

Insight Travel Services Limited

**Directors' report and financial
statements**

Registered number 1970858

For the year ended 31 December 2010

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2010

Principal activities

The principal activity of the company is the provision of data processing, administration and other services to other group companies

Business review

Both the year end financial position and the level of business were considered satisfactory and the directors expect that the present level of activity will be maintained for the foreseeable future

Results and dividends

The profit for the year, after taxation, amounted to £163,554 (2009 £151,309) The directors do not recommend the payment of a dividend (2009 £nil)

Financial instruments

Details of the company's financial risk management objectives and policies are included in note 16 to the financial statements

Directors and directors' interests

The directors who held office during the year were as follows

DID Howie
KR Bunney

Disclosure of information to auditors

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

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



DID Howie
Secretary

Gareloch House
Gareloch Road
Port Glasgow
PA14 5XH
5 May 2011

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Edward VII Quay
Navigation Way
Ashton on Ribble
PRESTON
PR2 2YF
United Kingdom

Independent auditor's report to the members of Insight Travel Services Limited

We have audited the financial statements of Insight Travel Services Limited for the year ended 31 December 2010 set out on pages 5 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

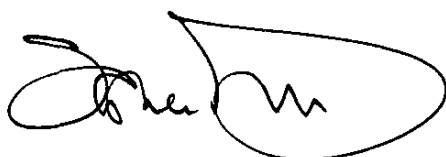
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of Insight Travel Services Limited
(continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A handwritten signature in black ink, appearing to read 'Stephen Dunn', enclosed within a large, loopy oval shape.

Stephen Dunn (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Edward VII Quay
Navigation Way
Ashton-on-Ribble
Preston
PR2 2YF

5 May 2011

Statement of comprehensive income
for the year ended 31 December 2010

	<i>Note</i>	2010 £	2009 £
Revenue	2	2,515,585	2,293,000
Cost of sales		(2,286,893)	(2,084,532)
Operating profit	3	228,692	208,468
Finance income	6	5,550	13,808
Profit before tax		234,242	222,276
Taxation	7	(70,688)	(70,967)
Profit for the year		163,554	151,309
Total comprehensive income for the year		163,554	151,309

All results relate to continuing operations

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 9 to 23 form an integral part of these financial statements

Statement of changes in equity
for the year ended 31 December 2010

	Share premium £	Share capital £	Retained Earnings £	Total £
At 1 January 2009	17,145,100	40,000	(15,250,656)	1,934,444
Total comprehensive income for the year	-	-	151,309	151,309
At 1 January 2010	17,145,100	40,000	(15,099,347)	2,085,753
Total comprehensive income for the year	-	-	163,554	163,554
At 31 December 2010	17,145,100	40,000	(14,935,793)	2,249,307

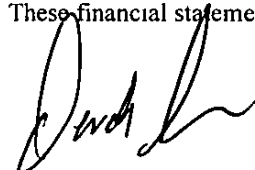
The notes on pages 9 to 23 form an integral part of these financial statements

Statement of financial position
at 31 December 2010

	<i>Note</i>	2010 £	2009 £
Non-current assets			
Plant and equipment	8	174,895	203,266
Deferred tax asset	12	17,759	21,523
		<u>192,654</u>	<u>224,789</u>
Current assets			
Amounts due from related parties	9	59,180	579,723
Trade and other receivables	10	49,293	49,993
Cash and cash equivalents	11	2,254,848	1,573,200
		<u>2,363,321</u>	<u>2,202,916</u>
Total assets		<u>2,555,975</u>	<u>2,427,705</u>
Current liabilities			
Amounts due to related parties	13	(72,249)	(97,912)
Trade and other payables	14	(167,463)	(173,608)
Tax payable		(66,956)	(70,432)
		<u>(306,668)</u>	<u>(341,952)</u>
Total liabilities		<u>(306,668)</u>	<u>(341,952)</u>
Net assets		<u>2,249,307</u>	<u>2,085,753</u>
Equity			
Share capital	19	40,000	40,000
Share premium		17,145,100	17,145,100
Accumulated deficit		(14,935,793)	(15,099,347)
Total Equity		<u>2,249,307</u>	<u>2,085,753</u>

