

Radical Travel Group Limited

**Directors' report and financial
statements**

Registered number SC136334

31 December 2007

THURSDAY



SS7IF4E6

SCT

30/10/2008

409

COMPANIES HOUSE

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 Radical Travel Group 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 2007

Principal activities

The principal activities of the Company during the year were the operation of coach tours and general sales agent

Business review

Both the level of business and the year end financial position were 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 was £132,792 (2006 £127,678) The directors do not recommend the payment of a dividend (2006 £nil)

Financial instruments

Details of the Company's financial risk management objectives and policies are included in note 21 to the financial statements

Directors and directors' interests

The directors who held office during the year were as follows

AM Campbell
DID Howie

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company (2006 £nil)

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

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

By order of the board



DID Howie
Secretary

7/9 Blackfriars Street,
Edinburgh,
EH1 1NB

21 May 2008

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 Radical Travel Group Limited

We have audited the financial statements of Radical Travel Group Limited ('the Company') which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and 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 Radical Travel Group 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 2007 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



KPMG LLP
Chartered Accountants
Registered Auditor

17/6/ 2008

Income Statement
for the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
Revenue	2	2,246,763	2,199,531
Cost of sales		(975,777)	(906,894)
Gross profit		1,270,986	1,292,637
Administrative expenses		(1,113,935)	(1,134,191)
Other operating income		28,820	35,437
Operating profit	3	185,871	193,883
Finance income	6	79,700	9,988
Finance expenses	7	(21,024)	(20,389)
Profit before taxation		194,547	183,482
Taxation	8	(61,755)	(55,804)
Profit for the year		132,792	127,678

All of the activities of the Company are classed as continuing. 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 21 form an integral part of these financial statements.

Statement of changes in equity
for year ended 31 December 2007

	Share capital £	Retained Earnings £	Total £
Balance at 1 January 2006	15,100	1,035,462	1,050,562
Profit for the year		127,678	127,678
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2007	15,100	1,163,140	1,178,240
	<hr/>	<hr/>	<hr/>
Profit for the year		132,792	132,792
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2007	15,100	1,295,932	1,311,032
	<hr/>	<hr/>	<hr/>

The notes on pages 9 to 21 form an integral part of these financial statements

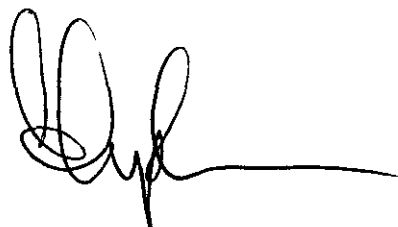
Balance Sheet
at 31 December 2007

	<i>Note</i>	2007 £	2006 £
Non current assets			
Plant and equipment	9	691,077	679,901
Investments	10	857,636	694,985
Total non current assets		1,548,713	1,374,886
Current assets			
Inventory	12	6,349	2,046
Amounts due from related parties	13	65,645	385,356
Trade and other receivables	14	77,953	141,717
Cash and cash equivalents	15	781,362	246,204
Total current assets		931,309	775,323
Total assets		2,480,022	2,150,209
Non current liabilities			
Loans and borrowings	19	(212,003)	(144,203)
Deferred tax liabilities	11	(64,531)	(62,089)
Total non current liabilities		(276,534)	(206,292)
Current liabilities			
Amounts due to related parties	16	(414,395)	(360,872)
Trade and other payables	17	(292,230)	(239,320)
Tax payable		(56,983)	(54,888)
Loans and borrowings	19	(128,848)	(110,597)
Total current liabilities		(892,456)	(765,677)
Total liabilities		(1,168,990)	(971,969)
Net assets		1,311,032	1,178,240
Equity			
Share capital	20	15,100	15,100
Retained Earnings		1,295,932	1,163,140
Total Equity		1,311,032	1,178,240

The notes on pages 9 to 21 form an integral part of these financial statements

These financial statements were approved by the board of directors on 21 May 2008 and were signed on its behalf by

