comparative information under UK GAAP and transition to IFRS (continued)

5.1 Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007 (continued)

5.1.5 Explanation of the adjustments required to restate the amounts previously reported under UK GAAP (continued)

FRS 1, Cash

Short term interest bearing deposits

The Group has significant available resources in the form of balances at bank. £17,095,000 at 31 October 2007 and £13,005,000 at 1 November 2006 of the amounts reported as cash are held in interest bearing deposits. While the Group has immediate access to these funds, in the event of withdrawal prior to the deposit term, the counterparty bank contractually has the right to reduce or not pay interest on the deposit. Accordingly, we believe that these amounts are 'readily disposable stores of value' rather than 'cash' within the narrow meaning of FRS 1. Accordingly, we have reclassified the amounts to liquid resources (under the heading 'Interest bearing bank deposits') from cash. The cash flow statement has been updated to reflect this reclassification which is shown as a movement in liquid resources in the year. This reclassification has no impact on the net assets or reported profit for the year.

Restricted cash

The nature of the Group's operations require the Group to allow customers the facility to make payment for goods and services provided through US credit cards. This requires the Group to hold certain funds as credit card security deposits held with the independent credit card clearing company. The Group does not have access to these funds on a day to day basis and accordingly these amounts are restricted funds in restricted cash accounts. The total amount at 1 November 2006 and 31 October 2007 amounts to $750,000, which represents £393,000 and £361,000 respectively in £ sterling. We believe that these amounts should have been disclosed under best practice separately from the unrestricted funds, albeit remaining as a component of the overall cash balance. This reclassification has no impact on the net assets, reported profit or reported cash flows for the year.

5.2 Conversion of the UK GAAP restated information to IFRS as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007

The Group presents below a reconciliation of the adjustments that are required to the UK GAAP restated amounts (as per note 5.1) for the transition to IFRS as at the transition date of 1 November 2006, for the comparative balance sheet at 31 October 2007 and for the year then ended.

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5. Restatement of the comparative information under UK GAAP and transition to IFRS (continued)

5.2 Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007 (continued)

5.2.1 Transition to the IFRS Income Statement of the UK GAAP restated Profit and Loss Account for the year ended 31 October 2007

	UK GAAP as restated in IFRS format £'000	IAS 16 Property, plant and equipment £'000	IAS 39 Financial instruments: Recognition and measurement £'000	IAS 40 Investment property £'000	IFRS £'000
Continuing operations					
Revenue	45,084	-	-	-	45,084
Cost of sales	(31,055)	128	(831)	-	(31,758)
Gross profit	14,029	128	(831)	-	13,326
Administrative expenses	(9,120)	-	-	(4)	(9,124)
Other operating income	24	-	-	-	24
Operating profit	4,933	128	(831)	(4)	4,226
Investment revenues	959	-	-	-	959
Finance costs	(124)	(321)	-	-	(445)
Profit before tax	5,768	(193)	(831)	(4)	4,740
Tax credit	465	155	-	-	620
Profit for the financial year	6,233	(38)	(831)	(4)	5,360

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5. **Restatement of the comparative information under UK GAAP and transition to IFRS (continued)**

5.2 **Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007 (continued)**

5.2.2 **Transition to IFRS of the UK GAAP restated Balance Sheet at 31 October 2007**

	UK GAAP as restated in IFRS format £'000	IAS 38 Intangible assets – software £'000	IAS 16 Property, plant & equipment £'000	IAS 39 Financial instruments: Recognition and measurement £'000	IAS 40 Investment Property £'000	IFRS £'000
Non-current assets						
Goodwill	-	-	-	-	-	-
Intangible asset	3,207	28	-	-	-	3,235
Property, ship, plant & equipment	12,462	(28)	(930)	-	-	11,504
Investment property	280	-	-	-	(4)	276
	15,949	-	(930)	-	(4)	15,015
Current Assets						
Inventories	805	-	-	-	-	805
Trade and other receivables	1,669	-	-	-	-	1,669
Interest bearing bank deposits	17,095	-	-	-	-	17,095
Restricted bank balances	361	-	-	-	-	361
Cash and cash equivalents	10,599	-	-	-	-	10,599
	10,960	-	-	-	-	10,960
Total bank balances and cash in hand	28,055	-	-	-	-	28,055
	46,478	-	(930)	-	(4)	45,544
Current liabilities						
Trade and other payables	(14,882)	-	-	-	-	(14,882)
Current tax liabilities	(211)	-	-	-	-	(211)
Borrowings	(1,564)	-	214	-	-	(1,350)
Derivative financial liabilities	-	-	-	(1,006)	-	(1,006)
	(16,657)	-	214	(1,006)	-	(17,449)
Non current liabilities						
Borrowings	(4,092)	-	223	-	-	(3,869)
Deferred taxation	(13)	-	-	-	(54)	(67)
	(4,105)	-	223	-	(54)	(3,936)
Total Liabilities	(20,762)	-	437	(1,006)	(54)	(21,385)
Net Assets	25,716	-	(493)	(1,006)	(58)	24,159
Equity						
Share capital	615	-	-	-	-	615
Share premium account	12,774	-	-	-	-	12,774
Revaluation reserve	226	-	-	-	(215)	11
Currency translation reserve	(51)	-	61	-	-	10
Profit and loss account	12,152	-	(554)	(1,006)	157	10,749
	25,716	-	(493)	(1,006)	(58)	24,159

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5. Restatement of the comparative information under UK GAAP and transition to IFRS (continued)

5.2 Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007 (continued)

5.2.3 Transition to IFRS of the UK GAAP restated Balance Sheet at 1 November 2006

	UK GAAP as restated in IFRS format £'000	IAS 16 Property, plant & equipment £'000	IAS 39 Financial instruments: Recognition and measurement £'000	IAS 40 Investment Property £'000	IFRS £'000
Non-current assets					
Property, ship, plant & equipment	12,911	(1,146)	-	-	11,765
Investment property	280	-	-	-	280
	13,191	(1,146)	-	-	12,045
Current Assets					
Inventories	205	-	-	-	205
Trade and other receivables	3,198	-	-	-	3,198
Interest bearing bank deposits	13,005	-	-	-	13,005
Restricted bank balances	393	-	-	-	393
Cash and cash equivalents	3,400	-	-	-	3,400
	3,793	-	-	-	3,793
Total bank balances and cash in hand	16,798	-	-	-	16,798
	· 20,201	-		-	20,201
Total Assets	33,392	(1,146)	-	-	32,246
Current liabilities					
Trade and other payables	(14,041)	-	-	-	(14,041)
Current tax liabilities	(2,364)	-	-	-	(2,364)
Borrowings	(2,096)	310	-	-	(1,786)
Derivative financial liabilities	-	-	(175)	-	(175)
	(18,501)	310	(175)	-	(18,366)
Non current liabilities					
Borrowings	(6,157)	475	-	-	(5,682)
Deferred taxation	(558)	(155)	-	(54)	(767)
	(6,715)	320	-	(54)	(6,449)
Total Liabilities	(25,216)	630	(175)	(54)	(24,815)
Net Assets	8,176	(516)	(175)	(54)	7,431
Equity					
Share capital	53	-	-	-	53
Share premium account	14	-	-	-	14
Revaluation reserve	226	-	-	(215)	11
Profit and loss account	7,883	(516)	(175)	161	7,353
	8,176	(516)	(175)	(54)	7,431

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5.2.3 Transition to IFRS of the UK GAAP restated Cash Flow Statement for the year ended 31 October 2007

	UK GAAP as restated in IFRS format £'000	IAS 16 Property, plant & equipment £'000	IAS 39 Financial instruments: Recognition and measurement £'000	IAS 40 Investment property £'000	IFRS £'000
Cash flows from operating activities:					
Profit for the financial year	6,233	(38)	(831)	(4)	5,360
Investment revenues	(959)	-	-	-	(959)
Rental income	(24)	-	-	-	(24)
Finance costs	124	321	-	-	445
Income tax - income	(465)	(155)	-	-	(620)
Depreciation of property, ship, plant and equipment	1,734	(128)	-	4	1,610
Unrealised foreign exchange loss on inter-company balances	636	-	-	-	636
Movement in fair value of interest rate swap	-	-	831	-	831
Non cash share option expense	204	-	-	-	204
Operating cash flow before movements in working capital	7,483	-	-	-	7,483
Changes in operating assets and liabilities:					
Increase in inventories	(600)	-	-	-	(600)
Decrease in receivables	1,573	-	-	-	1,573
Increase in payables	739	-	-	-	739
Cash inflow generated from operations	9,195	-	-	-	9,195
Income taxes paid	(2,366)	-	-	-	(2,366)
Net cash inflow from operating activities	6,829	-	-	-	6,829
Cash flows from investing activities:		-	-	-	
Interest received	834	-	-	-	834
Rental income	24				24
Purchases of property, plant and equipment	(2,196)	-	-	-	(2,196)
Net cash outflow from investing activities	(1,338)	-	-	-	(1,338)
Cash flows from financing activities:					
Proceeds from issue of shares	10,000	-	-	-	10,000
Share issue costs	(388)	-	-	-	(388)
Dividends paid	(1,665)	-	-	-	(1,665)
Repayment of loans	(2,170)	-	-	-	(2,170)
Management of liquid resources – bank deposits	(4,090)	-	-	-	(4,090)
Net cash from financing activities	1,687	-	-	-	1,687
Revaluation of bank balances	21	-	-	-	21
Net increase in cash and cash equivalents	7,199	-	-	-	7,199
Cash and cash equivalents at the start of the year	3,400	-	-	-	3,400
Cash and cash equivalents at the end of the year	10,599	-	-	-	10,599

5. Restatement of the comparative information under UK GAAP and transition to IFRS (continued)

5.2 Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007 (continued)

5.2.5 Explanation of the adjustments required for the conversion of the restated UK GAAP information to IFRS as at 31 October 2007, 1 November 2006 and for the year ended 31 October 2007

5.2.5.1 First time adoption exemptions

IFRS 1 permits a number of first time adoption exemptions and the Group has elected to take those relating to business combinations, fair value or revaluation as deemed cost and cumulative translation differences.

These are explained in more detail below:

Fair value or revaluations as deemed cost: as described in the IFRS accounting policies, the Group has elected to adopt the cost model available under IAS 40, Investment Property. Accordingly, the net book value of the property at the date of transition from UK GAAP has been treated as deemed cost under IFRS.

Cumulative translation differences: Under IAS 21, some translation differences are required to be initially recognised as a separate component of equity that is only recognised in the income statement on the disposal of that foreign operation. The Group has elected not to comply with this requirement for cumulative translation differences that existed at the date of transition and accordingly, the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition. The adjustment as at 31 October 2007 for currency translation differences reported under UK GAAP in retained earnings amounts to a loss of £10,000. This amount has been separately presented as a component of equity in the restated UK GAAP balance sheet under IFRS format reported above at 31 October 2007.

5.2.5.2 IFRS adjustments

IAS 38, Intangible assets - software

Under UK GAAP, all capitalised software costs are included within tangible fixed assets. IAS 38 requires that where such software costs are not an integral part of the associated hardware such that the software is capable of operating independently, they should be classified as intangible assets. Accordingly, certain items of property, plant and equipment have been reclassified to intangible assets at each reference date where they are items of software that meet the recognition criteria of IAS 38. This results in a reclassification of £28,000 at 31 October 2007 from Ship, Property, Plant and Equipment to Other intangible assets

There is no net impact on the income statement as a result of this reclassification.

IAS 16, Property, plant and equipment

Determination of the cost of mv Discovery

IAS 16 requires that when payment for an item of property, plant and equipment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payments is recognised as an interest expense over the period of credit. mv Discovery was acquired with an interest free loan provided by the vendor. The interest free nature of this loan has been determined to represent a deferral of payment beyond normal credit terms.

To meet the requirements of IAS 16 an implied fixed interest rate of 4.5% has been used to calculate the element of the purchase price paid that is deemed to represent future interest. 4.5% represents the fixed US Dollar interest rate that would have been obtainable for the period of the loan at the time the ship was acquired. The amount derived totalling £785,000 has been adjusted against the cost of the ship, with a corresponding reduction in the ship loan liability. The adjustment of $2,548,000 at the acquisition date, which reduced the carrying value of the ship and the associated loan, is being recognised through the income statement over the life of the loan to result in a constant rate of interest over the loan period. The impact of this adjustment is a reduction in net assets of £493,000 at 31 October 2007, a reduction in net assets of £516,000 at 1 November 2006, a reduction in reported pre tax profit for the year to 31 October 2007 of £193,000 and a reduction in reported post tax profit for the year to 31 October 2007 of £38,000. (For the separate tax impact of this adjustment see below under *Deferred taxation*).