The notes on pages 9 to 23 form an integral part of these financial statements

These financial statements were approved by the board of directors on 5 May 2011 and were signed on its behalf by



DID Howie
 Director

Statement of cash flows
for the year ended 31 December 2010

	<i>Note</i>	2010 £	2009 £
Cash flows from operating activities			
Profit for the year		163,554	151,309
<i>Adjustments for</i>			
Depreciation	8	43,756	50,635
Finance income	6	(5,550)	(13,808)
Taxation expense	7	70,688	70,967
		272,448	259,103
 Increase in trade and other receivables		521,243	(39,298)
(Decrease)/increase in trade and other payables		(31,808)	(985,284)
		761,883	(765,479)
 Taxation paid		(70,400)	(82,632)
 Net cash from/(used in) operating activities		691,483	(848,111)
 Cash flows from investment activities			
Interest received		5,550	13,808
Proceeds from sale of plant and equipment		-	9,406
Acquisition of plant and equipment		(15,385)	(3,249)
 Net cash from investing activities		9,835	19,965
 Net increase/(decrease) in cash and cash equivalents		681,648	(828,146)
Cash and cash equivalents at 1 January	11	1,573,200	2,401,346
 Cash and cash equivalents at 31 December	11	2,254,848	1,573,200

The notes on pages 9 to 23 form an integral part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

Insight Travel Services Limited ("the company") is a company incorporated in the UK

The company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), and under historical cost accounting rules

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The directors do not consider there to be any significant areas of estimation uncertainty in relation to these financial statements.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements relate to revenue recognition. The company recharges its cost to other Group companies. The directors have made judgements to determine how the costs are invoiced between the different Group companies.

Revenue

Revenue represents the income earned from the provision of administrative services. All revenue excludes value added tax.

Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not translated.

Exchange rate differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the income statement. Exchange differences arising on non-monetary items, carried at fair value, are included in the income statement, except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recorded in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes (continued)

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Employee benefits

Defined benefit plans

The company participates in a group defined benefit pension scheme, which was closed to new members from 1 May 2004 and closed to further accrual from 1 May 2011. The assets of the scheme are held separately from those of the company in separate trustee administered funds. The pension scheme is a group plan and Insight Travel Services Limited is not the sponsoring entity. Consequently, the scheme is accounted for as a defined contribution scheme and obligations for contributions are recognised as an expense in the income statement as incurred.

Defined contribution plans

From 1 May 2004 the company participated in a group defined contribution scheme, open to all employees subject to scheme rules. The assets of the scheme are held separately from those of the company in separate trust administered funds. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Short leasehold property	10% on cost
Fixtures and fittings	10% - 25% on cost
Motor Vehicles	20% on cost

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Notes (continued)

1 Accounting policies (continued)

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases, interest receivable on funds invested, dividend income that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Capital management

The company's objective when managing capital is to safeguard the entity's ability to continue as a going concern.

The company has no external debt as at 31 December 2010 and is not subject to externally imposed capital requirements, management of capital therefore focuses around its ability to generate cash from its operations.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued during the year ended 31 December 2010 but are not yet effective, and therefore have not yet been applied in preparing these financial statements.

Amendments to IAS 32 '*Financial Instruments: Presentation*' Classification of rights issues is mandatory for year commencing on or after 1 February 2010. The amendment allows rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Adoption of this standard is not expected to have a significant impact on the financial statements.

Revised IAS 24 '*Related Party Disclosure*' is mandatory for years commencing on or after 1 January 2011. The standard amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The adoption of this standard is not expected to have a significant impact on the financial statements.

Amendments to IFRIC 14 IAS 19 '*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*' is mandatory for years commencing on or after 1 January 2011. These amendments are intended to address the accounting treatment for prepayments made when there also is a MFR. They result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. Adoption of this standard is not expected to have a significant impact on the financial statements.

Improvements to IFRSs (issued May 2010) are mandatory for the year commencing on or after 1 January 2011. They will be dealt with on a standard by standard basis. They are not expected to have a significant impact on the financial statements.