AM Campbell
Director



Cash Flow Statement
for the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
Cash flows from operating activities			
Profit for the year		132,792	127,678
<i>Adjustments for</i>			
Depreciation	9	131,360	165,694
Finance income	6	(29,700)	(9,988)
Finance expense	7	21,024	20,389
Gain on sale of property, plant and equipment		(2,370)	(35,427)
Taxation	8	61,755	55,804
Operating profit before changes in working capital		314,861	324,155
(Increase)/decrease in inventories		(4,303)	1,509
(Increase)/decrease in trade and other receivables		383,475	(370,283)
Increase in trade and other payables		106,433	283,745
Cash generated from operations		800,466	239,126
Interest paid		(21,024)	(20,389)
Tax paid		(57,218)	(83,599)
Net cash from operating activities		722,224	135,138
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		131,500	238,500
Acquisition of property, plant and equipment	9	(271,666)	(118,906)
(Disposal)/acquisition of investments		(162,651)	30,268
Interest received		29,700	9,988
Net cash used in investing activities		(273,117)	159,850
Cash flows from financing activities			
Proceeds from new finance lease		238,500	
Payment of finance lease liabilities		(152,449)	(197,944)
Net cash used in financing activities		86,051	(197,944)
Net increase in cash and cash equivalents		535,158	97,044
Cash and cash equivalents at 1 January 2007	15	246,204	149,160
Cash and cash equivalents at 31 December 2007	15	781,362	246,204

The notes on pages 9 to 21 form an integral part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

Radical Travel Group Limited (the "Company") is a Company incorporated in the UK

The Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs")

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

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

Revenue

Revenue represents the income earned from the provision of coach tours and acting as a sales agent

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 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.

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.

Plant and equipment

Plant and equipment is 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 plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- | | |
|-------------------------|-----------|
| ▪ Leasehold property | 18 years |
| ▪ Fixtures and fittings | 3-5 years |
| ▪ Motor vehicles | 5 years |
| ▪ Computer equipment | 3-4 years |

Inventory

Inventories are measured at the lower of cost and net realisable value. The costs of inventories is based on the first in first out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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 statement of cash flows.

Post retirement benefits

The Company participates in a group defined benefit pension scheme, which was closed to new members on 1 May 2004. The assets of the scheme are held separately from those of the Company in separate trustee administered funds. The contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Variations from regular cost are spread over the average expected remaining working lives of current members of the scheme.

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 trustee administered funds. The contributions to the scheme are charged to the profit and loss account, on an accruals basis, as they fall due.

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.

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.

Net financing costs

Net financing costs 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 income statement 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 2007 and is not subject to externally imposed capital requirements, management of capital therefore focuses around its ability to generate cash from its operations.

Notes (continued)

1 Accounting policies (continued)

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, 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* will become mandatory for the Company's 2009 financial statements and will constitute a change in accounting policy for the Company. In accordance with the transitional provisions the Group will apply the revised *IAS 23* to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. *IFRIC 14* will become mandatory for the Company's 2008 financial statements, with retrospective application required. The Company has not yet determined the potential effect of the interpretation.

2 Revenue

The turnover and pre tax result are wholly attributable to the Company's main activity of coach tours and acting as a sales agent.

3 Expenses and auditors' remuneration

	2007 £	2006 £
<i>Included in the profit for the year are the following</i>		
Depreciation of plant and equipment	131,360	165,694
Operating leases	38,840	37,452
<i>Auditors' remuneration</i>		
Audit	9,000	9,000
Other services – fees received by the auditors and their associates	1,030	1,030

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	
	2007	2006
Administrative	6	9
Sales	12	10
Drivers	19	20
	<u>37</u>	<u>39</u>

The aggregate payroll costs of these persons were as follows:

	2007 £	2006 £
Wages and salaries	892,906	930,514
Social security costs	85,628	83,743
Other pension costs	54,495	62,078
	<u>1,033,029</u>	<u>1,076,335</u>

Notes (continued)

5 Directors Emoluments

	2007 £	2006 £
Director's emoluments	116,922	112,868
Company contribution's defined benefit scheme	16,703	16,310
	<u>133,625</u>	<u>129,178</u>

Retirement benefits are accruing to the following number of directors under

	Number of directors	Number of directors
	2007	2006
Defined benefit scheme	<u>1</u>	<u>1</u>

