

Insight Travel Services Limited

**Directors' report and financial
statements**

Registered number 1970858

31 December 2008

THURSDAY



A43

AHEOUEIJ
29/10/2009
COMPANIES HOUSE

240

Contents

Directors' report	1
Statement of directors' responsibilities in respect of the directors' report and the financial statements	2
Independent auditor's report to the members of Insight Travel Services Limited	3
Income statement	5
Statement of changes in equity	6
Balance sheet	7
Cash flow statement	8
Notes	9

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2008.

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 £166,513 (2007: £157,977). The directors do not recommend the payment of a dividend (2007: £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:

JS Boulding (*resigned 1 May 2008*)
DID Howie
KR Bunney (*appointed 1 May 2008*)


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

22 April 2009

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 laws.

The financial statements are required by law to present fairly the financial position and the performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 they have been prepared in accordance with International Financial Reporting Standards, 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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.

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



KPMG LLP

St James' Square
Manchester
M2 6DS
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 (the 'company') for the year ended 31 December 2008 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

hag up

KPMG LLP
Chartered Accountants
Registered Auditor

22/4/ 2009

Income statement

for the year ended 31 December 2008

	Note	2008 £	2007 £
Revenue	2	1,903,350	1,949,570
Cost of sales		(1,730,284)	(1,772,334)
Operating profit	3	173,066	177,236
Finance income	6	67,766	55,993
Profit before tax		240,832	233,229
Taxation	7	(74,319)	(75,252)
Profit for the year		166,513	157,977

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 22 form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2008

	Share premium £	Share capital £	Retained earnings £	Total £
At 1 January 2007	17,145,100	40,000	(15,575,146)	1,609,954
Profit for the year	-	-	157,977	157,977
At 1 January 2008	17,145,100	40,000	(15,417,169)	1,767,931
Profit for the year	-	-	166,513	166,513
At 31 December 2008	17,145,100	40,000	(15,250,656)	1,934,444

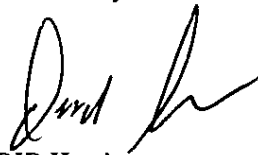
The notes on pages 9 to 22 form an integral part of these financial statements.

Balance Sheet
at 31 December 2008

	<i>Note</i>	2008 £	2007 £
Non-current assets			
Plant and equipment	8	260,058	226,974
Deferred tax asset	12	22,066	13,746
		<u>282,124</u>	<u>240,720</u>
Current assets			
Amounts due from related parties	9	545,909	483,499
Trade and other receivables	10	44,509	75,487
Cash and cash equivalents	11	2,401,346	2,096,652
		<u>2,991,764</u>	<u>2,655,638</u>
Total assets		<u>3,273,888</u>	<u>2,896,358</u>
Current liabilities			
Amounts due to related parties	13	(1,086,211)	(903,252)
Trade and other payables	14	(170,593)	(132,617)
Tax payable		(82,640)	(92,558)
		<u>(1,339,444)</u>	<u>(1,128,427)</u>
Total liabilities		<u>(1,339,444)</u>	<u>(1,128,427)</u>
Net assets		<u>1,934,444</u>	<u>1,767,931</u>
Equity			
Share capital	19	40,000	40,000
Share premium		17,145,100	17,145,100
Accumulated deficit		(15,250,656)	(15,417,169)
Total Equity		<u>1,934,444</u>	<u>1,767,931</u>

The notes on pages 9 to 22 form an integral part of these financial statements.

These financial statements were approved by the board of directors on *22 April* 2009 and were signed on its behalf by:


DID Howie
Director

Cash Flow Statement
for the year ended 31 December 2008

	<i>Note</i>	2008 £	2007 £
Cash flows from operating activities			
Profit for the year		166,513	157,977
<i>Adjustments for:</i>			
Depreciation	8	50,900	30,541
Finance income	6	(67,766)	(55,993)
Loss on sale of plant and equipment		-	950
Taxation expense	7	74,319	75,252
		<u>223,966</u>	<u>208,727</u>
(Increase)/decrease in trade and other receivables		(31,432)	70,506
Increase in trade and other payables		<u>220,935</u>	<u>305,349</u>
		413,469	584,582
Taxation paid		<u>(92,557)</u>	<u>(42,922)</u>
Net cash from operating activities		<u>320,912</u>	<u>541,660</u>
Cash flows from investment activities			
Interest received		67,766	55,993
Proceeds from sale of plant and equipment		-	550
Acquisition of plant and equipment		<u>(83,984)</u>	<u>(166,787)</u>
Net cash used in investing activities		<u>(16,218)</u>	<u>(110,244)</u>
Net increase/(decrease) in cash and cash equivalents		304,694	431,416
Cash and cash equivalents at 1 January	11	<u>2,096,652</u>	<u>1,665,236</u>
Cash and cash equivalents at 31 December	11	<u><u>2,401,346</u></u>	<u><u>2,096,652</u></u>

