

**Company Registration number: 551311**

**Association of British Travel Agents Limited  
Annual Report and Financial Statements 2006**

## Corporate Governance Statement

ABTA fully supports the report of the Committee on Corporate Governance and that Committee's Revised Combined Code of Best Practice. It welcomes the Committee's guidance on internal control and the going concern basis for preparing annual accounts.

The guidance is regarded as mandatory for listed companies registered in the UK. Whilst ABTA does not fall within the regulations of the London Stock Exchange, being a company limited by guarantee, the Board of Directors is committed to the highest standards of corporate governance.

### Going Concern

The Board confirms that, after making appropriate enquiries, it is of the opinion that ABTA has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing these accounts.

### General

The Board comprises elected members, all of whom are non-executive. The role of President is separated from the role of the Chief Executive, neither is a member of the Board. The Board is responsible for taking decisions on the ongoing strategic direction of ABTA, approving major developments and the terms of reference and delegated powers of its committees and, through them, the day-to-day operations of ABTA. The Board meets on average, 6 times a year and has several standing committees including an Executive Committee and a Finance Committee. All standing committees are formally constituted with terms of reference and include at least one Board member as chairman.

The President is chairman of the Board which reviews and approves the annual Business Plan, revenue and capital budgets, monitors performance in relation to approved budgets, and monitors the activities of ABTA's subsidiary companies, which have separately constituted Boards of Directors.

The Board acknowledges its responsibility for the systems of internal control within ABTA and for ensuring these systems maintain the integrity of accounting records and safeguard its assets. The purpose of these systems is to provide reasonable assurance as to the reliability of financial information and to maintain proper control over income, expenditure, assets and liabilities of ABTA. No system of control can, however, provide absolute assurance against material misstatement or loss. The Board's review of the effectiveness of ABTA's systems of internal control is an ongoing process; where controls are not in place the Board, through its committees, agrees and reviews a timetable for implementation.

A brief description of the principal elements underlying ABTA's systems of internal control follows.

### Financial Reporting

There is a comprehensive business planning system with a business plan and annual budget approved by the Finance Committee on behalf of the Board. Quarterly actual results are reported against budget and revised forecasts for the year are prepared regularly. The Chief Executive, his Management Team and the Finance Committee review the reports quarterly.

### Risk Management

ABTA's Board executive committees, the Chief Executive and his Management Team examine on a continual basis the major strategic, business and operational risk which ABTA faces and have established a system that ensures that risks are reviewed and reported regularly at all levels of ABTA, and that appropriate action is in place to mitigate the significant risks. In addition, all risks are reviewed annually as an integral part of the business planning.

### Controls and Procedures

ABTA maintains a comprehensive set of financial controls, procedures and delegation of authority.

The financial controls and procedures are reviewed regularly and compliance with them verified by the work of the auditors.

All material breaches are reported to the Finance Committee who review, on behalf of the Board, ABTA's accounting and financial reporting practices, its internal financial controls, the work of the auditors and compliance with all relevant legislation.

# Report of the Board Of Directors

The Board of Directors submits its Report and the financial statements for the year ended 30 June 2006.

## 1 Business Review

The results for the year are set out in the financial statements on pages 5 to 20.

There can be few industries experiencing so many challenges as the travel industry. Not only is the market in which it operates constantly evolving, both in terms of the regulatory environment and distribution methods available, but in addition it has had to overcome an ever increasing list of obstacles, from the impact of terrorism on travel to outbreaks of worldwide diseases such as bird flu. ABTA, in turn, has had to review the way it provides services to its Members. 2005/06 saw the start of a root and branch review of its strategic objectives, from the way in which it provides consumer protection to the extent to which it provides Members with help on such matters as health & safety, the impact of the industry on the environment and the commercial services it provides. This review continued beyond the year end and culminated in a revised financial criteria being issued in October 2006, claim handling being outsourced for the first time and a restructuring of the services being provided to Members. This included fundamental changes to ABTA's scheme of financial protection. The challenge ahead is to consolidate the Association's position as the premier travel trade body in the light of these changes.

It is expected that in 2006/07 a number of issues will be resolved all which have the potential to dramatically change the way in which ABTA's Members do business. These include the review of the Package Travel Regulations, the impact of the recent judicial review into what constitutes a package under these Regulations and the Treasury review of the way in which travel insurance is sold and regulated.

From a purely financial point of view, the results for the year show that the Association continues to be in excellent health with income substantially at 2005 levels and net assets again increasing, the figures having been restated for 2005 to account for the changes required under the provisions of FRS17. Expenditure has increased, but this is largely due to additional pension costs and the effect of a claims recovery in 2005.

## 2 The Role of the Association is:

To promote the interests of all Members in their relationships with each other and with other branches of the international travel industry, such as airlines, shipping companies, railways, coach companies and hotels.

To maintain a Code of Conduct governing the activities of Tour Operators and Travel Agents for the benefits of Members and the travelling public.

To maintain liaison with governments and organisations concerned with the development of travel and tourism both in the United Kingdom and abroad.

All Members of the Association must provide financial protection to assist the travelling public in the event of the financial failure of a Member. This protection exceeds that required by Law.

## 3 The Board of Directors and the President have reviewed the developments within the Association in the year 30 June 2006 and are satisfied that they are consistent with the Role of the Association.

## 4 The movements in tangible fixed assets during the year are set out on page 11.

An independent valuation of the freehold property was carried out in February 2006, indicating that the gross market value at that date was £6,000,000. In the opinion of the Directors there has been no material change since that date. The net book value of the property at 30 June 2006 was £3,334,727.