6 Finance income

	2007 £	2006 £
Bank interest receivable	<u>29,700</u>	<u>9,988</u>

7 Finance expenses

	2007 £	2006 £
Finance charges	<u>21,024</u>	<u>20,389</u>

8 Taxation

Recognised in the income statement

	2007 £	2006 £
<i>Current tax expense</i>		
Current year	56,983	54,888
Adjustments for prior period	<u>2,330</u>	
	<u>59,313</u>	<u>54,888</u>
<i>Deferred tax expense</i>		
Origination of timing differences	<u>2,442</u>	<u>916</u>
Total tax in income statement	<u>61,755</u>	<u>55,804</u>

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2007 £	2006 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	194,547	183,482
<i>Effects of</i>		
Tax using UK corporation tax rate of 30% (2006 30%)	58,364	55,045
Depreciation on non qualifying assets	734	729
Permanently disallowable expenses	327	30
Corporation tax under provision from prior year	2,330	
Total tax in income statement	61,755	55,804

9 Plant and equipment

	Leasehold Property £	Computer Equipment £	Fixtures & fittings £	Motor Vehicles £	Total £
Cost					
Balance at 1 January 2006	35,586	362,375	53,780	1,353,356	1,805,097
Additions		16,076	7,030	95,800	118,906
Disposals			(609)	(511,081)	(511,690)
Balance at 31 December 2006	35,586	378,451	60,201	938,075	1,412,313
Balance at 1 January 2007	35,586	378,451	60,201	938,075	1,412,313
Additions		6,666		265,000	271,666
Disposals		(332,251)	(21,677)	(230,500)	(584,428)
Balance at 31 December 2007	35,586	52,866	38,524	972,575	1,099,551
Depreciation					
Balance at 1 January 2006	15,086	342,937	40,276	477,031	875,330
Depreciation charge for the year	2,446	16,645	3,871	142,732	165,694
Disposals			(594)	(308,018)	(308,612)
Balance at 31 December 2006	17,532	359,582	43,553	311,745	732,412
Balance at 1 January 2007	17,532	359,582	43,553	311,745	732,412
Depreciation charge for the year	2,446	9,846	4,548	114,520	131,360
Disposals		(332,251)	(21,677)	(101,370)	(455,298)
Balance at 31 December 2007	19,978	37,177	26,424	324,895	408,474
Net book value					
At 1 January 2006	20,500	19,438	13,504	876,325	929,767
At 31 December 2006	18,054	18,869	16,648	626,330	679,901
At 1 January 2007	18,054	18,869	16,648	626,330	679,901
At 31 December 2007	15,608	15,689	12,100	647,680	691,077

Notes (continued)

10 Investments

	2007 £	2006 £
Share capital		
Morag's Lodges Limited	2	2
Shamrock Adventures Limited	8	8
	<u>10</u>	<u>10</u>

Loans with related parties

Morag's Lodges Limited	581,932	583,890
Shamrock Adventures Limited	275,694	111,085
	<u>857,626</u>	<u>694,975</u>
	<u>857,636</u>	<u>694,985</u>

The Company has the following investments in subsidiaries

Company	Country of incorporation	Class of shares held	Ownership	
			2007 %	2006 %
Morag's Lodge Limited	Scotland	Ordinary	100	100
Shamrock Adventures Limited	Ireland	Ordinary	100	100

11 Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following

	2007 £	2006 £
Plant and equipment	<u>64,531</u>	<u>62,089</u>

The deferred tax liability 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

	2007 £	2006 £
At 1 January 2007	62,089	61,173
Recognised in income statement	2,442	916
At 31 December 2007	<u>64,531</u>	<u>62,089</u>

12 Inventory

Inventory relates to T Shirts held for sale on tours and bus parts

Notes (continued)

13 Amount 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

	2007 £	2006 £
Busabout Operations Limited		352,895
Contiki Holidays (Aus) Pty Limited	65,108	30,863
Contiki Holidays (NZ) Limited		1,598
Contiki Services Limited	537	
	<u>65,645</u>	<u>385,356</u>

Included in the above balance is £65,108 denominated in Australian Dollars (2006 £30,863) and £537 denominated in Canadian Dollars (2006 £1,598)