The notes on pages 9 to 22 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 statement.

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. 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, foreign exchange gains and losses 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 2008 and is not subject to externally imposed capital requirements; management of capital therefore focuses around its ability to generate cash from its operations.

Adopted IFRS not yet applied

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements:

Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 which becomes mandatory for the 2009 financial statements is not expected to have any impact on the financial statements.

IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the 2009 financial statements, is not expected to have any impact on the financial statements.

Revised IAS 1 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the 2009 financial statements, is expected to have a significant impact on the presentation of the financial statements.

Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the 2009 financial statements, with retrospective application required, are not expected to have any impact on the financial statements.

Notes (continued)

1 Accounting policies (continued)

Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the 2009 financial statements, are not expected to have any impact on the financial statements.

2 Revenue

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

3 Expenses and auditors' remuneration

Included in profit are the following:

	2008 £	2007 £
Depreciation on owned plant and equipment	50,900	30,541
Operating leases – property rental	76,409	57,022
Net gain on foreign currency translation	(388,503)	(95,168)
Loss on sale of plant and equipment	-	950
	<hr/>	<hr/>

Auditors' remuneration:

	2008 £	2007 £
Audit fee	20,500	19,500
	<hr/>	<hr/>

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 2008	2007
Administration	63	52
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2008 £	2007 £
Wages and salaries	1,366,689	1,203,333
Social security costs	120,125	102,914
Other pension costs	139,599	129,615
	<hr/>	<hr/>
Total	1,626,413	1,435,862
	<hr/>	<hr/>

Notes (continued)

5 Remuneration of directors

	2008 £	2007 £
Directors' emoluments	168,130	261,544

	Number of directors	
	2008	2007
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	2

6 Finance income

	2008 £	2007 £
Bank interest receivable	67,766	55,993

7 Taxation

Recognised in the income statement

	2008 £	2007 £
<i>Current tax expense</i>		
Current year	82,639	92,558
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences:		
Capital allowances	2,818	3,469
Other	(11,138)	(20,775)
	(8,320)	(17,306)
Total tax in income statement	74,319	75,252

Reconciliation of effective tax rate

	2008 £	2007 £
Profit before tax	240,832	233,229
Tax using the UK corporation tax rate of 28.5% (2007: 30%)	68,637	69,969
Non-deductible expenses	648	4,241
Depreciation on non qualifying assets	3,952	1,042
Adjustment to Deferred tax re difference in rate of tax	1,082	-
Total tax in income statement	74,319	75,252

Notes (continued)

8 Fixed assets

	Short leasehold property £	Office equipment, fixtures & fittings £	Motor Vehicles £	Total £
<i>Cost</i>				
Balance at 1 January 2007	18,871	152,419	73,408	244,698
Acquisitions	143,359	23,428	-	166,787
Disposals	-	(35,424)	(19,044)	(54,468)
Balance at 31 December 2007	162,230	140,423	54,364	357,017
 Balance at 1 January 2008	 162,230	 140,423	 54,364	 357,017
Acquisitions	4,294	79,690	-	83,984
Disposals	-	(54,484)	-	(54,484)
Balance at 31 December 2008	166,524	165,629	54,364	386,517
<i>Depreciation</i>				
Balance at 1 January 2007	3,051	115,129	34,290	152,470
Depreciation charge for the year	5,627	14,041	10,873	30,541
Disposals	-	(35,424)	(17,544)	(52,968)
Balance at 31 December 2007	8,678	93,746	27,619	130,043
 Balance at 1 January 2008	 8,678	 93,746	 27,619	 130,043
Depreciation charge for the year	16,509	23,518	10,873	50,900
Disposals	-	(54,484)	-	(54,484)
Balance at 31 December 2008	25,187	62,780	38,492	126,459
<i>Net book value</i>				
At 1 January 2007	15,820	37,290	39,118	92,228
 At 31 December 2007 and 1 January 2008	 153,552	 46,677	 26,745	 226,974
At 31 December 2008	141,337	102,849	15,872	260,058