5. Restatement of the comparative information under UK GAAP and transition to IFRS (continued)

5.2 Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007 (continued)

5.2.5 Explanation of the adjustments required for the conversion of the restated UK GAAP information to IFRS as at 31 October 2007, 1 November 2006 and for the year ended 31 October 2007

5.2.5.1 First time adoption exemptions (continued)

IAS 16, Property, plant and equipment (continued)

Depreciation

IAS 16 requires asset components to be depreciated separately. With the exception of dry dock, ship improvements and fixtures and fittings which are depreciated over their useful economic lives, there are no separately identifiable ship assets that require separate disclosure and depreciation. The cost of ongoing renovations, repairs and maintenance are all expensed as incurred.

While not relevant in the above reconciliations, the Group has ceased to depreciate its owned ship, mv Discovery, from 1 November 2007. The Group has estimated that the residual value of the ship (being the estimated amount that would currently be obtainable from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life), based on an independent third party valuation by a member of the Royal Institute of Ship Valuers, exceeds the carrying value at that date. Under IAS 16, the Group is required to account for changes in the estimated residual value prospectively in the depreciation charge, rather than through adjustments to amounts previously reported.

Accordingly, the Group has not restated the corresponding amounts which are determined based on the residual value estimate that was applicable at each reporting date under UK GAAP (adjusted only for price level restatements in the residual value that are required under IFRS) IAS 16 requires residual value to be reassessed each year at current prices and accordingly the Group will recommence depreciation should the estimated residual value decrease below the carrying value. In future an annual impairment review will take place while the ship continues not to be depreciated. Should there be an impairment in the value of mv Discovery an impairment charge will be recorded in the income statement in that period.

Deferred taxation

IAS 12 requires a deferred tax provision to be recognised for all taxable temporary differences between the tax base and the associated carrying amount for assets and liabilities, except where an initial recognition exemption is available. The above mentioned adjustment results in an increase in temporary differences and accordingly an additional deferred tax liability of £155,000 arises as at 1 November 2006. This increase is subsequently released to the income statement in the year ended 31 October 2007 increasing reported profit when the subsidiary company that it arises in entered the tonnage tax regime. The above mentioned adjustment has no impact on net assets as at 31 October 2007 – please also see below under IAS 12.

IAS 39, Financial instruments: Recognition and measurement

IAS 39 requires all derivatives, including forward foreign exchange contracts, to be initially recognised and subsequently re-measured at fair value. The Group had open forward foreign exchange collar contracts in place at 1 November 2006 and 31 October 2007 which have accordingly been fair valued. The Group had not adopted the hedging provisions of IAS 39 at this time and accordingly, changes in fair value are taken to the income statement in the period in which they arise.

The impact of fair valuing the forward foreign exchange contracts is to decrease net assets at 31 October 2007 by £1,006,000, decrease net assets at 1 November 2006 by £175,000 and decrease the reported profit for the year ended 31 October 2007 by £831,000.

5. Restatement of the comparative information under UK GAAP and transition to IFRS (continued)

5.2 Restatement of UK GAAP as at 31 October 2007, 31 October 2006 and for the year ended 31 October 2007 (continued)

5.2.5 Explanation of the adjustments required for the conversion of the restated UK GAAP information to IFRS as at 31 October 2007, 1 November 2006 and for the year ended 31 October 2007

5.2.5.1 First time adoption exemptions (continued)

IAS 40, Investment property

Under UK GAAP as restated, one of the owned properties meets the definition of an investment property. UK GAAP requires that investment properties are carried at open market value at each balance sheet date, with revaluations taken directly to a revaluation reserve. No depreciation is provided on investment properties under UK GAAP. IAS 40 allows a choice on transition to IFRS with respect to investment properties, which can either be carried at fair value, or deemed cost on transition. As already noted above, the Group has chosen to adopt the deemed cost measurement accounting policy. This policy has no impact on reported net assets at 1 November 2006 but requires the Group to reclassify the revaluation on this property of £215,000, previously included in the revaluation reserve under UK GAAP, into retained earnings under IFRS. As at 31 October 2007, it results in a decrease in net assets of £4,000 due to depreciation charged in the period which has decreased the reported profit for the year to 31 October 2007 by this amount.

Deferred taxation

The investment property was revalued under UK GAAP, with a cumulative revaluation at 1 November 2006 and 31 October 2007 of £215,000. This revaluation creates a taxable temporary difference under IFRS as at 1 November 2006 and 31 October 2007, resulting in a decrease in net assets at both dates of £54,000. This adjustment has no impact on the income statement for the year ended 31 October 2007.

IAS 12, Income taxes

The income tax adjustments required under IAS12 fall into two categories: Firstly, deferred tax that needs to be provided in respect of other IFRS restatement accounting adjustments. Secondly, specific deferred tax adjustments that arise on the different recognition criteria of deferred tax balances between UK GAAP (FRS19) and IFRS (IAS12).

As a result of certain subsidiary companies in the Group being in the tonnage tax regime from February 2007, there are no significant taxation adjustments relating to the adoption of IFRS as at 31 October 2007. Where required, due to the relevant subsidiary companies, or transactions not being in the tonnage tax regime as at 31 October 2006, however, additional deferred tax has been provided. The adjustments arising, where relevant, are described above.

6. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Continuing operations		
Sales of cruise holidays and ancillary services	67,512	45,084
Property rental income	34	24
Investment income	1,681	959
	69,227	46,067

Ancillary services revenue included within sales of cruise holiday and ancillary services includes all revenue derived directly from the cruise holidays sold, other than the principal cruise. Ancillary service revenue includes excursions revenue, on board revenue such as bar, laundry and other, and insurance income. None of these revenue streams account for more than 10% of the overall revenue and are considered by the directors to be a component of the overall revenues derived on cruises.

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7. **Business and geographical segments**

Business segments

For management purposes, the Group is currently organised into two operating divisions as follows:

Ocean cruising: This is the Group's largest segment and includes the operation of both mv Discovery and mv Minerva. Revenue streams are principally from the UK but also from the USA and rest of the world.
Tour operating: This segment represents the Group's Discover Egypt operation, providing holidays in Egypt to the UK market.

These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

2008	Ocean Cruising Year ended 2008 £'000	Tour Operating Year ended 2008 £'000	Consolidated Year ended 2008 £'000
Revenue			
External sales	58,524	8,988	67,512
Total revenue	58,524	8,988	67,512
Result			
Segment result	8,154	666	8,820
Unallocated corporate expenses			(1,221)
Operating profit			7,599
Investment revenues			1,681
Finance costs			(228)
Profit before tax			9,052
Tax			(238)
Profit for the financial year			8,814

Other information	Ocean Cruising Year ended 2008 £'000	Tour Operating Year ended 2008 £'000	Consolidated Year ended 2008 £'000
Capital additions	1,804	-	1,804
Depreciation and amortisation	1,177	-	1,177
Balance sheet			
Assets			
Segment assets	23,875	685	
Unallocated corporate assets			36,944
Consolidated total assets			61,504
Liabilities			
Segment liabilities	(22,055)	(4,062)	
Unallocated corporate liabilities			(5,029)
Consolidated total liabilities			(31,146)

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7. Business and geographical segments (continued)

2007	Ocean Cruising Year ended 2007 £'000	Tour operating Year ended 2007 £'000	Consolidated Year ended 2007 £'000
Revenue			
External sales	36,597	8,487	45,084
Total revenue	36,597	8,487	45,084
Result			
Segment result	4,606	474	5,080
Unallocated corporate expenses			(854)
Operating profit			4,226
Investment revenues			959
Finance costs			(445)
Profit before tax			4,740
Tax			620
Profit for the financial year			5,360

Other information	Ocean Cruising Year ended 2007 £'000	Tour Operating Year ended 2007 £'000	Consolidated Year ended 2007 £'000
Capital additions	5,349	-	5,349
Depreciation and amortisation	1,559	-	1,559
Balance sheet			
Assets			
Segment assets	15,477	282	
Unallocated corporate assets			29,785
Consolidated total assets			45,544
Liabilities			
Segment liabilities	(13,226)	(2,643)	
Unallocated corporate liabilities			(5,516)
Consolidated total liabilities			(21,385)

7. **Business and geographical segments (continued)**

Geographical segments

The following table provides an analysis of the group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2008 £'000	2007 £'000
UK	55,188	33,553
USA	9,505	7,684
Rest of the world	2,819	3,847
	67,512	45,084

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
UK	61,017	44,992	1,804	5,349
USA	487	552	-	-
Rest of the world	-	-	-	-
	61,504	45,544	1,804	5,349

8. Cost of Sales

The Group has in place various derivative financial instruments comprising fuel and currency contracts. These contracts do not qualify for hedge accounting under IAS 39, and accordingly are revalued through the income statement at each balance sheet date, resulting in a net income statement gain or loss reported in Cost of sales.

These contracts represent economic hedges against the Group's future exposure to commodity and currency fluctuations. Accordingly, while they are included in the current year income statement in arriving at gross profit, they relate to items that will eventually be cash flows in future periods. The Group believes it is appropriate to analyse such movements due to their significance on the reported results and draw attention to the following movements in the year:

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Reversal of prior year end unrealised revaluation	1,006	175
Recognition of current year end unrealised revaluation on currency contracts	3,686	(1,006)
Recognition of current year end unrealised revaluation on fuel contracts	(493)	-
Realised loss on fuel contract *	(1,422)	-
Total gain / (loss)	2,777	(831)

* One of the Group's contracts was renegotiated on 31 October 2008 to reset the forward fuel price closer to the market rates as at that date. Accordingly, the Group presents this item in the above reconciliation as the payment represents the negotiated amount required to settle forward liabilities on the contract.

9. Operating profit

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Operating profit has been arrived at after (crediting) charging:		
Foreign exchange (gains)/losses:		
- on inter-company balances	(725)	636
- other	(1,896)	(1,448)
Depreciation of property, ship, plant and equipment	907	1,557
Depreciation of investment property	4	4
Amortisation of intangibles assets:		
- included in cost of sales	265	-
- included in administrative expenses	5	2
Staff costs (note 11)	4,577	3,485
Adjustments arising from derivative financial instruments (note 8)	(2,777)	831
Other items (see below)	1,422	1,079

Details of auditors' remuneration is proved in note 10.

Foreign exchange gains and losses

All foreign exchange gains and losses on bank balances are reported in administrative expenses (being £1.2m for 2008, and £0.1m for 2007). Gains and losses arising on inter-company balances between subsidiary undertakings in the Group with different functional currencies, principally £ sterling and US Dollar are shown separately above, are all unrealised, and all included in administrative expenses. Other gains and losses relate to the retranslation of the foreign currency denominated monetary assets and liabilities in each subsidiary company to its relevant functional currency. Where these relate to items included in cost of sales, they are reported therein. Otherwise they are reported within administrative expenses.

9. Operating profit (continued)

Other items

Certain items of income and expense are non-recurring and material such that the Group considers it appropriate to draw attention to these items. These have been separately analysed and disclosed to provide additional information and to assist in the comparability of the current year results with those of the comparative period. They are also dealt with in detail in the Finance Director's Report.

The items are:

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Minerva generator failure additional costs – included in cost of sales	1,052	-
Swan Hellenic start up costs – included in administrative expenses	370	200
Initial public offering costs – included in administrative expenses	-	879
	1,422	1,079

mv Minerva generator failure additional costs

mv Minerva suffered the failure of both her generators during the year which resulted in temporary generators having to be hired pending a permanent repair, and additional harbour and dry dock costs being incurred. mv Minerva entered dry dock on 27 October 2008 for two replacement, higher specification generators to be installed. Please refer to note 4 for further details concerning the overall treatment in the financial statements of the generator failure and associated insurance claim.

Swan Hellenic start up costs

Swan Hellenic start up costs relate to increased marketing and office costs incurred prior to the launch of the Swan Hellenic programme in May 2008.

Initial Public Offering costs

As disclosed in note 5, the Group incurred expenditure in the prior year associated with the Initial Public Offering of the Company's shares on AIM. Certain of these costs, including share option expenses of £204,000, were required to be expensed to the income statement under FRS 25. These items are non recurring and material and accordingly are presented separately above.

10. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	19	5
Fees payable to the Company's auditors and their associates for other services to the group		
- The audit of the Company's subsidiaries pursuant to legislation	126	20
Total audit fees	145	25
- Interim review	20	2
Total non-audit fees	20	2

The amounts reported for auditors' remuneration for the year ended 31 October 2008 relate to amounts payable to Deloitte LLP. The amounts reported for the year ended 31 October 2007 relate to amounts payable to White Hart Associates LLP. Deloitte LLP replaced White Hart Associates LLP as auditors to the Company and Group on 1 February 2008.

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements disclose such fees on a consolidated basis.

11. Information regarding directors and employees

Non-executive directors' emoluments

3 (2007 - 3) non-executive directors receive payments for services rendered to the All Leisure group plc. Their emoluments are included in the analysis below.

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Directors' emoluments		
Aggregate emoluments	493	1,199
Consultancy fees	171	119
Company pension contributions to money purchase schemes	27	45
	691	1,363

Immediately prior to the Initial Public Offering of All Leisure group plc on 1 October 2007, various of the directors of the Company resigned and were appointed as directors of the principal operating subsidiary, All Leisure Holidays Limited. Their emoluments are reported in the comparative amounts above, and account for the significant decrease in directors' emoluments for the year ended 31 October 2008 when compared with the comparative year.

All executive directors (2007 - all) participated in All Leisure group plc money purchase pension scheme with the exception of Mr R J Allard in both years and Mr Wiles in the year ended 31 October 2007.

	£'000	£'000
Highest paid director:		
Aggregate emoluments	294	655
Company pension contributions to money purchase scheme	-	-
	294	655

	Number	Number
The average monthly number of employees (including directors) was:		
Administration	46	33
Sales	42	37
	88	70

	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	3,999	3,100
Social security costs	462	341
Other pension costs (note 36)	116	44
	4,577	3,485

Further details of the remuneration of key management personnel is given in note 39.

12. Investment revenue

	Year ended 30 October 2008 £'000	Year ended 30 October 2007 £'000
Interest on bank deposits	1,681	959

13. Finance costs

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Other	-	124
Amortisation of discount on ship loan	228	321
	228	445

The amortisation of the discount on the ship loan represents a non cash interest charge arising on the loan provided to the Group by the previous owners of the ship, mv Discovery. This loan is interest free, though in accordance with IAS 16, the purchase price of the ship, and the associated loan carrying amount were reduced on transition to IFRS by the effective interest included in the loan principal. This adjustment to the carrying amount unwinds each period within this line item in the income statement.

14. Tax charge/(credit)

a) Tax charge/(credit) on profit

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Current tax		
- Current year	81	153
- Adjustment with respect to prior years	(42)	(97)
Total current tax	39	56
Deferred tax (note 25)	199	(676)
Total tax charge/(credit)	238	(620)

14. Tax charge/(credit) (continued)

(b) Factors affecting the tax charge/(credit) for the year

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 28.8% (2007 - 30%). The differences are explained below:

	Year ended 31 October 2008 £'000	Year ended 31 October 2008 %	Year ended 31 October 2007 £'000	Year ended 31 October 2007 %
Profit before tax:				
Continuing operations	9,052	-	4,740	-
Tax at the UK corporation tax rate of 28.8% (2007: 30%)	2,607	28.8	1,422	30.0
Adjustments from: Income taxed under the tonnage tax regime	(2,542)	(28.08)	(1,947)	(41.08)
Expenses not allowable for tax purposes	212	2.34	2	-
Unutilised losses carried forward	8	0.08	-	-
Marginal rate differences	(5)	(0.05)	-	-
Adjustment in respect of prior years	(42)	(0.46)	(97)	(2.00)
Total tax and effective tax rate	238	2.63	(620)	(13.08)

For accounting periods beginning on or after 1 January 2000 a shipping company or group may elect to have its taxable profits computed by reference to the net tonnage of each qualifying ship it operates. The Group received correspondence from HM Revenue & Customs that confirms that certain of the Group subsidiary undertakings qualified for taxation under this basis from February 2007. Additionally, the Group is of the opinion that mv Minerva entered the tonnage tax regime on 23 May 2008. Accordingly, the majority of the Group's profits are not subject to taxation under the normal corporation tax regime. This results in a significant reduction in the taxation liability of the Group, reflected above in the income taxed under tonnage tax regime line items.

All Leisure group plc

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15. Dividends

	Year ended 31 October 2008 £	Year ended 31 October 2007 £
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 October 2007 of 5.00p (2006: £31.71) per share.	3,070	1,665
Interim dividend for the year ended 31 October 2008 of 2.44p (2007: nil) per share.	1,498	-
Proposed final dividend for the year ended 31 October 2008 of 1.22p (2007: 5p) per share.	749	3,070

The interim dividend of £1,498,000 was payable to shareholders on the register on 19 September 2008 and was paid on 12 November 2008. Interim dividends only become binding liabilities on the Company when declared as paid and accordingly, the interim dividend in respect of financial year 2007/8 has not been included as a liability in these financial statements. Shareholders had the opportunity to receive their interim dividend payment in either cash or scrip dividend. £923,000 was paid in cash on 12 November 2008 with the balance being paid by way of new shares.

The proposed final dividend of £749,000 is subject to approval by shareholders at the Annual General Meeting and has also not been included as a liability in these financial statements.

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16. Earnings per share

	Year ended 31 October 2008 Pence	Year ended 31 October 2007 Pence
Basic	14.4p	9.6p
Diluted	14.4p	9.6p

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	**£'000**	**£'000**
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	8,814	5,360
Number of shares	**No.**	**No.**
Weighted average number of ordinary shares for the purposes of basic earnings per share	61,406,556	56,075,490
Effect of potential dilutive ordinary shares:		
Options	2,402	2,977
Weighted average number of ordinary shares for the purposes of diluted earnings per share	61,408,958	56,078,467

All results derive from continuing operations and accordingly total earnings per share and earnings per share from continuing operations are the same.

Subsequent to 31 October 2008, the Group issued 338,221 ordinary 1p shares by way of a scrip dividend.

Adjusted earnings per share

The Group presents below an adjusted earnings per share figure in order to aid the comparability of the amounts reported for each period, in accordance with the presentation of results to the Board of Directors of the Group. The number of shares for the purpose of the calculation is as per Basic and Diluted earnings per share:

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Earnings for the purpose of basic and diluted earnings per share	8,814	5,360
Adjustments:		
Depreciation for mv Discovery (i)	-	1,085
Year end mark to market adjustment of derivative financial instruments - (gain) / loss (ii)	(4,199)	831
Realised loss in the year on derivative fuel contract (iii)	1,422	-
IPO related costs (iv)	-	879
Other items (v)	1,422	200
Earnings for the purpose of basic and diluted adjusted earnings per share	7,459	8,355
Adjusted earnings per share:		
Basic	12.1p	14.9p
Diluted	12.1p	14.9p

16. Earnings per share (continued)

Adjusted earnings per share (continued)

(i) In the current financial year the Group has ceased to depreciate the core ship component of mv Discovery as disclosed in note 4. This has a significant impact on the depreciation charge. Accordingly, the Group presents the comparative profit for the year ended 31 October 2007 as if the core component of mv Discovery had not been depreciated in the year ended 31 October 2007.

(ii) The Group has in place economic hedges against fuel and foreign currency as disclosed in note 8. Due to the requirements of IAS 39 and in the absence of hedge accounting, the Group is required to mark these derivative financial instruments to market at each balance sheet date. This results in gains or losses being recognised on these contracts for forward purchases and sales. The Group adjusts for the effect of the year end revaluation in each period, resulting in an EPS figure which is adjusted to match the realisation of the economic hedge against the related cash flows.

(iii) The Group re-negotiated the terms of one of its fuel contracts immediately prior to the year end. This results in a negotiated payment, reflecting the anticipated future losses on the contract which is recognised in the period. Had the Group not renegotiated this contract, the realised loss would have been reflected in the year end mark to market of the instrument.

(iv) As disclosed in note 5, the Group incurred expenditure in the prior year associated with the Initial Public Offering of the Company's shares on AIM. Certain of these costs, including share option expenses of £204,000, were required to be expensed to the income statement under FRS 25. These items are non recurring and material and accordingly are presented separately above.

(v) The Group has incurred certain items of expenditure which are material in the period, and anticipated to be non recurring as disclosed in note 9.

17. Intangible assets

	Swan Hellenic customer database £'000	Swan Hellenic Trademark £'000	Computer Software £'000	Order backlog £'000	Total £'000
Cost					
At 1 November 2006	-	-	-	-	-
Additions	1,283	1,924	30	-	3,237
At 1 November 2007	1,283	1,924	30	-	3,237
Additions	-	-	3	-	3
Arising on acquisitions in the year	-	-	-	162	162
At 31 October 2008	1,283	1,924	33	162	3,402
Amortisation					
At 1 November 2006	-	-	-	-	-
Charge for the year	-	-	2	-	2
At 1 November 2007	-	-	2	-	2
Charge for the year	65	38	5	162	270
At 31 October 2008	65	38	7	162	272
Carrying amount					
At 31 October 2008	1,218	1,886	26	-	3,130
At 31 October 2007	1,283	1,924	28	-	3,235

The Swan Hellenic assets relate to Trade and Domain Names (collectively the Swan Hellenic Trademark above) and Databases (Swan Hellenic customer database above) which collectively were acquired when the Swan Hellenic brand was purchased on 6 September 2007. These assets are amortised over their estimated useful lives, which is 10 years for the customer database and 25 years for the Trademark. Amortisation commenced on these assets in May 2008 when they became available for use.

The Swan Hellenic trade and domain name and the databases were acquired in return for 3,351 ordinary £1 shares paid prior to the subdivision of shares on 6 September 2007.

Computer software represents software that is capable of being operated independently of any specific hardware and accordingly is recognised as a separate intangible asset. This software is amortised over its useful economic life of 5 years.

Order backlog represents the intangible asset arising on the purchase of Atholl Shipping Corporation Limited and associated assets and liabilities from the former owner. In the opinion of the directors, this intangible asset represents the profit in the customer cruises that were pre booked and paid for at the acquisition date, but which had not yet been undertaken. The Group was paid £ for £ by the former owners to honour the commitments, resulting in a transfer of this profit to the Group. The Group has amortised the intangible asset over the period that the deferred income has been recognised in revenue, and accordingly the asset has been fully utilised in the period. Please refer to note 31 for further details.

18. Property, ship, plant and equipment (continued)

	Freehold land and buildings £'000	Cruise vessel £'000	Dry dock assets £'000	Ship leasehold improve -ments £'000	Ship Improvements Fixtures & Fittings £'000	Office Equipment £'000	Total £'000
Cost or valuation							
At 1 November 2006	850	11,985	-	-	157	524	13,516
Exchange differences	-	(973)	-	-	(13)	-	(986)
Additions	372	76	1,043	82	500	39	2,112
Transfer	-	-	-	-	45	(45)	-
At 1 November 2007	1,222	11,088	1,043	82	689	518	14,642
Exchange differences	-	3,165	64	-	50	-	3,279
Arising on acquisitions		-	1,096	-	-	-	1,096
Additions	-	-	-	540	-	3	543
Disposals	-	-	-	-	-	(16)	(16)
At 31 October 2008	1,222	14,253	2,203	622	739	505	19,544
Accumulated depreciation and impairment							
At 1 November 2006	-	1,364	-	-	45	344	1,753
Exchange differences	-	(167)	-	-	(4)	-	(171)
Charge for the year	20	960	348	-	177	51	1,556
Transfer	-	-	-	-	11	(11)	-
At 1 November 2007	20	2,157	348	-	229	384	3,138
Exchange differences	-	616	(3)	-	20	-	633
Charge for the year	20	-	670	21	146	50	907
Eliminated on disposals	-	-	-	-	-	(16)	(16)
At 31 October 2008	40	2,773	1,015	21	395	418	4,662
Carrying amount							
At 31 October 2008	1,182	11,480	1,188	601	344	87	14,882
At 31 October 2007	1,202	8,931	695	82	460	134	11,504

The only item of Property, ship, plant and equipment carried at revalued amount is the administrative office building, Lynnem House, 1 Victoria Way, Burgess Hill, RH15 9NF. This property was revalued at 31 October 2006 by Messrs Stiles Harold Williams, independent valuers independent of the Group, on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. This property has a cost of £839,000 (2007: £839,000) and a revalued amount of £850,000 (2007: £850,000), included within Freehold land and buildings. The building element of this property is valued at £710,000 and is being depreciated over 50 years. The associated land it is situated on is not being depreciated.