14 Trade and other receivables

	2007 £	2006 £
Trade receivables	25,464	76,380
Other receivables	5,839	1,784
Prepayments	42,352	63,553
VAT	4,298	
	<u>77,953</u>	<u>141,717</u>

The above balances are expected to be recovered within 12 months of the balance sheet date

15 Cash and cash equivalents/bank overdrafts

	2007 £000	2006 £000
Cash and cash equivalents per balance sheet	781,362	246,204
Cash and cash equivalents per cash flow statements	<u>781,362</u>	<u>246,204</u>

The cash and cash equivalents are denominated in Sterling Pound, with an effective interest rate of 5.5% (2006 4.3%)

Notes (continued)

16 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

	2007 £	2006 £
Contiki Travel UK Limited	3,367	3,361
Trafalgar Management Services	6,199	5,219
Busabout Operations Limited	60,656	
Contiki Services Limited		5,451
Insight Travel Group Limited	200,000	200,000
Insight Travel Services Limited	93,198	9,280
Evan Evans Transport Limited	975	19,027
Wine Investments Limited		31,857
Summer Lodge Management Limited	50,000	86,677
	<u>414,395</u>	<u>360,872</u>

17 Trade and other payables

	2007 £	2006 £
Trade payables	145,432	76,516
Other payables	2,403	3,630
PAYE and social security	38,693	55,330
VAT		773
Accruals and deferred income	105,702	103,071
	<u>292,230</u>	<u>239,320</u>

The above balances are expected to be paid within 12 months of the balance sheet date

Notes (continued)

18 Employee benefits

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 2007 £50,702 was charged against profits in respect of the defined benefit scheme (2006 £57,815), and £4,244 was charged against profits in respect of the defined contribution scheme (2006 £4,262).

Plan assets consist of the following

	2007 £000	2006 £000
Equity securities	9,841	8,845
Bonds	1,099	921
Property	41	104
Cash	979	638
	<u>11,960</u>	<u>10,508</u>

Movement in the liability for defined benefit obligations

	2007 £000	2006 £000
Liability for defined benefit obligations at 1 January	16,037	15,339
Interest cost	836	761
Current service cost	689	760
Benefits paid by the plan	(127)	(125)
Members contributions	167	172
Actuarial (gains)/losses recognised in equity (see below)	(1,678)	(871)
Liability for defined benefit obligations at 31 December	<u>15,924</u>	<u>16,036</u>

Movement in plan assets

	2007 £000	2006 £000
Fair value of plan assets at 1 January	10,508	8,742
Contributions paid into the plan	734	797
Benefits paid by the plan	(127)	(125)
Expected return on plan assets	811	739
Actuarial (losses)/gains recognised in equity	34	355
Fair value of plan assets at 31 December	<u>11,960</u>	<u>10,508</u>

Components of pension expense

	2007 £000	2006 £000
Current service costs	689	760
Interest on obligation	836	761
Expected return on plan assets	(811)	(739)
	<u>714</u>	<u>782</u>

Notes (continued)

18 Employee benefits (continued)

Actuarial assumptions

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

	2007 %	2006 %
Discount rate at 31 December	5.70	5.10
Expected return on plan assets at 1 January	7.44	7.50
Future salary increases	4.30	4.10
Future pension increases on benefits accrued from 1997 to 2006	3.50	3.20
Future pension increases on benefits accrued post 2006	3.50	2.90
Rate of increase on deferred pensions	3.30	3.10
Inflation	3.30	3.10

19 Loans and borrowings

Non current liabilities

	2007 £	2006 £
Finance lease agreements	212,003	144,203

Current liabilities

	2007 £	2006 £
Finance lease agreements	128,848	110,597

The above liabilities disclosed as falling due after more than one year are secured by the Company

Terms and debt repayment schedule

The Company has 4 finance leases for motor vehicles. Two of the finance leases will be fully paid off by 2008, one finance lease will be fully paid off by 2010 and one will be fully paid off by 2011.

Finance lease liabilities

Finance lease liabilities are payable as follows

	Minimum lease payments 2007 £	Interest 2007 £	Principal 2007 £	Minimum lease payments 2006 £	Interest 2006 £	Principal 2006 £
Less than one year	128,848	17,670	111,178	122,450	11,853	110,597
Between one and five years	212,003	15,169	196,834	152,254	8,051	144,203
	<u>340,851</u>	<u>32,839</u>	<u>308,012</u>	<u>274,704</u>	<u>19,904</u>	<u>254,800</u>

Notes (continued)

20 Called up share capital

	2007		2006	
	£		£	
<i>Authorised</i>				
15,100 Ordinary shares of £1 each		15,100		15,100
		<u>15,100</u>		<u>15,100</u>
	2007		2006	
	No	£	No	£
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	15,100	15,100	15,100	15,100
	<u>15,100</u>	<u>15,100</u>	<u>15,100</u>	<u>15,100</u>
<i>Equity shares</i>				
Ordinary shares of £1 each	15,100	15,100	15,100	15,100
	<u>15,100</u>	<u>15,100</u>	<u>15,100</u>	<u>15,100</u>

21 Financial risk management objectives and policies

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

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

In additions, various financial instruments (e.g. trade debtors, trade creditors, 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 monitors credit risk closely and considers that its current policies of credit checks meet its objectives of managing exposure to credit risk

The Company has no significant concentrations of credit risk. The directors consider that the amounts owing from related parties are fully recoverable given the financial strength of the wider group to which the Company belongs

Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event of other parties failing to perform their obligations under financial instruments

All trade receivables are current and deemed to be recoverable

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 payables of £145,432 (2006: £76,516) are payable within 6 months or less from the year end

Interest rate risk

There is no significant exposure to interest rate risk and the Company has no external borrowings

The Company invests its cash in a range of cash deposit accounts with UK Banks. Interest earned therefore closely follows movements in the Bank of England base rates. At the balance sheet date, £638,212 was invested with Clydesdale Bank, this being the most invested with any bank

Notes (continued)

21 Financial risk management objectives and policies (continued)

Foreign exchange risk

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

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.

Effective interest rates and repricing analysis

In respect of income earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or, if earlier, are repriced.

	Effective interest rate %	2007				
		Total £	0 – <1years £	1 to <2years £	2 to <5years £	5 years and over £
Cash and cash equivalents	5.5%	781,362	781,362			
Finance lease liabilities	3%	340,851	128,848	102,762	109,241	
		<u>1,122,213</u>	<u>910,210</u>	<u>102,762</u>	<u>109,241</u>	
	Effective interest rate %	2006				
		Total £	0 to <1years £	1 to <2years £	2 to <5years £	5 years and over £
Cash and cash equivalents	4.3%	246,204	246,204			
Finance lease liabilities	3.0%	(254,800)	(110,597)	(84,291)	(59,912)	
		<u>(8,596)</u>	<u>135,607</u>	<u>(84,291)</u>	<u>(59,912)</u>	

22 Commitments under operating leases

The Company has entered into a short term leasing commitment in respect of property it occupies. The rentals commitment under the leases is as follows:

	2007 £	2006 £
Within one year	46,900	32,100
Between two and five years	144,622	99,855
More than five years	76,500	93,500
	<u>268,022</u>	<u>225,455</u>

Notes (continued)

23 Related party transactions

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

	2007 £	2006 £
<i>Revenue</i>		
Morag's Lodges Limited	36,337	38,079
Shamrock Adventures Limited	77,153	122,384
Busabout Operations Limited	807,355	766,638
	<u>908,321</u>	<u>927,101</u>

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

	2007 £	2006 £
<i>Revenue</i>		
Morag's Lodges Limited	2,282	6,965
Shamrock Adventures Limited		2,175
Insight Travel Services Limited	16,000	15,300
Trafalgar Management Services Limited	7,134	6,347
Contiki Holidays (Aus) Pty Limited	21,177	56,256
Contiki Holidays (NZ) Limited	2,030	7,792
Contiki Holidays Canada Limited	1,822	2,643
Contiki (Travel) UK Limited		694
Evan Evans Tours Limited	40,295	40,768
	<u>90,740</u>	<u>138,940</u>

24 Ultimate parent Company and parent Company of larger group

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, a Company incorporated in the British Virgin Islands. 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.