The company continues to monitor the potential impact of other new standards and interpretations which may be endorsed by the European Union and require adoption by the company in future reporting periods.

2 Revenue

The turnover and pre tax result are wholly attributable to the company's main activity, being the provision of data processing, administration and other services to other group companies.

Notes (continued)

3 Expenses and auditors' remuneration

Included in profit are the following

	2010 £	2009 £
Depreciation on owned plant and equipment	43,756	50,635
Operating leases – property rental and cars	86,615	76,373
Net loss/(gain) on foreign currency translation	-	154,819
	<u> </u>	<u> </u>

Auditors' remuneration

	2010 £	2009 £
Audit fee	20,500	20,500
	<u> </u>	<u> </u>

4 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows

	Number of employees 2010	2009
Administration	54	54
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows

	2010 £	2009 £
Wages and salaries	1,386,483	1,258,305
Social security costs	127,653	106,131
Other pension costs	152,577	149,692
	<u> </u>	<u> </u>
Total	1,666,713	1,514,128
	<u> </u>	<u> </u>

5 Remuneration of directors

	2010 £	2009 £
Directors' emoluments	107,073	110,648
	<u> </u>	<u> </u>

	Number of directors 2010	2009
Retirement benefits are accruing to the following number of directors under		
Defined benefit schemes	2	2
	<u> </u>	<u> </u>

Notes (continued)

6 Finance income

	2010 £	2009 £
Bank interest receivable	5,550	13,808

7 Taxation

Recognised in the income statement

	2010 £	2009 £
Current tax expense		
Current year	66,924	70,424
Deferred tax expense		
Origination and reversal of temporary differences		
Capital allowances	486	3,082
Other	3,278	(2,539)
	3,764	543
Total tax in income statement	70,688	70,967

Reconciliation of effective tax rate

	2010 £	2009 £
Profit before tax	234,242	222,276
Tax using the UK corporation tax rate of 28% (2009 28 %)	65,587	62,237
Non-deductible expenses	1,250	126
Depreciation on non qualifying assets	3,883	8,604
Adjustment re prior year	(32)	-
Total tax in income statement	70,688	70,967

The 2010 and 2011 Chancellor's Budgets announced measures to reduce the UK corporation tax rate from 28% to 23% by 2014. The first reduction in the rate to 27% was substantively enacted in July 2010 and was effective from 1 April 2011. A subsequent reduction in the rate to 26% was announced in March 2011 and is also effective from 1 April 2011.

Notes (continued)

8 Fixed assets

	Short leasehold property £	Office equipment, fixtures & fittings £	Motor Vehicles £	Total £
Cost				
Balance at 1 January 2009	166,524	165,629	54,364	386,517
Acquisitions	-	3,249	-	3,249
Disposals	-	(17,247)	(35,272)	(52,519)
Balance at 31 December 2009	166,524	151,631	19,092	337,247
Balance at 1 January 2010	166,524	151,631	19,092	337,247
Acquisitions	-	13,704	-	13,704
Inter-group acquisitions	-	1,681	-	1,681
Disposals	-	(20,728)	(19,092)	(39,820)
Balance at 31 December 2010	166,524	146,288	-	312,812
Depreciation				
Balance at 1 January 2009	25,187	62,780	38,492	126,459
Depreciation charge for the year	16,652	27,517	6,466	50,635
Disposals	-	(17,247)	(25,866)	(43,113)
Balance at 31 December 2009	41,839	73,050	19,092	133,981
Balance at 1 January 2010	41,839	73,050	19,092	133,981
Depreciation charge for the year	16,653	27,103	-	43,756
Disposals	-	(20,728)	(19,092)	(39,820)
Balance at 31 December 2010	58,492	79,425	-	137,917
Net book value				
At 1 January 2009	141,337	102,849	15,872	260,058
At 31 December 2009 and 1 January 2010	124,685	78,581	-	203,266
At 31 December 2010	108,032	66,863	-	174,895

Notes (continued)

9 Amounts due from related parties

Amounts due from other members of The Travel Corporation Limited ("TTC") group, which are unsecured, non-interest bearing, and payable on demand are