The revaluation surplus is disclosed in note 29. The revaluation surplus arises in a subsidiary and cannot be distributed to the parent due to legal restrictions in the country of incorporation being England.

At 31 October 2008, had the land and buildings other than investment property of the Group been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately £1.2 million (2007: £1.2million).

18. Property, ship, plant and equipment (continued)

The cruise vessel with a carrying amount of £11.5 million (2007: £8.9 million) has been pledged to secure borrowings of the Group (see note 23).

Dry dock assets represent separable components on either the owned ship, (which have been recognised separately from the core ship asset), or assets arising under the contractual terms of the bareboat charter agreement – for further details, please refer to note 27.

At 31 October 2008 and 31 October 2007 the Group has no contractual commitments for the acquisition of property, plant and equipment.

19. Investment property

	£'000
Deemed cost	
At 1 November 2006, 1 November 2007 and 31 October 2008	280
Accumulated depreciation	
At 1 November 2006	-
Charge for the year	4
At 1 November 2007	4
Charge for the year	4
At 31 October 2008	8
Carrying amount	
At 31 October 2008	272
At 31 October 2007	276

On transition to IFRS, the Group has adopted the cost model for its sole investment property, such that the carrying value at the date of transition to IFRS on 1 November 2006 has been treated as the deemed cost of this property.

The latest valuation of the property was completed on an open market existing use basis in May 2008 by Messrs Pearsons Commercial. The market value determined under this basis was £275,000.

The historic cost of this investment property to the Group is £65,000.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to £10,000 (2007: £10,000).

20. Subsidiaries

A list of the significant investments in subsidiaries, all of which are 100% owned, including the name and country of incorporation, is given in note f to the Company's separate financial statements. All subsidiaries draw up their accounts to 31 October.

There are no significant restrictions on the ability of the subsidiary undertakings to transfer funds to the parent company of the Group in the form of either cash dividends, or repayment/advance of loans.

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21. Inventories

	At 31 October 2008 £'000	At 31 October 2007 £'000
Engineering stock and consumables	1,485	805

Inventories represent principally engineering spares, fuel and lubricants. The difference between the purchase price and replacement cost is not material.

22. Other financial assets

Trade and other receivables

	At 31 October 2008 £'000	At 31 October 2007 £'000
Trade receivables	57	6
Other debtors	1,306	1,613
Prepayments and accrued income	3,678	50
	5,041	1,669

Trade receivables constitute amounts receivable from ATOL bonded travel agents.

As a result of this bonding and the insignificant amounts involved, the receivable amounts are subject to insignificant credit risk. Accordingly, no provisions have been made against the carrying values of trade receivables and no further disclosures are provided with respect to trade receivables as a separate class of financial instruments in note 37.

Total bank balances and cash in hand

	At 31 October 2008 £'000	At 31 October 2007 £'000
Interest bearing bank deposits	26,645	17,095
Restricted cash		
- non-current	2,635	-
- current	464	361
Unrestricted cash	3,264	10,599
	33,008	28,055

The Group has significant cash funds available which are held in interest bearing bank deposits to maximise the return on assets. Where the bank deposits have an original maturity of three months or more, the amounts are classified outside of cash. This reflects the contractual terms of the deposit agreements, such that, while the Group has immediate access to the bank deposits, the counterparty has the right to restrict interest payments under the deposit agreements.

Restricted cash represents funds held by the Group in bank accounts where there are guarantees written to third parties, such that they are not available for use by the Group until the end of the contract term. The principal restricted cash is held as a guarantee for the bareboat charter of mv Minerva, being the £2,635,000 non current cash, which will cease to be restricted in 2013, or earlier in the event of the Group being able to replace the cash guarantee with an insurance policy, or a bank guarantee. The current restricted cash represents cash held by the Group's independent credit card clearing company.

Unrestricted cash represents short-term bank deposits with an original maturity of three months or less.

The carrying amount of these assets approximates their fair value. Further details are included in note 37.

23. Borrowings

	At 31 October 2008 £'000	At 31 October 2007 £'000
Secured borrowing at amortised cost		
Ship loan	4,975	5,219
Total borrowings		
Amount due for settlement within 12 months	1,645	1,350
Amount due for settlement after 12 months	3,330	3,869

The Group's sole borrowing is US Dollar denominated. This loan was provided to finance the acquisition of mv Discovery in 2005. The principal amount is interest free, repayable in instalments up to May 2010. The principal outstanding is £5,300,000 (2007 - £5,655,000) due £1,856,000 (2007: £1,564,000) in less than one year and £3,403,000 (2007: £4,091,000) in more than one year. The amount differs to the amortised cost reported above due to the effective interest included in the loan principal, which is being accrued through the income statement over the life of the loan to provide a constant rate of interest on the outstanding balance at 4.5%.

Trading facilities

At 31 October 2008, the Group had available £28,600,000 (2007: £13,200,000) of trading facilities.

These facilities are in place to support the Group's fuel and foreign currency hedging activities in the main as follows:

	2008 £'000	2007 £'000
- Fuel	9,643	-
- Foreign currency	16,925	13,200
- Other	2,032	-
	28,600	13,200

24. Derivative financial instruments

	At 31 October 2008 £'000	At 31 October 2007 £'000
Financial assets/(liabilities) carried at fair value through profit or loss (FVTPL)		
Held for trading derivatives that are not designated in hedge accounting relationships:		
Foreign currency forward options and swaps	3,686	(1,006)
Fuel forward purchase	(493)	-
	3,193	(1,006)

All amounts are current and further details of derivative financial instruments are provided in the note 37.

25. Deferred tax

The following are the major deferred tax liabilities/(assets) recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £'000	Investment property £'000	Free allowances on acquisition of subsidiary £'000	Total £'000
At 1 November 2006	713	54	-	767
Credit to income statement (note 14)	(676)	-	-	(676)
Foreign exchange adjustment	(24)	-	-	(24)
At 1 November 2007	13	54	-	67
(Credit)/charge to income (note 14)	(13)	-	212	199
Acquisition of subsidiary	-	-	(208)	(208)
Foreign exchange movements	-	-	(4)	(4)
As 31 October 2008	-	54	-	54

Due to the majority of the Group trading subsidiary companies being within the tonnage tax regime, the Group has no significant deferred tax assets or liabilities as at 31 October 2008. Under this regime, the relevant subsidiary companies are taxed on the basis of the tonnage of the vessels under operation, rather than the profit before taxation.

At the balance sheet date, the group has unutilised trading losses of £2.5 million (2007: £2.7 million) available for offset against future profits. The group also has postponed free allowances in respect of its vessel mv Minerva totaling £9.5 million (2007: £10.4 million). No deferred tax asset has been recognised in respect of either the trading losses or postponed free allowances due to the majority of the group being taxed within the tonnage tax regime.

26. Other financial liabilities

Trade and other payables

	At 31 October 2008 £'000	At 31 October 2007 £'000
Trade creditors	5,925	2,651
Accruals and deferred income	17,849	12,219
Other creditors	456	12
	24,230	14,882

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 40 days (2007: 32 days). The Group does not incur interest from its suppliers on trade payable balances. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The directors consider that at both financial year ends the carrying amount of trade payables approximates to their fair value.

27. Provisions

	Repairs and maintenance obligations £'000
Ship dry dock provisions	
At 1 November 2007	-
On acquisition of subsidiary (note 31)	1,185
Exchange gain recognised in income statement	(209)
Exchange loss recognised in equity	358
At 31 October 2008	1,334
Included in non-current liabilities	1,334

The dry dock provision represents the Group's best estimate of minimum repair and maintenance obligations imposed on the Group as a result of the mv Minerva bareboat charter agreement. The agreement establishes minimum return conditions on the vessel at re-delivery to the lessor, which are provided for once the liability is established on the Group. The initial recording of the provision results in a fixed asset being established, representing the future economic benefit to the Group available from utilising the ship prior to the work required being undertaken. The work is required to comply with the RINA class requirements on the vessel, which are anticipated to be undertaken in 2011 and will principally be paid for in Euros. Accordingly, the carrying value of the provision is subject to exchange risk between Euro and US Dollar (which is the functional currency of the group subsidiary that carries the liability) and translation risk between US Dollar and £ sterling on translation of the subsidiary entity's results and financial position for consolidation purposes.

28. Share capital

	At 31 October 2008 £'000	At 31 October 2007 £'000
Authorised:		
100,000,000 (2007 – 100,000,000) ordinary shares of 1p each	1,000	1,000
Issued and fully paid:		
61,406,556 (2007 – 61,406,556) ordinary shares of 1p each	615	615

The Company has one class of ordinary shares which carry no rights to fixed income. Subsequent to 31 October 2008 the Company issued 338,221 1p ordinary shares by means of a scrip dividend increasing the issue share capital to 61,774,777.

Details of outstanding options over ordinary 1p shares in the Company of 1,074,615 (2007: 1,074,615) are provided in note 35.

The Group completed its Initial Public Offering on 1 October 2007. As a result of the preparation of the Group for the IPO, and the IPO itself, significant changes were made to the share capital of the Company in the prior year. The following items were reported in the restated comparative information relating to changes in share capital, and associated share premium in the year ended 31 October 2007:

1. On 20 July 2007 and 6 September 2007, the Group issued an aggregate of 3,351 £1 ordinary shares in consideration for the Swan Hellenic intangible assets reported in note 17. The premium arising on the issue, established as required by s108 of the Companies Act 1985 was £3,183,000.
2. Prior to the AIM listing on 6 September 2007, £503,000 of distributable profit and loss account reserves were applied by the Company to issue further shares to the shareholders in proportion to their holding in equity shares of the Company immediately prior to the IPO, at par value. No premium arose on this issue.
3. On 6 September 2007, the Company increased its nominal share capital by 940,000 £1 ordinary shares. On the same day, the Company sub-divided its £1 shares into £0.01 shares on 6 September 2007. This sub-division had no impact on the reported share capital of the Company.
4. On 1 October 2007, the Group issued 5,555,556 £0.01 ordinary shares for consideration of £10,000,000, with a nominal value of £56,000 and a premium arising of £9,944,000. Cash expenses incurred with respect to this issue of £371,000 have been recorded against the share premium account. Please refer to note 5 which explains further details relating to the allocation of Initial Public Offering Costs between the Income Statement and the share premium account, and changes from the amounts included in the 31 October 2007 financial statements as previously reported.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders considering the risk profile of the Company. The Directors consider that the capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed above and in the Consolidated Statement of Changes in Equity.

The Group's board reviews the capital structure on an annual basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital.

28. Share capital (continued)

Capital risk management (continued)

The Group currently has significant cash balances available for investment when the Directors identify suitable acquisitions, of either Company's trade or assets. As a result, Group has limited requirement for debt funding, with the only loan instrument in place being the interest free loan provided by the vendor of the Group owned ship, mv Discovery, as part of the overall negotiation for the purchase of that asset. Accordingly, the gearing ratio of the Group is low as shown in the following table:

	2008 £	2007 £
Debt	4,975	5,219
Equity	30,358	24,159
Debt to equity ratio	16.4%	21.6%

Externally imposed capital requirement

In order to offer air inclusive package holidays, the Group requires the annual renewal by the Civil Aviation Authority of its ATOL licence. The CAA awards this on the basis of a qualifying net assets test and renews this in March each year. The Group has complied with these capital requirements during the periods presented in these financial statements, and subsequent to 31 October 2008 to the date of signing these financial statements.

29. Revaluation reserves

	Property revaluation reserve £'000
Balance at 1 November 2006, 1 November 2007 and 31 October 2008	11

The property revaluation reserve represents the upwards revaluation of Lynnem House, 1 Victoria Way, Burgess Hill, West Sussex, the freehold property owned by the Group which was revalued at open market value with vacant possession as at 31 October 2006 in the sum of £850,000 by an external valuer, P L Redmond BA (Hons) DipSurv MRICS, of Messrs Stiles Harold Williams.

The Group owns an investment property at 54/54a The Hundred, Romsey, Hampshire. This property has been retained at its market value on transition to IFRS which has been treated as deemed cost as permitted by IFRS 1 and disclosed in note 2. The revaluation reserve arising under UK GAAP on this property of £215,000 has accordingly been transferred to retained earnings on transition to IFRS, net of the associated deferred tax recorded under IAS 12, *'Income taxes'* of £54,000 (note 25).