## 5 The names of the members of the Board of Directors at the year end were:

Roger Allard	Noel Josephides appointed 21 June 2006
Steve Barrass	Doreen McKenzie
Stephen Bath	Hugh Morgan
Daniele Broccoli appointed 26 April 2006	Neil Morris appointed 26 April 2006
Alan Cornish	Sandy Murray appointed 26 April 2006
Ian Derbyshire	David Powell appointed 26 April 2006
Sue Foxall appointed 26 April 2006	Peter Shanks appointed 26 April 2006
Steven Freudmann	Nick Wrightman
Jamie Gardiner appointed 21 February 2006	

The following members of the Board of Directors at 1 July 2005 also served during the year and retired as follows:

Christine Blocksidge	retired on 26 April 2006
Yvonne Borg	retired on 13 December 2005
Andrew Dickson	retired on 06 January 2006
David Dingle	retired on 26 April 2006
Justin Fleming	retired on 3 May 2006
Miles Morgan appointed 28 February 2006	retired on 5 June 2006
Lee Ormesher	retired on 17 February 2006
Jean Rodel	retired on 26 April 2006
Roderick Thompson	retired on 26 April 2006
John Wimbledon	retired on 26 April 2006

Subsequent to 30 June 2006, the following changes have been made to the Board of Directors:

Steve Allen appointed 5 September 2006

Derek Jones appointed 12 July 2006

Nick Wrightman retired 11 August 2006

## Report of the Board Of Directors continued

6 No member of the Board of Directors received any emoluments by way of salary, fees or other benefits in money or money's worth from the Association. ABTA provided 3rd party indemnity insurance for all the directors throughout the year.

7 Charitable donations totalling £5,722 were paid during the year ended 30 June 2006.

8 Chantrey Vellacott DFK LLP are willing to continue in office as auditors and offer themselves for reappointment in accordance with Section 385 of the Companies Act 1985.

9 Statement of disclosure of information to auditors

Each person who was a director at the date that this report was approved has taken all steps that they ought to have taken as directors in order to:

- make themselves aware of any relevant audit information (as defined by the Companies Act 1985) and;
- ensure that the auditors are aware of all relevant audit information (as defined).

As far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware.

BY ORDER OF THE BOARD

SIMON E BUNCE

Secretary

68/71 Newman Street

London

W1T 3AH

15 November 2006

## Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare their financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting 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 Association and of the surplus and deficit of the Association 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association 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 Association and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

# Independent Auditor's Report to the Members of the Association of British Travel Agents Limited

We have audited the financial statements of the Association of British Travel Agents Limited for the year ended 30 June 2006 which comprise the Balance Sheet, Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement 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 the 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether, in our opinion, if information given in the Report of the Board of Directors is consistent with the financial statements. We also 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 transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Governance Statement and the Report of the Board of Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Our responsibilities do not extend to any other information.

## Basis of 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 judgements 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 we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

## Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company at 30 June 2006 and of the results of the company for the year then ended;
- 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.

**CHANTREY VELLACOTT DFK LLP**

Chartered Accountants  
Registered Auditors  
LONDON

15 November 2006

# Balance Sheet

## at 30 June 2006

	Notes	2006	2005
		£	As restated £
<b>Fixed assets</b>			
Tangible assets	2	3,436,377	3,598,089
Investments	3	1,785,000	1,785,000
		<b>5,221,377</b>	<b>5,383,089</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	4a	1,260,303	1,726,108
Debtors: amounts falling due after more than one year	4b	107,692	430,768
Cash at bank and in hand		4,891,712	3,869,690
		<b>6,259,707</b>	<b>6,026,566</b>
<b>Creditors: amounts falling due within one year</b>	5	<b>( 1,437,758)</b>	<b>( 1,714,035)</b>
<b>Net current assets</b>		<b>4,821,949</b>	<b>4,312,531</b>
<b>Total assets less current liabilities</b>		<b>10,043,326</b>	<b>9,695,620</b>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	6	( 115,339)	( 142,527)
<b>Net assets excluding pension liabilities</b>		<b>9,927,987</b>	<b>9,553,093</b>
<b>Net pension liabilities</b>	21	<b>( 2,756,600)</b>	<b>( 2,531,000)</b>
<b>Net assets including pension liabilities</b>		<b>7,171,387</b>	<b>7,022,093</b>
<b>Accumulated funds</b>	7	<b>7,171,387</b>	<b>7,022,093</b>

These financial statements were approved by the Board of Directors on 15 November 2006.

Signed on behalf of the Board of Directors by

H Morgan

S Freudmann

The notes on pages 10 to 20 form part of these financial statements.

# Income & Expenditure Account

## for the year ended 30 June 2006

	Notes	2006	2005
		£	As restated £
<b>Income</b>			
Entrance fees		48,200	42,000
Subscriptions	9	3,713,429	3,707,317
Fines and miscellaneous fees paid by members	10	146,320	192,771
Industry partners' subscriptions		176,092	160,867
International associates		-	800
<i>Tour operators' captive subsidiary:</i>			
Dividend		80,000	104,000
<i>Travel agents' captive subsidiary:</i>			
Dividend		150,000	212,000
		<b>4,314,041</b>	<b>4,419,755</b>
Miscellaneous income	11	420,479	477,550
Interest receivable		370,930	350,277
Convention	12	( 68,223)	22,898
		<b>723,186</b>	<b>850,725</b>
<b>Total income</b>		<b>5,037,227</b>	<b>5,270,480</b>
<b>Expenditure - Page 7</b>		<b>4,982,895</b>	<b>4,382,192</b>
<b>Surplus before taxation</b>		<b>54,332</b>	<b>888,288</b>
Taxation	14a	( 30,138)	( 499,536)
<b>Surplus for the year after taxation</b>	7	<b>24,194</b>	<b>388,752</b>

### Statement of Total Recognised Gains and Losses

	Notes	2006	2005
		£	As restated £
<b>Surplus for the year</b>		<b>24,194</b>	<b>388,752</b>
Actuarial gain/(loss) on defined benefit pension scheme	21	179,000	( 1,560,000)
Movement in related deferred tax asset		( 53,900)	468,200
<b>Total gains and (losses) relating to the year</b>		<b>149,294</b>	<b>( 703,048)</b>
<b>Prior year adjustment:</b>			
In respect of an adoption of FRS17		( 2,531,000)	
In respect of the inclusion of the Retail Fund		546,907	
In respect of the inclusion of the Principals' Fund		2,486	
<b>Total gains and losses recognised since the last annual report</b>		<b>( 1,832,313)</b>	

There were no discontinued operations during the year.

The notes on pages 10 to 20 form part of these financial statements.

# Expenditure

## for the year ended 30 June 2006

	Notes	2006	2005
		£	As restated £
Salaries and staff costs	15	3,120,657	2,540,131
Rates and services		262,267	265,337
Printing and stationery		56,764	69,337
Postage		69,850	60,535
Communications		124,296	53,536
Repairs and maintenance including software development		117,650	107,135
Depreciation		207,694	201,346
Deficit on disposal of fixed assets		348	1,349
Secretariat travelling		31,125	26,504
Staff training		18,389	19,662
		<b>4,009,040</b>	<b>3,344,872</b>
President's allowance		30,000	26,860
<i>Committees:</i>			
Head office		71,397	77,031
Area meetings		63,423	71,376
		<b>164,820</b>	<b>175,267</b>
Member Services		95,150	107,901
ABTA publications		20,938	23,551
Public relations		75,898	69,270
Advertising		7,005	31,250
Inspections and Investigations		9,265	29,845
Tour operators' shortfall insurance premium	16	10,662	-
		<b>218,918</b>	<b>261,817</b>
Trade subscriptions		50,443	52,984
Legal & professional charges	17	44,873	360,460
Institute of Arbitrators		52,897	65,825
Appeal Board		2,000	2,000
Auditor's remuneration		47,686	49,748
UK & EU Parliamentary affairs		30,578	25,192
Bank charges		8,160	8,196
Net claims in excess of insurance cover	18	147,709	( 223,981)
Claims payable on failures from Retail Fund	8	31,112	96,364
Sundry expenses		26,659	22,448
		<b>442,117</b>	<b>459,236</b>
Net pension Financing Cost	21	148,000	141,000
<b>Total expenditure - page 6</b>		<b>4,982,895</b>	<b>4,382,192</b>

The notes on pages 10 to 20 form part of these financial statements.

# Cash Flow Statement

## for the year ended 30 June 2006

	Notes	2006	2005
		£	As restated £
<b>Cash inflow/(outflow) from operating activities</b>	<b>A</b>	<b>562,946</b>	<b>( 1,325,538)</b>
<b>Returns on investments and servicing of finance</b>			
Dividends received from subsidiary undertakings		316,000	-
Interest received		370,930	350,277
<b>Net cash inflow for returns on investments and servicing of finance</b>		<b>686,930</b>	<b>350,277</b>
<b>Taxation</b>		<b>( 504,599)</b>	<b>( 214,748)</b>
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		( 46,331)	( 101,170)
Proceeds from sale of tangible fixed assets		-	75
		<b>( 46,331)</b>	<b>( 101,095)</b>
<b>Sale of TTC Training Limited</b>			
Deferred consideration received		323,076	323,076
<b>Net cash inflow from disposal of investments</b>		<b>323,076</b>	<b>323,076</b>
<b>Increase/(Decrease) in cash in the year</b>	<b>B</b>	<b>1,022,022</b>	<b>( 968,028)</b>

The notes on pages 12 to 20 form part of these financial statements.

## Notes to the Cash Flow Statement

### for the year ended 30 June 2006

#### A. Reconciliation of operating (deficit)/surplus to net cash flow from operating activities

	2006	2005
		As restated
	£	£
Surplus before taxation	54,332	888,288
<i>Adjustments for:</i>		
Pension service cost	233,000	166,000
Past service cost	80,000	
Loss/(gain) on settlements and curtailments	275,000	( 118,000)
Pension contributions	( 235,000)	( 231,000)
Pension financial charges	148,000	141,000
Dividends receivable from subsidiary undertakings	( 230,000)	( 316,000)
Interest receivable	( 370,930)	( 350,277)
Depreciation	207,694	201,346
Deficit on sale of fixed assets	348	1,349
Decrease/(Increase) in debtors	379,805	( 211,826)
Increase/(Decrease) in creditors	20,697	( 1,496,418)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>562,946</b>	<b>( 1,325,538)</b>

#### B. Reconciliation of net cash in/(out) flow to movement in net funds

	2006	2005
	£	£
Increase/(decrease) in cash in the year	1,022,022	( 968,028)
Movement in net funds during the year	1,022,022	( 968,028)
Net funds at 1 July 2005	3,869,690	4,837,718
<b>Net funds at 30 June 2006</b>	<b>4,891,712</b>	<b>3,869,690</b>

#### C. Analysis of changes in net funds

	At 1 July		At 30 June
	2005	Cash flow	2006
	£	£	£
Cash at bank and in hand	3,869,690	1,022,022	4,891,712
<b>Net funds</b>	<b>3,869,690</b>	<b>1,022,022</b>	<b>4,891,712</b>

# Notes to the Financial Statements

## for the year ended 30 June 2006

### 1 Accounting policies

#### a) Accounting convention

These financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom Generally Accepted Accounting Practice.

#### b) Basis of preparation

The financial statements comprise, the financial statements of ABTA together with those of the Retail fund and the Principals' Fund, as detailed in note 8 both funds being restricted in their activities but deemed to be controlled by ABTA.

The inclusion of these funds gives rise to a prior year adjustment as shown in the Statement of Total Recognised Gains and Losses. The comparative figures have been restated accordingly.

In the opinion of the Board of Directors, ABTA and its subsidiaries constitute a medium sized group and therefore, under the provisions of the Companies Act 1985, the group is exempt from the requirement to prepare consolidated financial statements.

#### c) Deferred taxation

Deferred tax is provided, in full, in respect of taxation deferred by timing differences, between the treatment of certain items of taxation and accounting policies.

A deferred asset is only recognised where the conditions for recognition in Financial Reporting Standard No 19 (Deferred Tax) are satisfied and such balances may fall due after more than one year.

#### d) Subscriptions

Subscriptions relate to the membership year from 1 July 2005 to 30 June 2006.

#### e) Pension scheme

The Association operates two types of pension scheme, a defined benefits pension scheme providing benefits based on final pensionable pay and also contributes to individual employees stakeholder pension plans.

In respect of the defined benefit pension scheme, contributions are paid to the scheme in accordance with the recommendations of actuaries. The scheme is funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds.

The Association has fully adopted Financial Reporting Standard 17 - Retirement Benefits for the year ended 30 June 2006. The effect of this change in accounting policy is to recognise the pension scheme deficit in the balance sheet. The adoption of FRS17 has given rise to a prior year adjustment as shown in the statement of recognised gains and losses. The comparative figures have been restated accordingly.

Current service costs, past service costs, gains and losses on settlements and curtailments, interest and the expected return on pension scheme assets are charged to operating profit.

Actuarial gains and losses are charged to the statement of recognised gains and losses.

As detailed in note 21, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return of a high-quality corporate bond of equivalent currency and term of the scheme liabilities. Full updated actuarial valuations are obtained triennially and are reviewed in the following two years at each balance sheet date. The defined benefit pension scheme asset or liability is presented separately after other net assets on the face of the balance sheet.

The contributions to stakeholder pension plans are charged to the profit and loss account as they become payable. The Association has no further obligations in respect of the stakeholder pension plan.

#### f) Computer software development expenditure

Computer software development expenditure is written off during the year in which it is incurred.

#### g) Depreciation

Depreciation is provided to write off the cost of tangible fixed assets over their estimated useful economic lives as follows:

No depreciation is provided on freehold land.

Freehold building	- 2.5% of cost per annum
Improvements to freehold building	- 10% of cost per annum
Furniture and office equipment	- 10% to 33 1/3% of cost per annum

#### h) Dividends

Dividends from subsidiary undertakings are recognised in the income and expenditure account on an attributable basis.

#### i) Leasing and lease purchase obligations

Assets obtained under lease purchase obligations are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the leasing obligations are charged evenly to the income and expenditure account over the period of the lease.

Rentals under operating leases are charged to the income and expenditure account as they fall due.

# Notes to the Financial Statements

## for the year ended 30 June 2006

### 2 Fixed assets

#### Tangible assets

	Freehold property	Furniture and office equipment	Total
	£	£	£
<b>Cost:</b>			
At 1 July 2005	4,608,667	746,710	5,355,377
Additions	-	46,331	46,331
Disposals	-	(113,001)	(113,001)
At 30 June 2006	<b>4,608,667</b>	<b>680,040</b>	<b>5,288,707</b>
<b>Depreciation:</b>			
At 1 July 2005	1,118,073	639,215	1,757,288
Charge for year	155,867	51,827	207,694
Disposals	-	(112,652)	(112,652)
At 30 June 2006	<b>1,273,940</b>	<b>578,390</b>	<b>1,852,330</b>
<b>Net book value:</b>			
At 30 June 2006	<b>3,334,727</b>	<b>101,650</b>	<b>3,436,377</b>
At 30 June 2005	3,490,594	107,495	3,598,089

### 3 Investments

#### Investment in subsidiary undertakings

	2006	2005
	£	£
Shares at cost:		
At 1 July 2005 & 30 June 2006	<b>1,785,000</b>	1,785,000

At 30 June 2006 these comprise the Association's investment in the share capital of two wholly owned captive insurance companies.

The investment in share capital of both captive insurance companies was required to meet their statutory liquidity requirements in Guernsey and was mainly funded from brokerage fees receivable from those companies.

Subsidiary	Principal activity	Country of incorporation	Class and % of shares held	Cost of investment
ABTA Insurance Company (Guernsey) Limited	Shortfall insurance arrangements for members conducting Principal activity with non-licensable turnover	Guernsey	100% ordinary	<b>225,000</b>
ABTA Travel Agents Insurance Company Limited	Primary and shortfall insurance arrangements for members conducting Retail activity	Guernsey	100% ordinary	<b>1,560,000</b>
				<b>1,785,000</b>

All subsidiary undertakings make up their financial statements to 30 June each year.

The financial information to be included relating to the captive insurance subsidiaries for the relevant financial year is as follows:

	ABTA Insurance Company (Guernsey) Limited	ABTA Travel Agents Insurance Company Limited
	£	£
(a) Capital and reserves	4,072,815	11,092,798
(b) Profit/(loss) for year, after taxation	235,080	(527,539)
(c) Dividends payable	80,000	150,000
(d) Cost of the investment	225,000	1,560,000
(e) The auditor's reports contained no qualification		

# Notes to the Financial Statements

## for the year ended 30 June 2006

4a Debtors: amounts falling due within one year	2006	2005
	£	£
Deferred consideration loan (secured on property)	323,076	323,076
Dividend receivable from subsidiary undertakings	230,000	316,000
Other debtors	592,373	950,803
Prepayments and accrued income	114,854	136,229
	<b>1,260,303</b>	<b>1,726,108</b>

4b Debtors: amounts falling due after more than one year	2006	2005
	£	£
Deferred consideration loan (secured on property)	107,692	430,768
	<b>107,692</b>	<b>430,768</b>

The deferred consideration loan relates to the sale of TTC Training Limited in 2002 which carries interest at base rate and is being paid in monthly instalments until October 2007.

5 Creditors: amounts falling due within one year	2006	2005
	£	As restated £
ABTA Travel Agents Insurance Company Limited	13,749	12,113
Other creditors	366,233	691,217
Corporation tax	207,626	504,599
Other taxes and social security	88,503	96,947
Accruals	445,790	237,757
Deferred income	315,857	171,402
	<b>1,437,758</b>	<b>1,714,035</b>

### 6 Provisions for liabilities and charges

Deferred Taxation	2006	2005
	£	£
At 1 July 2005	142,527	160,189
Transfer to Income & Expenditure account	( 27,188)	( 17,662)
Balance at 30 June 2006	<b>115,339</b>	<b>142,527</b>

The provision for deferred taxation has been calculated based on a corporation tax rate of 30% (2005 - 30%) and relates wholly to accelerated capital allowances.

### 7 Accumulated fund

	ABTA	Restricted Retail Fund	Restricted Principals' Fund	Total
	£	£	£	£
At 1 July 2005				
As previously reported	9,003,700	-	-	9,003,700
Effect of prior year adjustments	( 2,531,000)	546,907	2,486	( 1,981,607)
As restated	6,472,700	546,907	2,486	7,022,093
(Deficit)/surplus for the year	32,154	( 7,995)	35	24,194
Other recognised gains and losses	125,100	-	-	125,100
As at 30 June 2006	<b>6,629,954</b>	<b>538,912</b>	<b>2,521</b>	<b>7,171,387</b>
The unrestricted ABTA funds are analysed:	2006			2005
	£			£
Accumulated fund excluding pension liability	9,386,554			9,003,700
Pension Liability	( 2,756,600)			( 2,531,000)
Balance at 30 June 2006 as restated	<b>6,629,954</b>			<b>6,472,700</b>

The Association is a company limited by guarantee and not having a share capital. Each member of the Association has undertaken to contribute an amount not exceeding £10 to the assets of the Association in the event of it being wound up within the period of their membership or within one year after ceasing to be a member. At 30 June 2006 the Association has 1,621 members (2005 - 1,736)

# Notes to the Financial Statements

## for the year ended 30 June 2006

8 Retail and Principals' Fund	2006			2005
	£	£	£	£
<b>Income and Expenditure</b>	<b>Retail Fund</b>	<b>Principals' Fund</b>	<b>Total</b>	<b>Total</b>
Interest receivable	19,690	51	19,741	22,783
Claims payable on failures (see note below)	(31,112)	-	(31,112)	(96,364)
<b>Surplus/(Deficit) for year before taxation</b>	<b>(11,422)</b>	<b>51</b>	<b>(11,371)</b>	<b>(73,581)</b>
<b>Taxation</b>				
Corporation tax recoverable at a rate of 30% (2005 – 30%)	3,427	(16)	3,411	22,075
<b>(Deficit) for year after taxation</b>	<b>(7,995)</b>	<b>35</b>	<b>(7,960)</b>	<b>(51,506)</b>
Accumulated Fund balance 1 July 2005	546,907	2,486	549,393	600,899
<b>Accumulated Fund balance 30 June 2006</b>	<b>538,912</b>	<b>2,521</b>	<b>541,433</b>	<b>549,393</b>
Represented by:				
Corporation tax	3,427	(16)	3,411	22,075
Cash at bank	571,021	2,537	573,558	536,229
	574,448	2,521	576,969	558,304
Claims payable	(35,536)	-	(35,536)	(8,911)
	538,912	2,521	541,433	549,393

These funds were established under the Association's Articles and are restricted in their use.

Claims payable represent discretionary amounts agreed by the Retail Fund Appeal Committee in respect of member failures which fall outside of ABTA's scheme of financial protection.

9 Subscriptions	2006		2005
	£	£	£
Retail activity	1,394,426		1,553,451
Principal activity	2,319,003		2,153,866
	3,713,429		3,707,317

10 Fines and miscellaneous fees paid by members	2006		2005
	£	£	£
Fines	62,250		102,551
Miscellaneous fees paid by members	84,070		90,220
	146,320		192,771

11 Miscellaneous income	2006		2005
	£	£	£
<i>Member Services</i>			
Member offers	31,075		32,534
Seminars	55,577		77,816
	86,652		110,350
Sponsorship of ABTA handbook	88,000		70,000
Administration of failures	29,510		16,037
Release of pipeline monies (See note 20)	-		28,769
Income from regions	24,939		18,206
Risk management contribution	50,000		50,000
Database sales	65,618		61,708
Other income	75,760		122,480
	420,479		477,550

# Notes to the Financial Statements

## for the year ended 30 June 2006

12 Convention	2006	2005
	Marrakech 2005	Orlando 2004
	£	£
Net income	688,441	762,469
Expenditure	(756,664)	(739,571)
<b>(Deficit)/Surplus</b>	<b>(68,223)</b>	<b>22,898</b>

13 Surplus before taxation	2006	2005
		As restated
	£	£
<i>Is stated after charging:</i>		
Auditor's remuneration	47,686	49,748
Depreciation of tangible fixed assets	207,694	201,346

14 Taxation	2006	2005
		As restated
	£	£
<b>14a Current tax:</b>		
UK corporation tax on surplus for the year	302,426	542,099
Double tax relief	(94,800)	(37,500)
Adjustments in respect of previous years	-	(1)
<b>Total current tax (note 14(b))</b>	<b>207,626</b>	<b>504,598</b>
<b>Deferred tax:</b>		
Credit to income and expenditure for the year (note 6)	(27,188)	(17,662)
Effect of elements charged to income and expenditure as required by FRS17	(150,300)	12,600
<b>Total deferred tax</b>	<b>(177,488)</b>	<b>(5,062)</b>
<b>Tax on operating surplus</b>	<b>30,138</b>	<b>499,536</b>

### 14b Factors affecting tax charge for year

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30% (2005 - 30%).

The differences are explained below:

Operating surplus before tax	54,332	888,288
Operating surplus multiplied by the effective rate of corporation tax in the UK of 30% (2005 - 30%)	16,300	266,486
Effects of:		
Expenses not deductible for tax purposes	1,928	1,217
Difference between pension contributions and FRS17 costs	150,300	(12,600)
Expenses not deductible for tax purposes - fixed assets	10,086	17,663
Tax on profits of overseas subsidiary	70,824	315,648
Underlying tax credit on dividend from subsidiary	(69,000)	(94,800)
Other short term timing differences	412	-
Qualifying depreciation in excess of capital allowances	26,776	10,984
<b>Current tax charge for year (note 14(a))</b>	<b>207,626</b>	<b>504,598</b>

The taxation charge in respect of the ABTA Retail Fund and the ABTA Principals' Fund as shown in note 8 is included above.

# Notes to the Financial Statements

## for the year ended 30 June 2006

15 Staff Costs	2006	2005
	£	As restated £
Wages, salaries and related staff costs	2,253,005	2,218,781
Social security costs	230,873	228,265
Employer's pension contribution - Defined contributions	48,779	45,085
Defined benefit pension scheme service cost	313,000	166,000
Loss/(gain) on settlements and curtailments	275,000	( 118,000)
<b>Total staff costs</b>	<b>3,120,657</b>	<b>2,540,131</b>

Staff costs and the average weekly number of employees are derived as follows:

	2006		2005	
	No.	£	No.	£
Total staff costs	69	3,120,657	72	2,540,131

### 16 Premiums for shortfall insurance policies

#### Members conducting retail activities

To provide an alternative to bonding and shortfall insurance ABTA has its own Guernsey based insurance subsidiary, ABTA Travel Agents Insurance Company Limited (see note 3). The cost of the premiums payable by ABTA of £1,481,315 (2005 - £1,684,213) is fully recovered from contributions collected from members under the Travel Agent's Bond Replacement Scheme.

#### Members conducting principal activities

All bond shortfalls arising on failures in the year in respect of non-licensable business have been met by the ABTA Insurance Company (Guernsey) Limited, ABTA's wholly owned Guernsey based insurance subsidiary (see note 3). Premiums totalling £210,000 (2005 - £210,000) were payable by ABTA to its subsidiary during the year. Members' contributions towards this sum amounted to £179,649 (2005 - £229,690) and the shortfall of premiums collected has been borne by ABTA (2005 - excess of premiums collected has been carried forward as deferred income).

17 Legal and professional charges	2006	2005
	£	£
Staff recruitment	46,207	60,834
Accountancy advice	5,650	4,750
Taxation advice	9,600	8,250
VAT advice	19,790	68,500
Retirement Benefits Scheme audit and professional fees	9,777	10,588
Advice on airline commissions	6,031	7,332
Judicial review of CAA guidance note 26	82,831	44,930
Other professional charges	20,883	21,158
Consultancy fees	-	19,305
Legal fees in respect of fraud investigations	10,691	114,813
Contribution by obligors to fraud investigations	( 166,587)	-
	<b>44,873</b>	<b>360,460</b>

On 17 October 2006, ABTA was successful in the Court of Appeal in defending the original decision of the High Court of the judicial review involving the CAA. ABTA is entitled to recover a proportion of its legal costs incurred during the appeal process. However, as the amount of the recovery has not yet been determined, no recognition of any recovery has been made in these financial statements.

# Notes to the Financial Statements

## for the year ended 30 June 2006

### 18 Net claims in excess of insurance cover

Claims borne by the Association in respect of members who failed during the following years - (see note a below)

	2006	2005
	£	£
Year ended 30 June 2006	150,200	-
Recoveries (see note b below)	(2,491)	(223,981)
	<b>147,709</b>	<b>(223,981)</b>

- a) These represent sums payable under the Association's scheme of financial protection where the aggregate value of claims exceed the maximum sum under bonds provided and the insurance indemnity shortfall policy provided by the ABTA Travel Agents Insurance Company Limited. This policy provides cover up a maximum of 150% (2005 - 150%) of premiums paid to the company in any one year.
- b) In 2004 it was discovered that false claims had been made against the Association, its insurance subsidiaries and third party bond providers. In all, £1,108,911 was discovered to have been falsely claimed from the Association in respect of members' failures over a period of 9 years. Of this sum, £389,386 was paid by the Association and has been reflected in its accounts in prior years. The balance was paid from securities held by the Association. As a result, a member of staff was dismissed and in March 2005 this employee was sentenced to 4 1/2 years imprisonment. These financial statements include recoveries previously written off, attributable to ABTA of £2,491 (2005 - £223,981).

### 19 Members' failures

Where appropriate, ABTA administers claims in respect of the failure of its members by calling in bonds where they are required to be provided and/or by claiming on the Association's indemnity shortfall insurance policies. In the year ended 30 June 2006, as disclosed in note 18, ABTA has borne the cost of members failures conducting Retail Activities which were in excess of Bonds and the insurance indemnity shortfall policy. Additionally the ABTA Retail Fund makes discretionary payments which fall outside of ABTA's scheme of financial protection.

ABTA staff verify claims made by the travelling public and make settlements out of the funds called in.

During the financial year ended 30 June 2006, ABTA dealt with claims from the travelling public in respect of ABTA bonded members as follows:

	Failure of Members conducting Principal activities	Failure of Members conducting Retail activities
	£	£
<b>a) For failures arising during the year:</b>		
Bonds	822,630	868,948
Insurance indemnity shortfall policies	76,757	716,061
ABTA general reserves	-	150,200
ABTA Retail Fund	-	17,565
	<b>899,387</b>	<b>1,752,774</b>
<b>b) For failures arising in prior years:</b>		
Bonds	22,278	1,067,824
Insurance indemnity shortfall policies	-	430,230
ABTA Retail Fund	-	13,547
	<b>22,278</b>	<b>1,511,601</b>
<b>Total claims</b>	<b>921,665</b>	<b>3,264,375</b>

The number of ABTA members who failed during the year was as follows:

	2006	2005
Members conducting Principal activities	9	7
Members conducting Retail activities	38	26

# Notes to the Financial Statements

## for the year ended 30 June 2006

### 20 Monies held on behalf of third parties

#### Failures

The Association acts as trustee for the funds called in respect of failed members, which are held in separate designated accounts and are not reflected in the Association's balance sheet. At 30 June 2006 ABTA was responsible for funds totalling £1,739,149 (2005 - £660,556). These sums represent funds called in and not yet distributed, together with accumulated interest.

Income tax is payable on the interest on these accounts, and at 30 June 2006 the outstanding tax liability amounts to approximately £21,273 (2005 - £6,099).

#### Pipeline monies

Where the Association holds as trustee certain funds relating to failed Tour Operators ("pipeline monies"). The Association having obtained legal advice releases to income and expenditure account residual funds received more than 6 years ago.

During the year £nil (2005 - £28,769) has been released and is included in miscellaneous income (see note 11).

The Association continues to hold as trustee Pipeline monies received during the last six years.

At 30 June 2006 these funds totalling £23,057 (2005 - £18,789) are held in separately designated accounts and are not reflected in the balance sheet of the Association.

#### Fines

Under the Association's Articles of Association, members who appeal against fines levied by the Association are required to pay the fine prior to the hearing of the Appeal Board. These funds are returned if the appeal is successful. As at 30 June 2006 £2,734 (2005 - £3) was held by the Association and representing balances held pending hearing of the appeals (2005 tax due on the bank interest received). The funds are not reflected in the Association's balance sheet.

#### SPS

The Association acts as a trustee for the monies paid by members conducting retail activities to members conducting activities as a principal through the ABTA Single Payment Scheme. As at 30 June 2006 the balance held in the scheme was £9,623,341 (2005 - £nil) and is not reflected in the Association's balance sheet.

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# Notes to the Financial Statements

## for the year ended 30 June 2006

### 21 Pension scheme

ABTA has a funded pension scheme to provide retirement and death benefits for eligible employees, which is a defined benefit pension scheme. The scheme has been closed to new members with effect from 1 July 2003.

#### Actuarial valuation at 1 July 2003

The latest actuarial valuation of the scheme, carried out by the Scheme's independent professionally qualified actuary, was at 1st July 2003 and at that date, the market value of the assets of the scheme was £6,272,564 and the value of the scheme liabilities was £6,817,684 with a deficit of £545,120 based on salary at retirement age. The value of the scheme assets was 92% of the amount of the liabilities of the scheme. A summary of the method assumptions used by the Scheme's qualified actuary were as follows:

The "Projected Unit Method" modified by the use of a control period was used in the 2003 actuarial valuation to calculate the contribution rate required. A control period is a conservative estimate based on 5 years to represent the entire scheme. The main assumptions used were:

- The investment return on Scheme assets is 7%. For those members within 5 years of Normal Retirement Age pensions are assumed to be purchased on an underlying interest rate of 5.5%.
- Revaluation of early leavers' benefits is 3%.
- Salary growth is 4.2%.
- The control period for benefits is to normal retirement date.

At the date these financial statement's were approved, the 2006 triannual valuation is being performed.

#### Analysis of the amount charged to operating profit

The Association contributed 18.5% of pensionable salaries including death in service benefit for the year. ABTA's contributions towards the scheme's current service cost amounted to £235,000 (2005 - £231,000).

The current funding rate agreed with the scheme actuary, of 18.5% of pensionable salaries, based on the results of the 1 July 2003 triennial actuarial valuation, will continue until April 2008.

#### Valuation assumptions at 30 June 2006 and results

ABTA's appointed actuary for the purposes of carrying out the valuation at 30 June 2006 in accordance with

Financial Reporting Standard 17 (FRS 17), adopted the following major assumptions:

	At 30 June 2006	At 30 June 2005
Rate of increase in salaries	4.1% pa	3.8% pa
Rate of increase in pensions in payment	3.1% - 5.0% pa	2.8% - 5.0% pa
Rate used to discount scheme liabilities	5.5% pa	5.0% pa
Inflation assumption	3.1% pa	2.8% pa

The values at 30 June 2006 were as follows:

	£	£
Value of scheme assets	6,859,000	7,323,000
Value of scheme liabilities	10,797,000	10,939,000
<b>Deficit</b>	<b>(3,938,000)</b>	<b>(3,616,000)</b>
Related deferred tax asset	1,181,400	1,085,000
<b>Net pension liability</b>	<b>(2,756,600)</b>	<b>(2,531,000)</b>

# Notes to the Financial Statements

## for the year ended 30 June 2006

### 21 Pension scheme *continued*

#### Scheme assets at 30 June 2006

At the start of the year, the scheme assets were invested in Scottish Life branded, Crest Growth and Protected Growth policies insured with Royal London and also a managed equity fund with ISIS. During the year the Trustees, having taken independent advice, re-invested the funds into equity and fixed interest managed funds to rebalance scheme assets with long term liabilities and to improve the overall investment performance. The long term rates of return expected at 30 June 2006 were as follows:

	Long-term rate of return expected at 30 June 2006	Long-term rate of return expected at 30 June 2005
	%	%
Protected Growth	-	5.2
Crest Growth	-	5.2
Balanced Growth	-	6.1
Fixed Interest	4.7	-
Equities	7.0	-
Cash	4.5	4.5

#### Analysis of the amount charged to operating profit

	30 June 2006	30 June 2005
	£	£
Current service cost	233,000	166,000
Past service cost	80,000	-
Losses/(gains) on Settlements and Curtailments	275,000	(118,000)
<b>Total operating charge</b>	<b>588,000</b>	<b>48,000</b>

#### Analysis of the amount charged to other financial income

Expected return on pension scheme assets	(436,000)	(365,000)
Interest on pension scheme liabilities	584,000	506,000
<b>Net charge recognised in the income and expenditure account</b>	<b>148,000</b>	<b>141,000</b>

#### Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)

	30 June 2006	30 June 2005
	£	£
Actual return less expected return on pension scheme assets	(25,000)	133,000
Experience gains arising on the scheme liabilities	112,000	80,000
Changes in assumptions underlying the present value of the same liabilities	92,000	(1,773,000)
<b>Actuarial gain/(loss) recognised in the STRGL</b>	<b>179,000</b>	<b>(1,560,000)</b>

#### History of experience gains and losses

	2006	2005	2004	2003	2002
	£	£	£	£	£
Difference between expected and actual return on scheme assets	(25,000)	133,000	(103,000)	(527,000)	(490,000)
Percentage of scheme assets	0	2	2	(8)	(8)
Expected gains and losses on scheme liabilities	112,000	80,000	(802,000)	(176,000)	(281,000)
Percentage of scheme liabilities	1	1	(9)	(2)	(4)
<b>Total amount recognised in statement of total recognised gains and losses</b>	<b>179,000</b>	<b>(1,560,000)</b>	<b>189,000</b>	<b>(889,000)</b>	<b>(594,000)</b>
Percentage of scheme liabilities	2	14	10	(10)	(8)

# Notes to the Financial Statements

## for the year ended 30 June 2006

### 21 Pension scheme *continued*

#### Movement in deficit during the year

	30 June 2006	30 June 2005
	£	£
Deficit at 1 July 2005	(3,616,000)	(2,098,000)
Current service cost	(233,000)	(166,000)
Past service cost	(80,000)	-
(Loss)/gains on Settlements and Curtailments	(275,000)	118,000
Employer contributions invested	235,000	231,000
Other financial charges	(148,000)	(141,000)
Actuarial gain/(loss)	179,000	(1,560,000)
<b>Deficit in scheme at 30 June 2006 recognised in the Balance Sheet</b>	<b>(3,938,000)</b>	<b>(3,616,000)</b>

#### Factors which may affect the above results

The deficit is the difference between two much larger values, the assets and the liabilities. Hence relatively small changes in either of these values can result in relatively large changes in the deficit. Hence there is inherent volatility in the deficit value.

Factors which affect the values placed on the assets and liabilities include stock market performance, the discount rate chosen, and the difference between the discount rate and the salary growth assumption.

The FRS17 basis is based on financial conditions on a particular date. Financial conditions are likely to change over time. It is also possible for there to be large changes over short time periods. The number of members in the scheme is relatively small. Hence over a one year period the demographic experience of the scheme may vary significantly from the assumptions made. Hence there is also inherent volatility in the pension scheme numbers which relate to the profit and loss account and the STRGL.

### 22 Related Party Transactions

Income includes dividends of £150,000, a contribution of £45,000 towards risk management and other fees and £160,527 contribution towards ABTA's legal costs incurred in respect of fraud investigations from the ABTA Travel Agents Insurance Company Limited.

Income includes dividends of £80,000 and a contribution of £5,000 towards risk management and other fees from the ABTA Insurance Company (Guernsey) Limited.

Other transactions during the year with related parties are referred to in note 16 and indebtedness at the year end were as follows:

	ABTA Insurance Company (Guernsey) Limited	ABTA Travel Agents Insurance Company Limited
	£	£
Dividends receivable (note 4a)	80,000	150,000
Amounts due within one year (note 5)	-	13,749

# Financial Highlights

The following Balance Sheet and Income and Expenditure account are a summary of the information that appears in the full financial statements, which have been audited and on which the auditors have given an unqualified opinion and did not include any statements under Sec.s 237(2) or 237(3) of the Companies Act 1985.

The Board of Directors approved the full financial statements on 15 November 2006.

The summarised financial statements may not contain enough detail to allow for a complete understanding of ABTA's financial affairs and do not constitute full statutory accounts within the meaning of s.240 of the Companies Act 1985.

For further information, the full financial statements, including the auditors report, should be consulted. They can be obtained from:

The Association of British Travel Agents 68-71 Newman Street, London W1T 3AH

Telephone: 020 7637 2444 and online at [www.abta.com/download/ye2006.pdf](http://www.abta.com/download/ye2006.pdf)

	£	£
<b>Summarised Balance Sheet at 30 June 2006</b>		
	<b>2006</b>	<b>2005</b>
		<b>As restated</b>
<b>Fixed assets</b>	<b>5,221,377</b>	<b>5,383,089</b>
<b>Current assets</b>	<b>6,259,707</b>	<b>6,026,566</b>
<b>Creditors: amounts falling due within one year</b>	<b>( 1,437,758)</b>	<b>( 1,714,035)</b>
<b>Net current assets</b>	<b>4,821,949</b>	<b>4,312,531</b>
<b>Total assets less current liabilities</b>	<b>10,043,326</b>	<b>9,695,620</b>
<b>Provisions for liabilities and charges</b>	<b>( 115,339)</b>	<b>( 142,527)</b>
<b>Net assets excluding pension liability</b>	<b>9,927,987</b>	<b>9,553,093</b>
<b>Net pension liability</b>	<b>( 2,756,600)</b>	<b>( 2,531,000)</b>
<b>Accumulated fund</b>	<b>7,171,387</b>	<b>7,022,093</b>

<b>Summarised Income &amp; Expenditure Account for the year ended 30 June 2006</b>		
	<b>2006</b>	<b>2005</b>
<b>Income</b>		
<b>Membership Income</b>	<b>4,084,041</b>	<b>4,103,755</b>
<b>Dividends from subsidiaries</b>	<b>230,000</b>	<b>316,000</b>
<b>Other income and interest</b>	<b>723,186</b>	<b>850,725</b>
<b>Total income</b>	<b>5,037,227</b>	<b>5,270,480</b>
<b>Expenditure - see below for detail</b>	<b>4,982,895</b>	<b>4,382,192</b>
<b>Operating (deficit)/surplus</b>	<b>54,332</b>	<b>888,288</b>
<b>Taxation</b>	<b>( 30,138)</b>	<b>( 499,536)</b>
<b>(Deficit)/surplus for the year after taxation</b>	<b>24,194</b>	<b>388,752</b>

<b>Statement of Total Recognised Gains &amp; Losses</b>		
	<b>2006</b>	<b>2005</b>
<b>(Deficit)/surplus for the year</b>	<b>24,194</b>	<b>388,752</b>
<b>Actuarial gain/(loss) on defined benefit pension scheme</b>	<b>179,000</b>	<b>( 1,560,000)</b>
<b>Movement in related deferred tax Asset</b>	<b>( 53,900)</b>	<b>468,200</b>
<b>Total gains &amp; losses relating to the year</b>	<b>149,294</b>	<b>( 703,048)</b>
<b>Expenditure</b>		
<b>Secretariat costs</b>	<b>4,009,040</b>	<b>3,344,872</b>
<b>Committee Costs</b>	<b>164,820</b>	<b>175,267</b>
<b>Member Services Costs</b>	<b>218,918</b>	<b>261,817</b>
<b>Other expenditure</b>	<b>294,408</b>	<b>683,217</b>
<b>Recovery of prior year claims</b>	<b>147,709</b>	<b>( 223,981)</b>
<b>Net pension financing cost</b>	<b>148,000</b>	<b>141,000</b>
<b>Total expenditure</b>	<b>4,982,895</b>	<b>4,382,192</b>

## Independent Auditors' Report to the Members of the Association of British Travel Agents Limited

We have examined the above summary financial statement for the year ended 30 June 2006 which comprise the Summarised Balance Sheet and the Summarised Income and Expenditure Account of the Association of British Travel Agents Limited (ABTA). This report is made solely to ABTA's members, as a body. Our audit work has been undertaken so that we might state to ABTA'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 ABTA and ABTA's members as a body, for our audit work, or this report, for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and Financial Highlights. Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Annual Report and Financial Highlights with the full annual accounts and directors' report. We also read the other information contained in the Annual Report and Financial Highlights and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

**Basis of opinion** We conducted our work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board for use in the United Kingdom.

**Opinion** In our opinion the summary financial statement is consistent with the full annual accounts and directors' report of the Association of British Travel Agents Limited for the year ended 30 June 2006.

CHANTREY VELLACOTT DFK LLP  
Chartered Accountants  
Registered Auditors  
LONDON  
15 November 2006