	2010 £	2009 £
<i>Parent Company</i>		
Insight Group Limited	-	166,888
<i>Other Group Companies</i>		
Insight Vacations Limited	-	32,299
AAT Kings Tours (UK) Limited	30,701	36,225
Insight International Tours Limited	11,855	11,855
Insight Travel Group Limited	385	17,581
World's Leading Travel Companies Limited	-	30,601
Radical Travel Group Limited	735	3,590
Trafalgar Management Services Limited	-	9,645
Trafalgar London Handling Limited	5,119	6,101
Evan Evans Tours Limited	5,132	5,853
Tracoin Services Limited	290	56,558
Trafalgar Travel Limited*	-	22,783
Contiki Services Limited	279	542
Trafalgar Operations Limited	138	107,341
Trafalgar Tours (Guernsey) Limited	-	39,460
Busabout Operations Limited	26	25,340
Insight Vacations Limited	-	7,061
TTC Travel Group Limited	4,520	-
	<u>59,180</u>	<u>579,723</u>

*During the year Trafalgar Travel Limited ceased to be a member of the TTC Group

The company's exposure to credit risk and impairment losses related to amounts due from related parties is disclosed in note 16

10 Trade and other receivables

	2010 £	2009 £
Other trade receivables and prepayments	36,092	37,205
VAT	13,201	12,788
	<u>49,293</u>	<u>49,993</u>

11 Cash and cash equivalents

	2010 £	2009 £
Cash and cash equivalents per balance sheet and cash flow statement	2,254,848	1,573,200

The company's exposure to interest and currency risks and a sensitivity analysis for financial assets and liabilities is disclosed in note 16

Notes (continued)

12 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following

	2010 £	2009 £
Plant and equipment	7,319	7,805
Other	10,440	13,718
At 31 December	<u>17,759</u>	<u>21,523</u>

The deferred tax asset account consists of the tax effect and timing differences in respect of excess of taxation allowances over depreciation on plant and equipment

The movement in the deferred taxation during the year

	2010 £	2009 £
At 1 January	21,523	22,066
Recognised in income statement	(3,764)	(543)
At 31 December	<u>17,759</u>	<u>21,523</u>

13 Amount due to related parties

Amounts owing to other members of the TTC group, which are unsecured, non-interest bearing, and payable on demand are

	2010 £	2009 £
Insight Tours International (Guernsey) Limited	-	53,000
Insight Operations (Guernsey) Ltd	-	2,400
Brendan International Holdings Limited	18,720	18,720
Insight Vacations Limited	350	-
Trafalgar Management Services Limited	23,236	-
Trafalgar Tours (Guernsey) Limited	127	-
Contiki Tours International Ltd	1,494	-
World Leading Travel Companies Limited	4,530	-
Grand European Operations Limited	23,792	23,792
	<u>72,249</u>	<u>97,912</u>

The company's exposure to liquidity risk related to amounts due to related parties is disclosed in note 16

Notes (continued)

14 Trade and other payables

	2010 £	2009 £
Trade payables	17,462	12,872
Other payables and accruals	43,912	33,555
PAYE and social security	67,459	56,034
Other	38,630	71,147
	<u>167,463</u>	<u>173,608</u>

The company's exposure to liquidity risk related to trade and other payables is disclosed in note 16

15 Pension scheme

Pension plans

The company contributes to a group pension scheme open to all employees, subject to scheme rules. The scheme comprises a group plan defined benefit scheme, which was closed to new members from 1 May 2004 and closed to further accrual from 1 May 2011 and a group plan defined contribution scheme, which was opened on 1 May 2004. The assets are held in separate trustee administered funds. The defined benefit group plan is accounted for as a defined contribution scheme as there is no contractual agreement allocating the cost of the scheme.

During the year ended 31 December 2010 £132,480 was charged against profits in respect of the defined benefit scheme (2009 £129,541) and £20,097 was charged against profits in respect of the defined contribution scheme (2009 £20,151).