30. Translation reserves

	Currency translation reserve £
Balance at 1 November 2006	-
Exchange gain on translation of subsidiaries	10
Balance at 1 November 2007	10
Exchange gain on translation of subsidiaries	455
Balance at 31 October 2008	465

Two of the Group's subsidiary companies have a US$ functional currency. The translation reserve represents the exchange gains and losses arising on the retranslation of these subsidiary entities. On transition to IFRS, as explained in note 2, cumulative exchange gains and losses on retranslation of subsidiary entities were set to zero as permitted by IFRS 1.

31. Acquisition of subsidiary

On 7 November 2007, the Group acquired 100% of the issued share capital and voting rights of Atholl Shipping Corporation Limited ("Atholl") for cash consideration of £nil. Deferred consideration is due under the purchase agreement, linked to the profit earned by the Group on the Antarctic cruise programme cruising activities of mv Minerva undertaken in years up to and including the financial year ended 31 October 2009.

The principal activity of the company is a cruise ship operator. Additionally, the Group acquired certain further assets and liabilities from the vendors of Atholl associated with the ongoing cruising activities at the date of acquisition, which were held outside of the Company. This whole transaction has been accounted for as a business combination by the purchase method of accounting.

	Book value £'000	Alignment to group accounting policies £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired				
Intangible asset (note 17)	-	-	162	162
Dry dock asset (note 18)	-	1,096	-	1,096
Deferred tax assets (note 25)	-	46	162	208
Inventories	842	-	-	842
Trade and other receivables	1,469	-	(928)	541
Cash and cash equivalents	2,169	-	(14)	2,155
Trade and other payables	(3,223)	-	942	(2,281)
Dry dock provision (note 27)	-	(1,185)	-	(1,185)
	1,257	(43)	324	1,538
Total consideration				1,538
Satisfied by:				
Cash				1,257
Deferred consideration				281
				1,538
Net cash inflow arising on acquisition				
Cash consideration				(1,255)
Cash and cash equivalents acquired				2,155
				900

The Company accounting records of Atholl include various assets and liabilities at the date of acquisition. Subsequent to the acquisition, Atholl has neither received or paid any amounts relating to the individual assets and liabilities included in the company at the date of acquisition. All amounts have been settled with the former owner under the terms of the purchase agreement. Due to this fact, the Group has recorded all assets and liabilities included in the books of Atholl at the acquisition date at £nil through the fair value adjustment above, as the Group is of the opinion that in substance these assets and liabilities are not relevant to the Group. The Directors have received written assurances from the vendor that no liabilities remain outstanding from Atholl from the amounts reported in the company records at the date of purchase.

31. Acquisition of subsidiary (continued)

Certain further fair value adjustments have been necessary with respect to intangible assets acquired and deferred tax assets. As noted above, the Group acquired further assets and liabilities from the vendor which were not within Atholl, but related to the overall Atholl business of operating mv Minerva. The Group paid, and was paid, dollar for dollar for these assets, which included principally cash balances, prepayments, fuel and onboard stock and deferred income. The Group is of the opinion that the profit in the deferred income at the date of acquisition, represents an intangible asset akin to an order backlog. The Group has accordingly recognised an intangible asset, which has been limited to the difference between the consideration paid and the identifiable net assets acquired.

Deferred tax assets have also been recognised for free allowances which Atholl has been able to claim and group relieve in the period prior to the entry of mv Minerva into tonnage tax, which the directors believe to be on 23 May 2008.

The business combination has resulted in a net cash inflow to the Group. This principally reflects the level of deferred income associated with mv Minerva at the date of acquisition for which the Group was paid by the vendors to honour the committed cruising activities. As noted above, an intangible asset has been recognised to offset part of the profit earned on these cruises.

Atholl contributed £4.1m revenue and £0.1m to the Group's profit before tax for the period between the date of acquisition and the balance sheet date. Due to the short period between the commencement of the Group financial year and the acquisition date of Atholl, the difference between the amounts reported above, and the amounts that would have been reported, had the acquisition of Atholl been completed on the first day of the financial year, is not significant.

The principal contribution of Atholl to the Group is reflected through the entry into the Group of mv Minerva, which Atholl has under a bareboat charter agreement. mv Minerva is now operated by All Leisure Holidays Limited, and the turnover and profit earned by this company through operating mv Minerva are not included above.

32. Notes to the cash flow statement

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Profit for the financial year	8,814	5,360
Adjustments for:		
Investment revenues	(1,681)	(959)
Rental income	(34)	(24)
Finance costs	228	445
Income tax expense/(income)	238	(620)
Depreciation of property, ship, plant and equipment	907	1,606
Depreciation of investment property	4	4
Amortisation of intangible assets	270	-
Unrealised foreign exchange (gain)/loss on inter-company balances	(725)	636
Foreign exchange (gain) on bank balances	(1,200)	-
Non cash share option expense	-	204
Movement in fair value of derivatives	(4,199)	831
Increase/(decrease) in provisions	(209)	-
Operating cash flows before movements in working capital	2,413	7,483
Decrease/(increase) in inventories	162	(600)
Decrease/(increase) in receivables	(2,511)	1,573
Increase in payables	5,543	739
Cash inflow generated from operations	5,607	9,195
Income taxes paid	(57)	(2,366)
Net cash inflow from operating activities	5,550	6,829

33. Contingent liabilities

The Group currently holds an Air Travel Organisers' Licence (number 3897) issued by the Civil Aviation Authority ("CAA") and is a member of the Association of British Travel Agents Limited ("ABTA").

As at 31 October 2008, there were contingent liabilities in respect of counter indemnities and guarantees given by the Company and the Group, in the normal course of business, to insurance obligors in respect of ABTA bonds amounting to £1,682,000 (2007- £4,004,000). Due to the introduction of the ATOL Protection Contribution ('APC'), the Group is no longer required to hold as ATOL bond.

There were no other material contingent liabilities.

34. Operating lease arrangements

The Group as lessee

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Minimum lease payments under operating leases recognised as an expense in the year		
- Bareboat charter	2,040	-
- Office and office equipment	69	43
	2,109	43

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	At 31 October 2008 £'000	At 31October 2007 £'000
Ship bareboat charter		
Within one year	2,510	-
In the second to fifth years inclusive	10,040	-
After five years	96	-
	12,646	-
Office and office equipment		
Within one year	69	68
In the second to fifth years inclusive	253	308
After five years	100	125
	422	501

Operating lease payments represent rentals payable by the Group for the bareboat charter on mv Minerva and for certain of its office properties and office equipment. There are no current clauses in the lease agreements that allow for renewal of the leases, or establish a basis for rental payments that are contingent. Under the terms of the bareboat charter lease for mv Minerva, the Group is required to retain a letter of credit over bank deposits amounting to $4,055,000 (2007: $nil). This amount is shown as non current restricted bank deposits at the balance sheet date.

The Group as lessor

Property rental income earned during the year was £34,000 (2007: £24,000). Property investment income earned from investment property was £10,000 (2007: £10,000).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 October 2008 £'000	At 31 October 2007 £'000
Within one year	34	24
In the second to fifth years inclusive	-	24
After five years	-	-
	34	48

35. Share based payments

Equity-settled share option scheme

The Company and Group do not have any share option schemes in place for the benefit of directors or employees.

In the financial year ended 31 October 2007, the Company and Group issued certain share options to Blue Oar Securities as part of the overall compensation arrangement for the Initial Public Offering of Shares in the Company. Blue Oar Securities has the option to subscribe, at any time within 5 years of the admission date of the Company's shares to trading on AIM for:

(1) a number of shares equal to 1 per cent. of the issued share capital of the Company immediately following the admission, at a price equal to the placing price at the initial admission date; and

(2) a number of shares equal to 0.75 per cent. of the issued share capital of the Company immediately following the admission, at a price equal to 1.5 times the placing price at the initial admission date.

The option agreement provides for the adjustment of the number of Ordinary Shares the subject of the option and/or the subscription price per share in the event of a variation in the share capital of the Company between Admission and the date of exercise of the option.

No options were issued, exercised, forfeited or expired in the year ended 31 October 2008. Details of the share options outstanding during the year are as follows:

	Number of share options	2008 Weighted average exercise price (in £)	Number of share options	2007 Weighted average exercise price (in £)
Outstanding at beginning of period	1,074,615	2.19	-	-
Granted during the period	-		1,074,615	2.19
Outstanding at the end of the period	1,074,615	2.19	1,074,615	2.19
Exercisable at the end of the period	1,074,615	2.19	1,074,615	2.19

The options outstanding at 31 October 2008 had a weighted average exercise price of £2.19, and a weighted average remaining contractual life of 3 years and 11 months. In 2007, options were granted on 1 October 2007. The aggregate of the estimated fair values of the options granted on that date is £224,000. The inputs into the Black-Scholes model for 2007 were as follows:

	Options granted at placing price	Options granted at 1.5 times placing price
Weighted average share price	180p	180p
Weighted average exercise price	180p	270p
Expected volatility	20%	20%
Expected life	5 years	5 years
Risk-free rate	5%	5%
Expected dividend yields	4%	4%

35. Share based payments (continued)

Expected volatility was determined based on management's assessment of the likely future volatility of the Group's shares, in consultation with Blue Oar Securities, the Company's NOMAD. The expected life used in the model has been determined based on management's best estimate of the expected life in consultation with Blue Oar Securities.

The Group recognised total expenses in the income statement of £nil and £204,000 related to equity-settled share-based payment transactions in 2008 and 2007 respectively. Additionally, a further £nil and £20,000 were expensed to the share premium account.

36. Retirement benefit schemes

Defined contribution schemes

The Group operates two defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of separate independent trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total cost charged to income of £116,000 (2007: £44,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 October 2008, contributions of £nil (2007: £nil) due in respect of the current reporting period had not been paid over to the schemes.

37. Financial Instruments

Details of the capital risk management policy of the Group are provided in note 28 to the financial statements.

This note provides further information on the financial instruments of the Group in accordance with the disclosure requirements of IFRS 7, *Financial Instruments: Disclosure* and IAS 39, *Financial Instruments: Recognition and measurement.*

Significant accounting policies and classification of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3. Further details on critical accounting judgments and estimation uncertainty are included in note 4.

37. Financial Instruments (continued)

Significant accounting policies and classification of financial instruments

Categories of financial instruments

Based on the application of the accounting policies with respect to financial instruments, the amounts included in the relevant balance sheet items represent the following categories of financial instruments:

At 31 October 2008	Fair value through profit and loss (FVTPL) £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial assets				
Trade receivables	-	57	-	57
Other debtors	-	1,306	-	1,306
Derivative financial instruments - currency	3,686	-	-	3,686
Interest bearing bask deposits	-	26,645	-	26,645
Restricted bank balances:				
- Non-current	-	2,635	-	2,635
- Current	-	464	-	464
Cash and cash equivalents	-	3,264	-	3,264
Total financial Assets	3,686	34,371	-	38,057
Financial liabilities				
Derivative financial instruments - fuel	493			493
Trade creditors	-	-	5,925	5,926
Accruals and deferred income	-	-	17,849	17,849
Borrowings due within one year	-	-	1,645	1,645
Borrowings due after one year	-	-	3,330	3,330
Total financial liabilities	499	-	28,750	29,243

37. **Financial Instruments (continued)**

At 31 October 2007	Fair value through profit and loss (FVTPL) £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial assets				
Trade receivables	-	6	-	6
Other debtors	-	1,613	-	1,613
Interest bearing bank deposits	-	17,095	-	17,095
Restricted bank balances	-	361	-	361
Cash and cash equivalents	-	10,599	-	10,599
Total financial Assets	-	29,674	-	29,674
Financial liabilities				
Derivative financial instruments - currency	1,006	-	-	1,006
Trade payables	-	-	2,651	2,651
Accruals and deferred income	-	-	12,219	12,219
Borrowings due within one year	-	-	1,350	1,350
Borrowings due after one year	-	-	3,869	3,869
Total financial liabilities	1,006	-	20,089	21,095

Note: Fair value through profit and loss (FVTPL) represents currency and commodity derivative financial instruments, classified as held for trading under IAS 39. The Group has not designated any other assets or liabilities as fair value through profit and loss.