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:

	2008 £	2007 £
<i>Parent Company</i>		
Insight Group Limited	220,422	220,422
<i>Other Group Companies</i>		
Insight Vacations Limited	44,135	94,168
AAT Kings Tours (UK) Limited	-	45,908
Insight International Tours Limited	18,895	18,894
Insight Travel Group Limited	7,043	-
World's Leading Travel Companies Limited	4,707	-
Radical Travel Group Limited	39,853	93,199
Trafalgar Management Services Limited	136,016	-
Trafalgar London Handling Limited	49,834	-
Evan Evans Tours Limited	973	-
Grand European Operations Limited	-	5,208
Trafalgar Travel Limited	3,310	-
Brendan International Holdings Ltd	20,245	5,700
Red Carnation Hotels (UK) Limited	476	-
	<u>545,909</u>	<u>483,499</u>

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

	2008 £	2007 £
Other trade receivables and prepayments	44,509	75,487
	<u>44,509</u>	<u>75,487</u>

11 Cash and cash equivalents

	2008 £	2007 £
Cash and cash equivalents per balance sheet and cash flow statement	2,401,346	2,096,652
	<u>2,401,346</u>	<u>2,096,652</u>

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:

	2008 £	2007 £
Plant and equipment	22,066	13,746

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:

	2008 £	2007 £
At 1 January	13,746	(3,560)
Recognised in income statement	8,320	17,306
At 31 December	22,066	13,746

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:

	2008 £	2007 £
Insight Tours International (Bermuda) Limited	839,135	621,899
Insight Operations (Bermuda) Ltd	78,515	18,540
Tracoin Services Ltd	-	1,502
Evan Evans Tours Limited	-	12,136
Trafalgar London Handling Limited	-	1,400
Busabout Operations Limited	10,820	13,700
Trafalgar Travel Limited	-	3,600
Trafalgar Management Services Ltd	-	185,700
Trafalgar Operations Limited	105,997	9,097
Trafalgar Tours (Bermuda) Limited	25,345	3,930
Contiki Services Limited	4,353	1,044
Summer Lodge Management Limited	-	30,704
AAT Kings Tours (UK) Limited	15,540	-
Tracoin Services Limited	284	-
Grand European Operations Limited	6,222	-
	1,086,211	903,252

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

	2008 £	2007 £
Trade payables	18,658	21,386
Other payables and accruals	34,180	33,165
PAYE, social security and VAT	77,762	77,195
Other	39,993	871
	<u>170,593</u>	<u>132,617</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 a group plan defined contribution scheme, which was opened from that date. 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. Details of the scheme deficit and plan assets are provided below.

During the year ended 31 December 2008 £123,829 was charged against profits in respect of the defined benefit scheme (2007: £119,163) and £15,767 was charged against profits in respect of the defined contribution scheme (2007: £10,452).

Plan assets consist of the following:

	2008 £000	2007 £000
Equity securities	7,460	9,841
Bonds	1,474	1,099
Property	10	41
Cash	1,272	979
	<u>10,216</u>	<u>11,960</u>

Movement in the liability for defined benefit obligations

	2008 £000	2007 £000
Liability for defined benefit obligations at 1 January	15,924	16,036
Interest cost	921	836
Current service cost	504	689
Benefits paid by the plan	(232)	(127)
Members contributions	203	167
Actuarial (gains)/losses recognised in equity (see below)	(2,968)	(1,677)
	<u>14,352</u>	<u>15,924</u>
Liability for defined benefit obligations at 31 December		

Notes (continued)

15 Pension scheme (continued)

Movement in plan assets

	2008 £000	2007 £000
Fair value of plan assets at 1 January	11,960	10,508
Contributions paid into the plan	826	734
Benefits paid by the plan	(232)	(127)
Expected return on plan assets	1,605	811
Actuarial (losses)/gains recognised in equity	(3,943)	34
	<u>10,216</u>	<u>11,960</u>