Plan assets consist of the following

	2010 £000	2009 £000
Present value of funded defined benefit obligations	21,169	19,974
Fair value of plan assets	(15,382)	(13,010)
	<u>5,787</u>	<u>6,964</u>

Movement in the present value of the defined benefit obligation

	2010 £000	2009 £000
Liability for defined benefit obligations at 1 January	19,974	14,352
Interest cost	1,146	925
Current service cost	246	167
Benefits paid by the plan	(184)	(190)
Members contributions	213	215
Actuarial losses/(gains) recognised in equity	(226)	4,505
	<u>21,169</u>	<u>19,974</u>

Notes (continued)

15 Pension scheme (continued)

Movement in fair value of plan assets

	2010 £000	2009 £000
Fair value of plan assets at 1 January	13,010	10,216
Employer contributions	661	673
Member contributions	213	215
Benefits paid by the plan	(184)	(189)
Expected return on plan assets	883	706
Actuarial gains/(losses) recognised in equity	799	1,389
	<hr/>	<hr/>
Fair value of plan assets at 31 December	15,382	13,010
	<hr/>	<hr/>

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio

Expense recognised in statement of comprehensive income

	2010 £000	2009 £000
Current service costs	246	167
Interest on obligation	1,146	925
Expected return on plan assets	(883)	(706)
	<hr/>	<hr/>
	509	386
	<hr/>	<hr/>

Plan assets consist of the following

	2010 £000	2009 £000
Equity securities	12,077	10,148
Bonds	1,867	1,726
Property	15	11
Cash	1,423	1,125
	<hr/>	<hr/>
	15,382	13,010
	<hr/>	<hr/>
	2010 £000	2009 £000
	<hr/>	<hr/>
Actual return on plan assets	1,683	2,095
	<hr/>	<hr/>

Notes (continued)

15 Pension scheme (continued)

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages) were as follows

	2010 %	2009 %
Discount rate	5.40	5.70
Expected return on plan assets	6.23	6.61
Future salary increases	4.40	4.60
Future pension increases on benefits accrued from 1997 to 2008	3.80	3.80
Future pension increases on benefits accrued post 2008	3.20	3.40
Rate of increase on deferred pensions	2.90	3.60
Inflation	2.90	3.60

The expected return on plan assets at the end of the preceding comparative year was 6.61%

History of plans

The history of the plans for the current and prior periods is as follows

	2010	2009	2008	2007	2006
Present value of the defined benefit obligation	(21,169)	(19,974)	(14,352)	(15,924)	(16,037)
Fair value of plan assets	15,382	13,010	10,216	11,960	10,508
Deficit in the plan	(5,787)	(6,964)	(4,136)	(3,964)	(5,529)
Experience adjustments on plan liabilities	2.1%	(1.80)%	(1.68)%	(1.17)%	0.57%
Experience adjustments on plan assets	5.2%	10.70%	(38.59)%	0.28%	3.37%

16 Financial risk management objectives and policies

The company holds or issues financial instruments in order to achieve three main objectives, as follows

- a) to finance its operations,
- b) to manage its exposure to interest risk from its operations and from its sources of finance, and
- c) for trading purposes

In additions, various financial instruments (e.g. trade receivables, trade payables, accruals and prepayments) arise directly from the company's operations

Transactions in financial instruments result in the company assuming or transferring to another party one or more of the financial risks described below

Credit risk

The company has no external credit risk at the year end. The intercompany balances are not considered to represent a significant credit risk by the directors.

Notes (continued)

16 Financial risk management objectives and policies (continued)

Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments. The maximum exposure at the reporting date was

	2010 £	2009 £
Amounts due from related parties	59,180	579,723
Cash and cash equivalents	2,254,848	1,573,200
	<u>2,314,028</u>	<u>2,152,923</u>

Liquidity risk

The company at all times maintains adequate committed credit facilities in order to meet all its commitments as and when they fall due. There are no long term borrowings.

Trade and other payables £167,463 (2009 £173,608) and amounts due to related parties £72,249 (2009 £97,912) are payable within six months of the year end.

Interest rate risk

The company invests its cash in a range of cash deposit accounts with UK Banks. Interest earned therefore closely follows movements in Bank of England base rates. A movement of 1% in this rate would result in a difference in annual pre-tax profit of £22,548 based on company cash, cash equivalents and financial instruments at 31 December 2010.