37. Financial Instruments (continued)

Classes of financial assets and liabilities

The Group analyses the categories of financial assets and liabilities as defined in IAS39 into classes of financial assets and liabilities as defined by IFRS 7 with the associated carrying value and fair value as follows:

At 31 October	Book values 2008 £'000	Book values 2007 £'000	Fair value 2008 £'000	Fair value 2007 £'000
Currency derivatives	3,686	-	3,686	-
Bank balances and cash in hand	33,008	28,055	34,165	28,046
Short term operating assets	1,363	1,619	1,363	1,619
Total financial assets	38,057	29,674	39,214	29,665
Currency derivatives	-	1,006	-	1,006
Fuel derivatives	493	-	493	-
Ship loan	4,975	5,219	4,990	5,339
Deferred income	13,482	9,198	13,482	9,198
Short term operating liabilities	10,293	5,672	10,293	5,672
Total financial liabilities	29,243	21,095	29,258	21,215

Note: The Group includes deferred income in the above table due to the contractual commitments under which part of the balance can be refunded to customers at their request. Further details are provided below in the discussion of risks associated to this class.

Fair value

The assumptions used by the Group to estimate the current fair values are summarised below:

(i) For the derivative financial instruments (both currency and fuel), the fair value has been calculated by discounting the future estimated cash flows based on the applicable yield curve derived from quoted interest rates. The derivatives are carried at fair value and accordingly, the book value and fair value is the same.

(ii) For bank balances and cash in hand, for all floating rate balances and cash in hand, the fair value has been determined to approximate book value. Where the Group has fixed rate deposits, the fair value has been determined based on the difference between the cash flows arising on the instrument, and the cash flows that would be derived had the Group entered into a similar term instrument at the balance sheet date at market rates.

(iii) For the Deferred income and Short term operating liabilities classes, the book value approximates to fair value because of their short maturities. None of the items in these classes are interest bearing.

(iv) For the ship loan class, which represents the total borrowings of the Group, the fair value is determined based on the difference between the fixed effective interest rate determined at the outset of the loan arrangement in May 2005 of 4.5%, and the interest rate that would be applicable to a loan of similar term secured on a similar asset had the Group entered into this loan arrangement at the balance sheet date.

37. Financial Instruments (continued)

Financial risk management objectives

The Group actively manages the risks arising from its operations, and financial instruments, at Board level. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and to ensure that the Group has adequate policies, procedures and controls to manage successfully the financial risks that the Group faces.

While the Group does not have a written policy relating to the risk management of risks arising from financial instruments, the close involvement of the Board of Directors in the day to day operations of the Group ensures that risks are monitored and controlled in an appropriate manner for the size and complexity of the Group. Within this framework, financial instruments are not traded, nor are speculative positions taken. The principal risks that the Group faces with an impact on financial instruments are summarised below. Further details by class of financial instrument are described further in this note.

The Group's key financial market risks arise from changes in foreign exchange rates ('currency risk') changes in marine fuel prices ('price risk'), and changes in interest rates ('interest rate risk'). The Group is also exposed to significant credit risk.

Currency risk results from the cross-border element of the Group's trading and the market currency for purchases such as fuel, and arises on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of individual Group businesses. The risk is managed by the use of foreign exchange derivative contracts, resulting in derivative financial instruments at the balance sheet date which are carried at fair value.

The Group's exposure to price risk results from the ship operations and is managed through fuel derivative contracts, resulting in derivative financial instruments at the balance sheet date which are carried at fair value.

The Group is exposed to interest rate risk that arises principally from the Group's bank and cash balances. A significant proportion of the Group's cash balances were on fixed rate deposits at the year end which mitigates this risk.

The Group has significant exposure to credit risk on its bank balances held on deposit and derivative financial assets with financial institutions. This risk is managed through the selection of counter parties based on the relative financial security of the counterparty.

The Group has limited liquidity risk due to the significant bank and cash balances held.

Currency derivatives class

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of individual Group businesses. The majority of the Group's direct ship operating costs are US Dollar or Euro denominated, including fuel, ship repairs and maintenance and catering costs. This results in a significant risk to the result of the Group arising from changes in foreign exchange rates, principally between £ sterling and Euro and £ sterling and US Dollar. Further, the Group's exposure to foreign currency risk has increased during the current period due to the commencement of operations under the Swan Hellenic brand operating mv Minerva, the Group's new leased ship.

37. Financial instruments (continued)

In order to mitigate the risk arising to cash flows from changes in foreign currency exchange rates, the Group enters into derivative financial instruments to economically hedges its net foreign currency exposures (after expected foreign currency receipts) up to eighteen months ahead. These comprise both foreign currency forward exchange contracts and foreign currency swaps. The principal details relating to these contracts are provided below:

Foreign currency forward exchange contracts	Average Exchange Rate		Contract Size		Fair Value	
	2008	2007	2008	2007	2008	2007
	[rate]	[rate]	[FC]m	[FC]m	£'000	£'000
Buy US dollars						
Less than 3 months	2.000	1.964	1.0	15.25	119	(300)
3 to 6 months	-	1.943	-	9.75	-	(264)
6 to 12 months	-	1.944	-	3.50	-	(133)
Over 12 months	-	2.000	-	2.00	-	(60)
Buy Euros						
Less than 3 months	1.284	1.488	1.0	1.0	(6)	24
Buy Norwegian Kroner						
Less than 3 months	-	11.082	-	1.0	-	(1)
6 to 12 months	11.727	-	1.0	-	7	-
Sell Australian Dollars						
Less than 3 months	2.167	-	1.15	-	61	-
Sell New Zealand Dollars						
Less than 3 months	2.707	-	0.25	-	2	-
					183	**(734)**

Foreign Currency Swaps	Average exchange rate		Foreign currency		Fair value	
	2008	2007	2008	2007	2008	2007
Cash flow hedges	[rate]	[rate]	[FC]m	[FC]m	£'000	£'000
Buy US dollars						
Less than 3 months	1.9559	-	9.0	-	580	-
3 to 6 months	1.9617	-	6.5	-	1,554	-
6 to 12 months	1.9667	1.945	19.0	8.5	308	(272)
Over 12 months	1.9500	-	3.0	-	1,061	-
					3,503	**(272)**

Notes:
[FC]m represents the foreign currency notional amount of the contracts.
[rate] represents the contract exchange rate between £ sterling and the relevant foreign currency
Fair value represents the fair value of the derivative contract at the balance sheet date, as included in the financial statements of the Group.

37. Financial instruments (continued)

These currency derivative financial instruments are required to be carried at fair value at each balance sheet date, based on the estimated future discounted cash flows that will arise from the instrument. This measurement relies on the estimate of the future foreign currency exchange rates compared to the contract exchange rates. Accordingly, while the Group mitigates foreign currency exchange rate risk through these instruments, it is exposed to fair value risk on the revaluation of the instruments. The sensitivity of the carrying amount to this risk is shown in the section below on foreign currency sensitivity analysis. None of these derivative financial instruments qualify for hedge accounting under IAS 39, and all gains and losses arising on the re-measurement of the instruments at each balance sheet date is reported in the income statement, which accordingly, is subject to volatility arising from the valuations. Due to the significance of these gains and losses, the Group separately analyses these on the face of the income statement, and in note 8 to the financial statements

The currency derivative financial instruments are also subject to credit risk. The maximum exposure is the carrying amount of the class. Treasury counterparties are limited to major banks and financial institutions and the Board actively monitors the concentrations of credit risk. As at the balance sheet date, the concentration of risk is as follows:

	31 October 2008 £'000	31 October 2007 £'000
Anglo Irish Bank Corporation plc	1,467	-
Lloyds TSB Bank plc	2,219	-
	3,686	-

Where the credit risk increases to an unacceptable level, the Board either renegotiates the contracts, or closes the contracts in full. Subsequent to 31 October 2008, following a review of counterparty risk, the Board took the decision to close a number of outstanding currency contracts. On 13th January 2009 Sterling/dollar derivative contracts representing a principal amount of US$10.5 million were closed, the settlement of which resulted in a net payment to the Group of US$2,600,125. Whilst the funds have continued to be held in dollars to meet future dollar liabilities, the amount received equated (at the exchange rate used to settle the contracts) to a sum of £1,787,027. This compares to a fair value as 31 October 2008 of £1,088,475 on these contracts.

37. Financial Instruments (continued)

Fuel derivatives class

In response to the increased volatility of fuel prices, the Group entered into a series of marine fuel swaps during 2008 in order to provide protection from rising fuel prices for the 2009 calendar year. It was considered that the most appropriate benchmark was Rotterdam Barge +3.5%, and the contracts are entered into for this. Principal contract details at the balance sheet date are shown below:

	Strike ($)		Volume (Metric tons)		Fair value	
	2008	2007	2008	2007	2008	2007
	[rate]	[rate]			£'000	£'000
Buy Rotterdam barge +3.5%						
January –June 2009	392.8	-	6,000	-	(298)	-
July – December 2009	392.8	-	6,000	-	(195)	-
					(493)	-

Notes:

Volume (Metric tons) represents the contract notional volume in metric tons.
[rate] represents the contracted purchase price per metric ton in US$.
Fair value represents the fair value of the derivative contract at the balance sheet date, as included in the financial statements of the Group.

These fuel derivative financial instruments are required to be carried at fair value at each balance sheet date. Fair value has been calculated using the closing value on the balance sheet date of the calendar year 2009 Rotterdam Barge +3.5% forward swap price of $311.6 per metric ton, and by discounting the future estimated cash flows based on the applicable yield curve derived from quoted interest rates. This measurement relies on the estimate of the future fuel spot purchase price compared to the contract price. Accordingly, while the Group mitigates fuel price risk through these instruments, it is exposed to fair value risk on the revaluation of the instruments. This risk is shown in the section below on fuel derivatives sensitivity analysis. These derivative financial instruments do not qualify for hedge accounting under IAS 39, and all gains and losses arising on the re-measurement of the instruments at each balance sheet date are reported in the income statement, which accordingly, is subject to volatility arising from the revaluation. Due to the significance of these gains and losses, the Group separately analyses these on the face of the income statement, and in note 8 to the financial statements.

In the event of the fuel derivatives being assets the instruments are also subject to credit risk. The fuel derivatives are held with Lloyds TSB as counterparty, and accordingly there would be full concentration of risk for these instruments. Where the credit risk increases to an unacceptable level, the Board either renegotiates the contracts, or closes the contracts in full.

On 2 March 2009 the Group entered into further fuel hedging contracts, providing the same level of security over metric tonnes of fuel for calendar year 2010 as the Group currently has in place for calendar year 2009.

Fuel derivatives sensitivity analysis

The table below illustrates the hypothetical sensitivity of the Group's reported profit and equity to a 10% increase and decrease in calendar 2009 forward swap for Rotterdam barge +3.5% at the year end assuming that all other variables remain unchanged. The sensitivity of 10% represents the Directors' assessment of a reasonably possible change. A positive number below indicates an increase in profit and equity.

	Income statement		Equity	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Rotterdam barge +3.5% 2009 price				
Strengthens by 10%	45	-	45	-
Weakens by 10%	(55)	-	(55)	-

37. Financial Instruments (continued)

Bank balances and cash in hand class

Bank balances and cash in hand class represents the total of the Group's bank balances and cash, including all amounts classified as interest bearing bank deposits, cash and cash equivalents, and restricted cash.

All amounts in this class are carried at amortised cost, and are interest bearing assets, with interest rates arranged with counterparty financial institutions based on commercial negotiations, reflecting the term, currency and amount of each deposit. Interest rates range from nominal rates on current account bank balances (broadly equivalent to the cash and cash equivalents class), to 6% GBP equivalent on longer tem bank deposits.

All interest rates negotiated are commercial rates, such that the carrying value of the class at amortised cost represents the amount of bank deposits and cash held by the Group. Similarly, the fair value of the class is insignificantly different to the carrying amount due to the short term nature of the assets in this class, other than for non current restricted cash. Non current restricted cash is held in a bank account as security under the terms of the operating lease of mv Minerva, and accordingly represents collateral security for the lessor, in the event of default of the Group on the terms of the bareboat charter lease of mv Minerva. The bank account this amount is held in pays interest at commercial floating rates.

The principal risk arising for this class is credit risk in terms of counterparty default. In the current economic climate, the Group actively manages this risk, through daily monitoring of the credit status of the counterparty financial institutions. As at the balance sheet date, the Group's assets in this class are principally held with the following banks, which are all high quality financial institutions as shown by the international credit ratings assigned by Moody's:

	Location of funds	International Credit rating	At 31 October 2008 £'000	At 31 October 2007 £'000
Anglo Irish Bank Corporation plc	England	Aaa	9,999	20,528
Lloyds TSB Bank plc	England	Aa3	2,887	6,324
HBOS	England	A1	16,724	-
Intesa San Paulo	Italy	Aa2	2,635	-
First Data Corporation	United States	A2	463	361
Other			300	841
Total			33,008	28,055

The maximum amount subject to credit risk is the carrying value of this class.

This class is also subject to the risk of changes in foreign currency exchange rates. As at 31 October, the assets in this class were carried in the following currencies:

	31 October 2008 £'000	31 October 2007 £'000
£ Sterling	21,893	23,325
US Dollar	8,996	986
Euro	1,786	3,194
Other	333	659
	33,008	28,055

The impact of changes in foreign currency exchange rates on the carrying value of this class is shown along with all other financial instruments, in the section on foreign currency sensitivity analysis below.

Notes to the Consolidated Financial Statements
For the year ended 31 October 2008

37. Financial Instruments (continued)

Short term operating assets class

The short term operating assets comprise in the main other receivables arising in the normal course of business, including payments in advance and deposits made on operating contracts. Additionally, at 31 October 2008, this class includes an insurance receivable asset as disclosed in note 4.

The class is principally exposed to:

1. the risk of default by the counterparty, with the maximum exposure being the carrying amount of the class. The Group has not made any provisions against the receivables in this class, nor have any impairment been recorded.
2. the risk of changes in carrying value arising from changes in foreign currency exchange rates. The impact of this risk is shown above under foreign currency sensitivity analysis.
   None of the assets in this class are interest bearing, and are all short term such that the carrying amount approximates fair value.

Ship loan class

In May 2005 the Group purchased mv Discovery for an initial payment of $7m and an undertaking to pay the vendor in quarterly instalments a further $21m by 2013. The loan has no face interest rate. Interest only becomes payable on any amounts still outstanding five days after the scheduled final payment date. Since the acquisition of mv Discovery all instalments have been made on schedule and therefore cash interest rate risk on this loan is considered minimal.

The loan is carried at amortised cost, with an effective interest rate adjustment reflecting the fixed interest rate that the Group would have paid on a similar loan at the date of acquisition. The effective interest rate is the rate which creates a fixed rate of charge on the outstanding principal at any point in time. The relevant rate applied is a rate approximating a 5 year US Dollar LIBOR rate from May 2005. The class is carried at amortised cost and accordingly changes in interest rate do not affect the carrying value of the class, although they do affect the notional fair value of the class.

The principal risk associated to this class is liquidity risk. This is shown in the section below on liquidity risk along with all other liability financial instruments of the Group.

The class is not subject to risks arising from changes in foreign currencies, as the loan is a US Dollar liability included in a US $ functional currency entity.

37. Financial instruments (continued)

Deferred income class

The Group sells cruises and related services in advance of the departure of the relevant cruise. Income received in advance is deferred at the balance sheet date, and recognised when the related service is provided.

Under the terms of the cruise contract, the Group is contracted to refund amounts received in advance, at the request of the customer, under the following conditions:

Cruise cancelled prior to departure	Amount of refund
After payment of deposit	Loss of deposit
84 – 29 days before departure	40% of invoiced charge
28 – 8 days before departure	10% of invoice charge
7 days before departure to departure date	nil% of invoice charge

Accordingly, while the Group in practice has a limited level of refunds, the Group is exposed to some liquidity risk on this class up to a maximum of 40% of the invoiced amount, in the event of customers seeking to cancel cruises. The Group considers that this risk is minimal, due to the low number of customer cancelled cruises, which totalled £366,000 (2007: £179,000) in the year. The liquidity risk in this class is shown in the section below on liquidity risk along with all other liability financial instruments of the Group, assuming a maximum rate of refund of 40% of the deferred income balance based on the contractual terms.

The deferred income class is subject to insignificant risk arising from changes in foreign currency exchange rates, as the deferred income is generally included in the functional currency of the relevant subsidiary undertaking.

Short term operating liabilities class

The Short term operating liabilities class represents trade, and other payables arising in the normal course of business. No interest is charged on any of the items included in this class, as long as the Group adheres to the agreed payment terms with each supplier.

The principal risks associated to this class are liquidity risk and the risk of changes in carrying amount arising from changes in foreign currency exchange rates. These risks are shown in the sections below respectively on liquidity risk along with all other liability financial instruments of the Group and foreign currency sensitivity analysis along with all other financial instruments of the Group.

37. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances. The Group's liquidity levels are both relatively high and constant, but peak at the beginning of the summer season (May) with the low point being during the winter season (February). To manage the liquidity position the Group is able to draw down on its bank and cash deposits, removing the need for additional borrowing facilities. Cash positions and liquidity are monitored by the Board and the Board remains satisfied with the Group's funding and liquidity position.

The table below shows the maturity of the Group's financial liabilities, assuming that payment is required at the earliest possible date by the counterparty under the contractual terms of the arrangements. The amounts reported are gross, undiscounted cash flows:

At 31 October 2008	Less than 30 days £'000	31 to 60 days £'000	61 to 180 days £'000	181 to 365 days £'000	More than 1 year £'000	Total £'000
Fuel derivatives	-	-	(149)	(246)	(115)	(510)
Ship loan	-	(464)	(464)	(464)	(3,908)	(5,300)
Deferred income	(5,393)	-	-	-	-	(5,393)
Short term operating liabilities	(5,925)	(4,368)	-	-	-	(10,293)
	(11,318)	(4,832)	(613)	(710)	(4,023)	(21,496)

At 31 October 2007	Less than 30 days £'000	31 to 60 days £'000	61 to 180 days £'000	181 to 365 days £'000	More than 1 year £'000	Total £'000
Currency derivatives	(119)	(67)	(312)	(449)	(109)	(1,056)
Ship loan	-	(481)	(361)	(361)	(4,453)	(5,656)
Deferred income	(3,679)	-	-	-	-	(3,679)
Short term operating liabilities	(2,651)	(3,021)	-	-	-	(5,672)
	(6,449)	(3,569)	(673)	(810)	(4,562)	(16,063)

Foreign currency sensitivity analysis

The Group's financial instruments are exposed to foreign currency transaction risk, arising on both the derivative financial instruments discussed above, and also through the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date.

37. Financial instruments (continued)

The following are the significant exchange rates applied by the group to £ sterling as at 31 October.

	31 October 2008	31 October 2007
US dollar	1.6158	2.0774
Euro	1.2742	1.4359

The table below illustrates the hypothetical sensitivity of the Group's reported profit and equity to a 10% increase and decrease in Sterling's exchange rate to Euro and US Dollar at the year end assuming that all other variables remain unchanged. 10% represents the Directors assessment of a reasonably possible change in the relevant exchange rates. A positive number below indicates an increase in profit and other equity.

	Income statement		Equity	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Sterling strengthens by 10%				
Currency derivative class	(1,797)	(2,526)	(1,796)	(2,526)
Fuel derivative class	45	-	45	-
Other	(630)	(203)	(785)	(409)
Total	(2,382)	(2,729)	(2,536)	(2,935)
Sterling weakens by 10%				
Currency derivative class	2,195	2,012	2,195	2,012
Fuel derivative class	(55)	-	(55)	-
Other	771	247	959	499
Total	2,911	2,259	3,099	2,511

The Group publishes its consolidated financial statements in sterling and as a result, it is also subject to foreign currency exchange translation risk in respect of the translation of the results and underlying net assets of its non £ sterling functional currency entities into Sterling. Translation risk is not captured in the table above.

Notes to the Consolidated Financial Statements
For the year ended 31 October 2008

38. Events after the balance sheet date

The 2008 interim dividend was paid on 12 November 2008. All share holders were offered the option to receive their dividend by way of a scrip dividend. Director shareholders all elected to receive 50% of their dividend in shares. The cash dividend paid was £575,000 and approximately 338,221 new ordinary shares were issued.

Subsequent to 31 October 2008, following a review of counterparty risk, the Board took the decision to close a number of outstanding currency contracts. On 13th January 2009 Sterling/dollar derivative contracts representing a principal amount of US$10.5 million were closed, the settlement of which resulted in a net payment to the Group of US$2,600,125. Whilst the funds have continued to be held in dollars to meet future dollar liabilities, the amount received equated (at the exchange rate used to settle the contracts) to a sum of £1,787,027. This compares to a fair value as 31 October 2008 of £1,088,475 on these contracts.

On 2 March 2009 the Group entered into further fuel hedging contracts, providing the same level of security over metric tonnes of fuel for calendar year 2010 as the Group currently has in place for calendar year 2009.

39. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below:

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Purchase of services		Amounts owed to related parties	
	Years ended 31 October		Years ended 31 October	
	2008	2007	2008	2007
	£	£	£	£
Roger Allard Limited	170,896	119,207	14,100	26,477
PB Consultancy Services Limited	65,510	63,467	6,162	4,809

Roger Allard Limited is a company owned and controlled by Mr R J Allard a director of the company and majority shareholder of the Group and the payments made are for consultancy services.

PB Consultancy services is owned and controlled by Mr P E Buckley the Company Secretary of the Group and the payments are for consultancy, accounting and Company Secretarial services.

Remuneration of key management personnel

The remuneration of the directors of the Company and subsidiary company directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*. Information about the remuneration of directors is provided in note 11.

	Year ended 31 October 2008	Year ended 31 October 2007
	£	£
Short-term employee benefits	1,398	1,318
Other pension costs	116	44

40. Ultimate controlling party

By virtue of his majority shareholding, the ultimate controlling party of the Company is Mr R J Allard.

Independent Auditors' Report on the Company Financial Statements to the members of All Leisure group plc

We have audited the parent Company financial statements of All Leisure group plc for the year ended 31 October 2008 which comprise the Company balance sheet and the related notes a to m. These parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of All Leisure group plc for the year ended 31 October 2008.

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 auditors' 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 Annual Report and the parent Company 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 parent Company 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 parent Company financial statements give a true and fair view and whether the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent Company financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Chief Executive's Report and the Finance Director's Report that is cross referred from the Business Review section of the Directors' Report.

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 other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent Company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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 parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent Company 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 parent Company 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 parent Company financial statements.

Independent Auditors' Report on the Company Financial Statements to the members of All Leisure group plc (continued)

Opinion

In our opinion:

- the parent Company 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 October 2008;
- the parent Company 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 parent Company financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Crawley, United Kingdom

6 March 2009

Note: The maintenance and integrity of All Leisure group plc's website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ in other jurisdictions.

All Leisure group plc

Company Balance Sheet
As at 31 October 2008

	Note	At 31 October 2008 £'000	At 31 October 2007 (as restated – note b) £'000
Fixed assets			
Intangible assets	d	-	3,207
Tangible assets	e	275	280
Investments in subsidiary undertakings	f	50	50
		325	3,537
Current assets			
Debtors	g	18,458	9,454
		18,458	9,454
Creditors: Amounts falling due within one year	h	(286)	-
Net current assets		18,172	9,454
Total assets less current liabilities		18,497	12,991
Capital and reserves			
Called-up share capital	i, j	615	615
Share premium account	j	12,774	12,774
Revaluation reserve	j	210	215
Profit and loss account surplus /(deficit)	j	4,898	(613)
Shareholders' funds	j	18,497	12,991

The financial statements were approved by the board of directors and authorised for issue on 6 March 2009.
They were signed on its behalf by:

G S Marchant
Director

Notes to the Company Financial Statements
For the year ended 31 October 2008

a. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention modified for the revaluation of an Investment property and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. They have been applied consistently throughout the current and preceding year with the exception of the restatement to the comparative information described in note b.

Intangible assets

Intangible assets held at the prior year end, and disposed of at book value to a subsidiary company, represent the Swan Hellenic database and trademark acquired in July 2007 in exchange for equity shares issued by the Company. These assets are recorded initially at cost to the Company. Cost is determined based on the fair value of equity instruments issued by the Company in exchange for the assets. Provision is made for any impairment in the value of the assets representing a permanent diminution in value.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Investment properties

Investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19 *Accounting for investment properties*. The financial effect of the departure from the statutory accounting rules cannot reasonably be quantified.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share-based payment

The Group has applied the requirements of FRS 20, '*Share-based Payment*' to all grants of equity instruments. The Group issued equity-settled share-based payments to its NOMAD, Blue Oar Securities plc in the year ended 31 October 2007. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments was expensed immediately as the options vested immediately on grant.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Retirement benefit costs

The Company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes to the Company Financial Statements
For the year ended 31 October 2008

b. Restatement of comparative information

	31 October 2007 as previously stated £'000	IPO Costs £'000	Investment carrying value £'000	Investment Property £'000	Intangible assets £'000	31 October 2007 as restated £'000
Fixed Assets						
Goodwill	3,207	-	-	-	(3,207)	-
Intangible assets	-	-	-	-	3,207	3,207
Tangible assets						
- Land and buildings	280	-	-	(280)	-	-
- Investment property	-	-	-	280	-	280
Investment in subsidiaries	30	-	20	-	-	50
	3,517	-	20	-	-	3,537
Current assets						
Debtors	9,424	50	(20)	-	-	9,454
Net current assets	12,941	50	(20)	-	-	9,454
Total assets less current liabilities	12,941	50	-	-	-	12,991
Capital and reserves						
Called up share capital	615	-	-	-	-	615
Share premium account	12,049	725	-	-	-	12,774
Revaluation reserve	215	-	-	-	-	215
Profit and loss account	62	(675)	-	-	-	(613)
Shareholders' funds	12,941	50	-	-	-	12,991

IPO costs

FRS 25, Financial instruments: Disclosure and presentation

When preparing the 31 October 2007 financial statements, the Company expensed all costs associated with the Company's Initial Public Offering ('IPO') and listing on AIM in October 2007, to the share premium account.

FRS 25 requires that transaction costs that relate jointly to more than one transaction (for example, costs of a concurrent offering of certain exiting shares and a stock exchange listing of other new shares) are allocated to those transactions using a basis of allocation that is rational and consistent with similar transactions. In light of this guidance, the Company has reallocated the expenses incurred with the listing and issue of new shares between the profit and loss account and share premium account based on the nature of the expenses incurred. Where these related directly to new shares, the company has allocated the expenses to the share premium account. Where the expenses relate to both the issuance of new shares and the listing of existing shares, the expenses have been allocated between the profit and loss account and share premium account based on the relative number of new shares issued at IPO, and the existing number of shares. Accordingly, £675,000 of the costs incurred which were previously expensed to the share premium account have been expensed to the profit and loss account and £50,000 has been recorded as a prepayment of NOMAD fees (billed in advance for NOMAD continuing obligations covering FY2007/08). The adjustment has an impact on net assets of £50,000.

This adjustment has no impact on the reported net assets at 31 October 2006.

Notes to the Company Financial Statements
For the year ended 31 October 2008

b. Restatement of comparative information (continued)

IPO costs (continued)

FRS 20, Share based payments

As disclosed in paragraph 9.13 of the Company's admission document to AIM, the Company granted options over shares in the Company to Blue Oar Securities plc, the Company's NOMAD. Blue Oar Securities plc has the option to subscribe, at any time within 5 years of the admission date of the Company's shares to trading on AIM for:

(3) a number of shares equal to 1 per cent. of the issued share capital of the Company immediately following the admission, at a price equal to the placing price at the initial admission date; and
(4) a number of shares equal to 0.75 per cent. of the issued share capital of the Company immediately following the admission, at a price equal to 1.5 times the placing price at the initial admission date.

The Company is required under FRS 20 to determine the fair value of the services provided by Blue Oar Securities for which the options granted represent compensation. The Group determined that the granting of these options reduced the cash costs payable to Blue Oar Securities for the listing and raising of new share capital. As noted above, the Group previously expensed all costs associated with the IPO to the share premium account. Accordingly, the Company was of the opinion that the share option expense determined under FRS 20 would also be expensed to the share premium account. As the options are equity settled, the associated credit to equity would also have been recorded to the share premium account with no impact on the amounts reported at 31 October 2007.

Due to the guidance noted above under FRS 25, the Company is now of the opinion that the treatment adopted was incorrect, as the share option expense related both to the issuance of new shares, and to the concurrent listing of existing shares. Accordingly, the Company has determined the expense that would have arisen under FRS 20 (determined by reference to the fair value of the options granted using the Black-Scholes Merton Valuation Model). The aggregate expense of £204,000 has been allocated between the share premium account and the profit and loss account on the same basis as the allocation of all other joint listing and issue expenses, resulting in an additional expense of £204,000 to the profit and loss account, covering the year ended 31 October 2007. As the options are equity settled in shares of the Company, this adjustment has no impact on the reported net assets of the Company, or the amounts reported within equity for the share premium account or the retained earnings.
This adjustment has no impact on the reported net assets at 31 October 2006.

Investment carrying value

The Company owns the entire issued share capital of All Leisure Holidays Limited which amounts to £50,000. The Company previously reported £20,000 of the carrying value of this investment within debtors due within one year, rather than within Investments in subsidiaries. This adjustment reclassifies the investment carrying value to be fully reflected within Investments in subsidiaries, with no impact on the net assets or reported profit for the prior year.

Investment property

The Company owns a freehold property at 54/54a The Hundred, Romsey, Hampshire. This building is held to earn rental income and for capital appreciation. Accordingly, under SSAP 19, *Accounting for investment properties,* this property should have been separately classified as an investment property, and carried at open market value. The Group previously carried this property at open market value within Freehold land and buildings and accordingly the change in classification has no impact on the profit and loss account for the year ended 31 October 2007, net assets as at 1 November 2006 and 31 October 2007, or the face of the balance sheet, but does cause a reclassification within the fixed asset note as at 1 November 2006 and 31 October 2007, of £280,000 from Freehold land and buildings to Investment properties.

Notes to the Company Financial Statements
For the year ended 31 October 2008

b. Restatement of comparative information (continued)

Intangible assets

The Group acquired the Swan Hellenic customer database and trademark during the year ended 31 October 2007. The surplus of the consideration paid measured by reference to the fair value of the shares issued to acquire the customer database and trademark was incorrectly classified as goodwill in the 31 October 2007 financial statements. Under FRS 10, *Goodwill and intangible fixed assets*, goodwill can only arise in a business combination. After further careful consideration, the Company is now of the opinion that this acquisition represents the purchase of an intangible asset rather than a business combination, and accordingly the asset has been reclassified from goodwill to intangible assets. This reclassification has no impact on the reported net assets or profit for the year ended 31 October 2007 or as at 31 October 2006.

c. Profit for the financial year

As permitted by section 230 of the Companies Act 1985 the Company has elected not to present its own profit and loss account for the financial year. The profit for the financial year dealt with in the financial statements of the Company amounted to £8,581,000 (2007 – restated £1,286,000).

The auditors' remuneration for audit and other services is disclosed in note 10 to the consolidated financial statements of All Leisure group plc.

The Company had no employees other than the Directors. Their emoluments are shown in note 11 to the consolidated financial statements of All Leisure group plc.

d. Intangible assets

	Swan Hellenic customer database £'000	Swan Hellenic Trademark £'000	Total (as restated – note b) £'000
Cost and net book value			
At 1 November 2007	1,283	1,924	3,207
Disposal in the year to subsidiary	(1,283)	(1,924)	(3,207)
At 31 October 2008	-	-	-

The Swan Hellenic assets relate to Trade and Domain Names (collectively the Swan Hellenic Trademark above) and Databases (Swan Hellenic customer database above) which were acquired when the Swan Hellenic brand was purchased in 2007. The assets were sold at net book value to All Leisure Holidays Limited, a subsidiary undertaking, which operated the assets during the course of the year.

Notes to the Company Financial Statements
For the year ended 31 October 2008

e. Tangible assets

	Investment property (as restated – note b) £'000
Revalued amount	
At 1 November 2007	280
Revaluation loss – note j	(5)
At 31 October 2008	275

The Company owns the freehold on an investment property at 54 and 54a The Hundred, Romsey, Hampshire, SO51 8BX. This property was valued on an open market existing use basis in May 2008 by Messrs Pearsons Commercial. This property is not depreciated.

The historic cost of this investment property is £65,000.

f. Investments in subsidiary undertakings

	Investment in subsidiary undertakings (as restated Note b) £'000
Cost	
At 1 November 2007	50
Additions in the period	281
Impairment in the period	(281)
At 31 October 2008	50

The Company acquired the entire share capital of Atholl Shipping Corporation for £281,000 on 7 November 2008. Details of the acquisition are provided in note 31 to the consolidated financial statements of All Leisure group plc. Following an impairment review this investment was written down to £1.

The Company holds 100% of the issued share capital of the following companies directly and controls 100% of the voting rights.

Company	Country of registration or incorporation	Principal activity	Shares held Class	%
All Leisure Holidays Ltd	England and Wales	Tour Operator	Ordinary	100
Discovery Cruises Ltd	England and Wales	Ship owner and Tour Operator	Ordinary	100
Discovery Shipping Ltd	England and Wales	Excursion Operator	Ordinary	100
Cruise Line Direct Ltd	England and Wales	Dormant	Ordinary	100
Voyages of Discovery Ltd	England and Wales	Dormant	Ordinary	100
Atholl Shipping Corporation Ltd	Bahamas	Ship Operator	Ordinary	100

Further to the above, All Leisure Holidays Limited owns 100% of the ordinary share capital of Discovery Cruises Limited and Worldwide Voyages of Discovery Limited.

Notes to the Company Financial Statements
For the year ended 31 October 2008

g. Debtors

	At 31 October 2008 £'000	At 31 October 2007 (as restated – note b) £'000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	18,450	9,404
Prepayments and accrued income	8	50
	18,458	9,454

h. Creditors

	At 31 October 2008 £'000	At 31 October 2007 £'000
Amounts falling due within one year:		
Other creditors	281	-
Accruals and deferred income	5	-
	286	-

i. Called-up share capital

	At 31 October 2008 £'000	At 31 October 2007 £'000
Authorised:		
100,000,000 (2007 - 100,000,000) ordinary shares 1p each	1,000	1,000
Issued and fully paid:		
61,406,556 (2007 – 61,406,556) ordinary shares 1p each	615	615

The Company has one class of ordinary shares which carry no right to fixed income.

Details of the share capital of the Company are shown in note 28 to the consolidated financial statements of All Leisure group plc.

Notes to the Company Financial Statements
For the year ended 31 October 2008

j. Combined reconciliation of movements in shareholders' funds and statement of movement on reserves

	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Year ended 31 October 2008 Total £'000	Year ended 31 October 2007 Total £'000
At 1 November						
- as previously stated	615	12,049	215	62	12,941	347
Restatement (note b)	-	725	-	(675)	50	-
At 1 November as restated	615	12,774	215	(613)	12,991	347
Shares issued	-	-	-	-	-	13,190
Share issue expenses	-	-	-	-	-	(391)
Profit for the financial year	-	-	-	8,581	8,581	1,286
Property revaluation loss	-	-	(5)	-	(5)	-
Share options credit	-	-	-	-	-	224
Dividends paid (note k)	-	-	-	(3,070)	(3,070)	(1,665)
At 31 October	615	12,774	210	4,898	18,497	12,991

The revaluation reserve represents the revaluation of the investment property held by the Company, as disclosed in note e.

The amounts included in the revaluation reserve for the upwards revaluation of the investment property is subject to taxation, in the event of the disposal by the Group of the related property, under the capital gains taxation regime. Were the Company to dispose of it's investment property, the estimated liability to capital gains tax is £54,000 (2007: £54,000).

k. Dividends

	Year ended 31 October 2008 £	Year ended 31 October 2007 £
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 October 2007 of 5.0p (2006: £31.71) per share.	3,070	1,665
Interim dividend for the year ended 31 October 2008 of 2.44 p (2007: nilp) per share.	1,498	-
Proposed final dividend for the year ended 31 October 2008 of 1.22p (2007: 5.0_p) per share.	749	3,070

The interim dividend of £1,498,000 is payable to shareholders on the register on 19 September 2008 and was paid on 12 November 2008. Interim dividends only become binding liabilities on the Company when declared as paid and accordingly, they have not been included as a liability in these financial statements.

The proposed final dividend of £749,160 is subject to approval by shareholders at the Annual General Meeting and has also not been included as a liability in these financial statements.

Notes to the Company Financial Statements
For the year ended 31 October 2008

l. Related party transactions

The Company has taken advantage of the exemption conferred by FRS 8, *Related Party Disclosures*, not to present details of transactions with related parties on the basis that the consolidated accounts of which All Leisure group plc is the ultimate parent entity are presented with these Company financial statements. Details of related party transactions are presented in note 39 to the consolidated financial statements of All Leisure group plc.

m. Ultimate controlling party

By virtue of his majority shareholding, the ultimate controlling party of the Company is Mr R J Allard.