Components of pension expense

	2008 £000	2007 £000
Current service costs	504	689
Interest on obligation	921	836
Expected return on plan assets	(1,605)	(811)
	<u>(180)</u>	<u>714</u>

Actuarial assumptions

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

	2008 £	2007 £
Discount rate at 31 December	6.40	5.70
Expected return on plan assets at 1 January	6.68	7.44
Future salary increases	3.75	4.30
Future pension increases on benefits accrued from 1997 to 2007	3.50	3.50
Future pension increases on benefits accrued post 2007	2.65	3.10
Rate of increase on deferred pensions	2.75	3.30
Inflation	2.75	3.30

History of plans

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

	2008 £000	2007 £000	2006 £000	2005 £000
Present value of the defined benefit obligation	(14,352)	(15,924)	(16,037)	(15,339)
Fair value of plan assets	10,216	11,960	10,508	8,743
	<u>(4,136)</u>	<u>(3,964)</u>	<u>(5,529)</u>	<u>(6,596)</u>
Experience adjustments on plan liabilities	(1.68)%	(0.17)%	0.57%	0.76%
Experience adjustments on plan assets	(38.59)%	0.30%	0.87%	1.34%

Notes (continued)

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 line 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.

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:

	2008 £	2007 £
Amounts due from related parties	545,909	483,499
Cash and cash equivalents	2,401,346	2,096,652
	<hr/>	<hr/>
	2,947,255	2,580,151
	<hr/>	<hr/>

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 £170,593 (2007:£132,617) and amounts due to related parties £1,086,211 (2007:£903,252) 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 £24,013 based on company cash, cash equivalents and financial instruments at 31 December 2008.

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.

Notes (continued)

16 Financial risk management objectives and policies (continued)

Exposure to currency risk

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

	2008		2007	
	GBP	EUR	GBP	EUR
Cash and cash equivalents	788,025	1,613,321	919,617	1,177,035
Gross balance sheet exposure	<u>788,025</u>	<u>1,613,321</u>	<u>919,617</u>	<u>1,177,035</u>

The following significant exchange rates applied during the year:

	Average rate 2008	2007	Reporting date spot rate 2008	2007
EUR	0.801	0.685	0.970	0.730

Sensitivity analysis

A 10% strengthening of the pound against the following currencies at 31 December 2008 would have increased/(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 2007.

	2008 £	2007 £
EUR	<u>(161,332)</u>	<u>(117,704)</u>

A 10% weakening of the pound against the above currencies at 31 December 2008 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.

Notes (continued)

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2008 £	2007 £
Less than one year	76,345	76,345
Between two and five years	230,690	193,345
More than five years	156,000	273,000
	<u>463,035</u>	<u>542,690</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 £76,409 was recognised as an expense in the income statement in respect of operating leases for land and buildings (2007: £57,022).

18 Related party transactions

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

	2008 £	2007 £
<i>Administrative expenses:</i>		
Trafalgar Management Services Limited	3,400	3,406
No Limits Limited	39,000	20,000
	<u>42,400</u>	<u>23,406</u>

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

	2008 £	2007 £
<i>Revenue:</i>		
Radical Travel Group Limited	15,000	16,000
Trafalgar Travel Limited	19,300	13,400
Trafalgar Management Services Limited	30,000	32,300
Trafalgar London Handling Limited	26,250	22,600
Tracoin Services Limited	4,900	4,000
Contiki Services Limited	1,500	1,380
Evan Evans Tours Limited	1,500	1,380
Insight Vacations Limited	209,350	162,500
AAT Kings Tours (UK) Limited	24,000	36,000
Trafalgar Operations Limited	544,500	474,800
Trafalgar Tours (Bermuda) Limited	122,200	105,600
Insight Operations (Bermuda) Limited	89,400	130,110
Insight Tours International (Bermuda) Limited	658,000	828,700
Busabout Operations Limited	53,400	51,300
Grand European Operations Limited	54,700	49,300
Brendan International Holdings Ltd	44,350	20,200
World's Leading Travel Companies Limited	5,000	-
	<u>1,903,350</u>	<u>1,949,570</u>

Notes (continued)

19 Share capital

Share capital

	Ordinary shares	
	2008	2007
On issue at 1 January	40,000	40,000
On issue at 31 December – fully paid	40,000	40,000
	2008	2007
	£	£
<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.