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euros. Hedging instruments are not used to reduce risks arising from foreign currency fluctuations against the company's own currency.

Exposure to currency risk

The company's exposure to foreign currency risk at the year end is as follows

	2010		2009	
	GBP	EUR	GBP	EUR
Cash and cash equivalents	2,254,830	18	726,274	846,926
Gross balance sheet exposure	<u>2,254,830</u>	<u>18</u>	<u>726,274</u>	<u>846,926</u>

The following significant exchange rates applied during the year

	Average rate 2010	2009	Reporting date spot rate 2010	2009
EUR	0.858	0.890	0.857	0.888

Notes (continued)

16 Financial risk management objectives and policies (continued)

Sensitivity analysis

A 10% strengthening of the pound against the following currencies at 31 December 2010 would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2009.

	2010 £	2009 £
EUR	-	(84,693)

A 10% weakening of the pound against the above currencies at 31 December 2010 would have had the equal but opposite effect of the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The company is not exposed to any currency risk in respect of balances due to or from related parties as all transactions during the year occur in Pounds Sterling and all balances at the year end are denominated in Pounds Sterling.

Fair value

The directors are of the opinion that the carrying value of financial instruments approximates fair value.

Trade and other receivables are valued at amortised cost. Impairment losses are estimated at year end by reviewing amounts outstanding and assessing the likelihood of recoverability.

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2010 £	2009 £
Less than one year	83,145	83,055
Between two and five years	160,782	206,390
More than five years	156,000	117,000
	<u>399,927</u>	<u>406,445</u>

The company has entered into two short term leases in respect of properties it occupies. One of these leases is held with group undertakings for a ten year period with a rent review held after 5 years and is due to be reviewed on 1 January 2013.

During the year £77,928 was recognised as an expense in the income statement in respect of operating leases for land and buildings (2009 £76,373).

Notes (continued)

18 Related party transactions

During the year the company received services from other members of the group as follows:

	2010 £	2009 £
<i>Administrative expenses</i>		
Trafalgar Management Services Limited	-	5,500
No Limits Limited	39,000	39,000
	<u>39,000</u>	<u>44,500</u>

During the year the company provided services to other members of the group as follows

	2010 £	2009 £
<i>Revenue</i>		
Radical Travel Group Limited	11,600	19,200
Trafalgar Travel Limited*	-	43,100
Trafalgar Management Services Limited	81,300	66,700
Trafalgar London Handling Limited	42,600	34,700
Tracoin Services Limited	6,400	5,950
Contiki Services Limited	2,000	1,500
Evan Evans Tours Limited	2,000	1,500
Insight Vacations Limited	-	259,650
AAT Kings Tours (UK) Limited	30,175	28,400
TTC Travel Group Ltd	2,303,800	-
Trafalgar Operations (Guernsey) Limited	-	704,700
Trafalgar Tours (Guernsey) Limited	-	173,700
Insight Operations (Guernsey) Limited	-	95,800
Insight Tours International (Guernsey) Limited	-	669,700
Busabout Operations Limited	-	84,000
Grand European Operations Limited	-	38,400
Brendan International Holdings Ltd	-	30,000
World's Leading Travel Companies Limited	35,710	36,000
	<u>2,515,585</u>	<u>2,293,000</u>

*During the year Trafalgar Travel Limited ceased to be a member of the TTC Group

Notes (continued)

19 Share capital

Share capital

	Ordinary shares	
	2010	2009
On issue at 1 January	40,000	40,000
On issue at 31 December – fully paid	40,000	40,000
	2010	2009
	£	£
<i>Authorised, allotted, called up and fully paid</i> 40,000 Ordinary shares of £1 each	40,000	40,000
Shares classified in shareholders funds	40,000	40,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company

20 Ultimate Parent Company

The company's ultimate parent undertaking is The Travel Corporation Limited, a company incorporated in the British Virgin Islands

The largest group in which the results of the company are consolidated is that headed by The Travel Corporation Limited. The financial statements of this company are not available to the public. The smallest group in which they are consolidated is that headed by Insight Group Limited, a company registered in England and Wales. Copies of the consolidated financial statements of Insight Group Limited are available to the public from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ.