

Company Registration number: 551311

**ABTA Ltd (formerly Association of British
Travel Agents Limited) Annual Report and
Financial Statements 2007**

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 includes elected members. The role of President is separated from the role of the Chief Executive, both of whom are members 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. 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.

With effect from 1 July 2007, to meet the changing conditions within the travel industry and to give the Board of Directors of ABTA Limited the flexibility to appoint and remunerate directors from within and outside of the membership, the Board has been reduced in size to nine members and restructured as follows:

- 4 persons representing ABTA members are elected by the membership
 - 1 the President, elected by the membership
 - 1 the Chief Executive
- 2 ABTA Members appointed by the elected Board Members, the President and the Chief Executive
- 1 other person appointed by the above Board members who need not be a member of ABTA

All Board members, except the President and Chief Executive will serve two year terms.

This Board composition will ensure the optimum level of expertise on the Board and allow it to be fully representative of the industry today and in the future.

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 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 Board 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 Board who review 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 2007.

1 Change of name

On 6 July 2007 the name of the company was changed from the Association of British Travel Agents Limited to ABTA Limited. The change was approved by the membership in April 2007 at an Extraordinary General Meeting and better reflects the association's current broad membership which is expected to broaden further.

2 Business Review

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

The travel industry continued to experience major change. As ever the business of ABTA's Members is subject to extraneous events, but, in addition, fundamental changes in the structure of the industry are underway. The arrival of low-cost air carriers and the replication of their business model by established airlines, the increased penetration of internet distribution and changes in consumer travel patterns have created the need for ABTA Members to examine their business strategies and to adapt. The change in the competitive dynamic was illustrated by the announcement of mergers that consolidate the four largest UK outbound operators into two.

As these changes have taken effect, so the regulatory regime in which ABTA Members operate is altering. The year ended 30 June 2007 saw the successful conclusion of ABTA's judicial review of what constitutes a package under the Package Travel Regulations and further reform in the area of consumer protection is inevitable. The exclusion from FSA regulation that travel agents have had in respect of travel insurance sales was reviewed by the Treasury. In spite of ABTA's representations that we did not see evidence of consumer detriment, the Treasury announced its decision to end the exclusion from January 2009. ABTA continues to lobby on behalf of its Members across a wide range of issues to ensure minimum regulatory burden and fair competition with other non-ABTA travel companies.

Recognising the commercial pressure on its Members, ABTA continues to reform its own procedures and structures. A revision of financial criteria was announced in October 2006 and these changes have now been implemented. The effect of these is to allow Members to compete effectively, while safeguarding ABTA's own financial position. In addition, ABTA invited Members to vote on a number of constitutional changes which included the reduction in the size of the ABTA Board to nine members, changes in the powers of the Board to set subscription rates and a change of name from Association of British Travel Agents Ltd to ABTA Ltd. These changes were approved at an EGM in April 2007. The changes reflect the Board's considered opinion that for ABTA to continue to flourish and grow, it needs to recognise and welcome into membership new types of travel companies. The Board believes that the changes give ABTA the constitutional flexibility to shape the organisation effectively for its existing and future members.

From a financial point of view the organisation is in excellent health. Revenues from subscriptions remain robust and the asset base of the association is strong. The triennial valuation of the ABTA pension scheme by the Trustees of that scheme indicated a funding deficit.

This is a common feature of many pension funds at present and is largely due to increased life expectancy of the scheme members.

Negotiations between the Fund Trustees and the Company were initiated to arrive at an agreed contribution schedule to eliminate the deficit and these were successfully concluded. As part of the contribution arrangement, a payment of £500,000 was made in the year ended 30 June 2007 and a further payment of £1,600,000 was made in October 2007.

3 The Role of ABTA:

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 ABTA 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.

4 Fixed assets

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

On the instructions of the directors, an independent valuation of the freehold property was carried out in September 2007, which indicated that the current market value at that date was in excess of £13 million. The net book value of the property at 30 June 2007 was £3,334,727.

Report of the Board Of Directors continued

5 Directors

The names of the members of the Board of Directors during the year ended 30 June 2007 were:

Roger Allard*

Steve Allen appointed 5 September 2006*

Steve Barrass*

Stephen Bath*

Daniele Broccoli

Alan Cornish*

Ian Derbyshire*

Sue Foxall*

Jamie Gardiner*

Steven Freudmann*

Derek Jones appointed 12 July 2006*

Noel Josephides

Doreen McKenzie*

Hugh Morgan

Neil Morris*

Sandy Murray*

David Powell*

Peter Shanks*

Nick Wrightman retired on 11 August 2006

As noted in the Corporate Governance Statement, from 1 July 2007 the composition of the Board has changed. Directors marked * resigned in July 2007 and John Bevan, John de Vial, Justin Fleming, Mark Greenacre and Mark Tanzer were appointed to the Board and Steven Freudmann was re-appointed.

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 ABTA in the year ended 30 June 2007. From 1st July 2007 the new Board of Directors will be entitled to remuneration.

ABTA provided 3rd party indemnity insurance for all the directors throughout the year 2007.

6 Charitable donations

Charitable donations totalling £7,244 were paid during the year ended 30 June 2007.

7 Auditors

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.

8 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

14 November 2007

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 Company and of the surplus and deficit of the Company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether 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 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 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditor's Report to the Members of the ABTA Ltd

We have audited the financial statements of ABTA for the year ended 30 June 2007 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 Corporate 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 2007 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

14 November 2007

Balance Sheet

at 30 June 2007

	Notes	2007	2006
		£	£
Fixed assets			
Tangible assets	2	3,262,361	3,436,377
Investments	3	1,785,200	1,785,000
		5,047,561	5,221,377
Current assets			
Debtors: amounts falling due within one year	4a	1,171,644	1,260,303
Debtors: amounts falling due after more than one year	4b	-	107,692
Cash at bank and in hand		5,728,823	4,891,712
		6,900,467	6,259,707
Creditors: amounts falling due within one year	5	(1,790,492)	(1,437,758)
Net current assets		5,109,975	4,821,949
Total assets less current liabilities		10,157,536	10,043,326
Provisions for liabilities and charges			
Deferred taxation	6	(77,166)	(115,339)
Net assets excluding pension liabilities		10,080,370	9,927,987
Net pension liabilities	21	(2,673,120)	(2,756,600)
Net assets including pension liabilities		7,407,250	7,171,387
Accumulated funds	7	7,407,250	7,171,387

These financial statements were approved by the Board of Directors on 14 November 2007 and authorised for issue on 22 November 2007.

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 2007

	Notes	2007	2006
		£	£
Income			
Entrance fees		58,470	48,200
Subscriptions	9	3,749,911	3,713,429
Fines and miscellaneous fees paid by members	10	183,131	146,320
Industry partners' subscriptions		167,200	176,092
<i>Tour operators' captive subsidiary:</i>			
Dividend		96,000	80,000
<i>Travel agents' captive subsidiary:</i>			
Dividend		420,000	150,000
		4,674,712	4,314,041
Miscellaneous income	11	434,078	420,479
Interest receivable		518,274	370,930
Convention	12	73,678	(68,223)
		1,026,030	723,186
Total income		5,700,742	5,037,227
Expenditure - Page 7			
		4,551,093	4,982,895
Surplus before taxation		1,149,649	54,332
Taxation	14a	(985,066)	(30,138)
Surplus for the year after taxation	7	164,583	24,194

Statement of Total Recognised Gains and Losses

	Notes	2007	2006
		£	£
Surplus for the year		164,583	24,194
Actuarial gain on defined benefit pension scheme	21	99,000	179,000
Movement in related deferred tax asset		(27,720)	(53,900)
Total gains relating to the year		235,863	149,294

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 2007

	Notes	2007	2006
		£	£
Salaries and staff costs	15	2,979,070	3,120,657
Rates and services		111,223	262,267
Printing and stationery		54,477	56,764
Postage		45,979	69,850
Communications		52,016	124,296
Repairs and maintenance including software development		107,214	117,650
Depreciation		212,197	207,694
Deficit on disposal of fixed assets		786	348
Secretariat travelling		23,954	31,125
Staff training		13,218	18,389
		3,600,134	4,009,040
President's allowance		30,000	30,000
<i>Committees:</i>			
Head office		45,074	71,397
Area meetings		73,158	63,423
		148,232	164,820
Member Services		17,377	95,150
ABTA publications		96,333	20,938
Public relations		24,846	75,898
Advertising		104,685	7,005
Inspections and Investigations		16,096	9,265
Tour operators' shortfall insurance premium	16	2,120	10,662
		261,457	218,918
Trade subscriptions		51,955	50,443
Legal & professional charges	17	134,312	44,873
Institute of Arbitrators		41,071	52,897
Appeal Board		3,000	2,000
Auditor's remuneration		51,675	47,686
UK & EU Parliamentary affairs		17,462	30,578
Bank charges		13,295	8,160
SPS charges		22,250	-
Net claims in excess of insurance cover	18	(150,000)	147,709
Claims outsourcing expenditure		90,163	-
Claims payable on failures from Retail Fund	8	50,310	31,112
Sundry expenses		18,777	26,659
		344,270	442,117
Net pension Financing Cost	21	197,000	148,000
Total expenditure - page 6		4,551,093	4,982,895

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

Cash Flow Statement

for the year ended 30 June 2007

	Notes	2007	2006
		£	£
Cash (outflow)/inflow from operating activities	A	(95,437)	562,946
Returns on investments and servicing of finance			
Dividends received from subsidiary undertakings		230,000	316,000
Interest received		518,274	370,930
Net cash inflow for returns on investments and servicing of finance		748,274	686,930
Taxation		(207,326)	(504,599)
Capital expenditure			
Payments to acquire tangible fixed assets		(38,992)	(46,331)
Payments to acquire investments		(200)	-
Proceeds from sale of tangible fixed assets		25	-
		(39,167)	(46,331)
Sale of TTC Training Limited			
Deferred consideration received		430,767	323,076
Net cash inflow from disposal of investments		430,767	323,076
Increase in cash in the year	B	837,111	1,022,022

The notes A and B appear on page 9

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

Notes to the Cash Flow Statement

for the year ended 30 June 2007

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

	2007	2006
	£	£
Surplus before taxation	1,149,649	54,332
<i>Adjustments for:</i>		
Pension service cost	243,000	233,000
Past service cost	-	80,000
Loss on settlements and curtailments	193,000	275,000
Pension contributions paid	(726,000)	(235,000)
Pension financial charges	197,000	148,000
Dividends receivable from subsidiary undertakings	(516,000)	(230,000)
Interest receivable	(518,274)	(370,930)
Depreciation	212,197	207,694
Loss on disposal of fixed assets	786	348
(Increase)/Decrease in debtors	(54,569)	379,805
(Decrease) /increase in creditors	(276,226)	20,697
Net cash (outflow)/ inflow from operating activities	(95,437)	562,946

B. Reconciliation of net cash in flow to movement in net funds

	2007	2006
	£	£
Increase in cash in the year	837,111	1,022,022
Movement in net funds during the year	837,111	1,022,022
Net funds at 1 July 2006	4,891,712	3,869,690
Net funds at 30 June 2007	5,728,823	4,891,712

C. Analysis of changes in net funds

	At 1 July	Cash flow	At 30 June
	2006		2007
	£	£	£
Cash at bank and in hand	4,891,712	837,111	5,728,823
Net funds	4,891,712	837,111	5,728,823

Notes to the Financial Statements

for the year ended 30 June 2007

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.

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) Income recognition

Subscriptions relate to the membership year from 1 July 2006 to 30 June 2007.

All other income is recognised when services are rendered or entitlement passes to ABTA.

Amounts received in advance are carried forward in creditors as deferred income.

e) Pension scheme

ABTA 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.

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 surplus.

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 ABTA Ltd 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

Notes to the Financial Statements

for the year ended 30 June 2007

2 Fixed assets

Tangible assets

	Freehold property	Furniture and office equipment	Total
	£	£	£
Cost:			
At 1 July 2006	4,608,667	680,041	5,288,708
Additions	7,873	31,119	38,992
Disposals	-	(58,793)	(58,793)
At 30 June 2007	4,616,540	652,367	5,268,907
Depreciation:			
At 1 July 2006	1,273,940	578,391	1,852,331
Charge for year	156,654	55,543	212,197
Disposals	-	(57,982)	(57,982)
At 30 June 2007	1,430,594	575,952	2,006,546
Net book value:			
At 30 June 2007	3,185,946	76,415	3,262,361
At 30 June 2006	3,334,727	101,650	3,436,377

3 Investments

Investment in subsidiary undertakings

	2007	2006
	£	£
Shares at cost:		
At 1 July 2006 & 30 June 2007	1,785,200	1,785,000

The investment in subsidiary undertakings represents the following:

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	225,000
ABTA Travel Agents Insurance Company Limited	Primary and shortfall insurance arrangements for members conducting Retail activity	Guernsey	100% ordinary	1,560,000
A.T.P Training Limited	Accreditation of approved training courses and registrar services	United Kingdom	100% ordinary	100
ABTAsure Limited	Dormant	United Kingdom	100% ordinary	100
				1,785,200

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.

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

The financial information relating to the subsidiaries for the relevant financial year is as follows:

	ABTAsure Limited	ATP Training Limited	ABTA Insurance Company (Guernsey) Limited	ABTA Travel Agents Insurance Company Limited
		£	£	£
(a) Capital and reserves	100	100	4,295,308	13,090,147
(b) Profit/(loss) for year, after taxation	-	-	318,492	2,417,349
(c) Dividends payable	-	-	96,000	420,000

The ABTA Insurance Company (Guernsey) Limited and ABTA Travel Agents Insurance Company Limited are subject to audit and their auditor's reports contained no qualification.

Notes to the Financial Statements

for the year ended 30 June 2007

4a Debtors: amounts falling due within one year	2007	2006
	£	£
Deferred consideration loan (secured on property)	-	323,076
Dividend receivable from subsidiary undertakings	516,000	230,000
ATP Training Ltd	43,848	-
ABTAsure	-	-
Other debtors	484,374	592,373
Prepayments and accrued income	127,422	114,854
	1,171,644	1,260,303

4b Debtors: amounts falling due after more than one year	2007	2006
	£	£
Deferred consideration loan (secured on property)	-	107,692
	-	107,692

The deferred consideration loan related to the sale of TTC Training Limited in 2002, the loan carried interest at base rate and has been repaid in full during the year.

5 Creditors: amounts falling due within one year	2007	2006
	£	£
ABTA Travel Agents Insurance Company Limited	15,136	13,749
Other creditors	282,409	366,233
Corporation tax	836,587	207,626
Other taxes and social security	91,385	88,503
Accruals	256,381	445,790
Deferred income	308,594	315,857
	1,790,492	1,437,758

6 Provisions for liabilities and charges

Deferred Taxation	2007	2006
	£	£
At 1 July 2006	115,339	142,527
Transfer to Income & Expenditure account	(38,173)	(27,188)
Balance at 30 June 2007	77,166	115,339

The provision for deferred taxation has been calculated based on a composite corporation tax rate of 28.6% (2006 - 30%) and relates wholly to accelerated capital allowances.

7 Accumulated fund

	Restricted Retail Fund	Restricted Principals' Fund	ABTA	Total
	£	£	£	£
At 1 July 2006	538,912	2,521	6,629,954	7,171,387
(Deficit)/surplus for the year	(22,238)	34	186,787	164,583
Other recognised gains	-	-	71,280	71,280
As at 30 June 2007	516,674	2,555	6,888,021	7,407,250
The unrestricted ABTA funds are analysed:			2007	2006
			£	£
Accumulated fund excluding pension liability			9,561,141	9,386,554
Pension Liability			(2,673,120)	(2,756,600)
Balance at 30 June 2007			6,888,021	6,629,954

The ABTA Ltd is a company limited by guarantee and not having a share capital. Each member of the ABTA Ltd has undertaken to contribute an amount not exceeding £10 to the assets of the ABTA Ltd 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 2007 the ABTA Ltd has 1515 members (2006 - 1,621)

Notes to the Financial Statements

for the year ended 30 June 2007

8 Retail and Principals' Fund	2007			2006
	£	£	£	£
	Retail Fund	Principals' Fund	Total	Total
Income and Expenditure				
Interest receivable	18,542	49	18,591	19,741
Claims payable on failures (see note below)	(50,310)	-	(50,310)	(31,112)
Deficit)/Surplus for year before taxation	(31,768)	49	(31,719)	(11,371)
Taxation				
Corporation tax recoverable at a rate of 30% (2006 – 30%)	9,530	(15)	9,515	3,411
(Deficit)/Surplus for year after taxation	(22,238)	34	(22,204)	(7,960)
Accumulated Fund balance 1 July 2006	538,912	2,521	541,433	549,393
Accumulated Fund balance as at 30 June 2007	516,674	2,555	519,229	541,433
Represented by:				
Corporation tax	9,530	(15)	9,515	3,411
Cash at bank	507,144	2,570	509,714	573,558
	516,674	2,555	519,229	576,969
Claims payable	-	-	-	(35,536)
	516,674	2,555	519,229	541,433

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

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

9 Subscriptions	2007		2006
	£	£	£
Retail activity	1,337,011		1,394,426
Principal activity	2,412,900		2,319,003
	3,749,911		3,713,429

10 Fines and miscellaneous fees paid by members	2007		2006
	£	£	£
Fines	77,301		62,250
Miscellaneous fees paid by members	105,830		84,070
	183,131		146,320

11 Miscellaneous income	2007		2006
	£	£	£
<i>Member Services</i>			
Member offers	21,294		31,075
Seminars	61,429		55,577
	82,723		86,652
Sponsorship of ABTA handbook	60,066		88,000
Administration of failures	62,270		29,510
Claims outsourcing income	45,834		-
Release of pipeline monies (See note 20)	-		-
Income from regions	18,160		24,939
Risk management contribution	50,000		50,000
Rent receivable	47,126		-
Database sales	24,524		65,618
Other income	43,375		75,760
	434,078		420,479

Notes to the Financial Statements

for the year ended 30 June 2007

12 Convention	2007	2006
	Marbella 2006	Marrakech 2005
	£	£
Net income	721,582	688,441
Expenditure	(647,904)	(756,664)
Surplus/(deficit)	73,678	(68,223)

13 Surplus before taxation	2007	2006
	£	£
<i>Is stated after charging:</i>		
Auditor's remuneration	51,675	47,686
Depreciation of tangible fixed assets	212,197	207,694

14 Taxation	2007	2006
	£	£
14a Current tax:		
UK corporation tax on surplus for the year	905,587	302,426
Group relief payable	106,152	-
Double tax relief	(69,000)	(94,800)
Adjustments in respect of previous years	(300)	-
Total current tax (note 14(b))	942,439	207,626
Deferred tax:		
Credit to income and expenditure for the year (note 6)	(38,173)	(27,188)
Effect of elements charged to income and expenditure as required by FRS17	80,800	(150,300)
Total deferred tax	42,627	(177,488)
Tax on operating surplus	985,066	30,138

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% (2006 - 30%).

The differences are explained below:

	2007	2006
Operating surplus before tax	1,149,649	54,332
Operating surplus multiplied by the effective rate of corporation tax in the UK of 30% (2006 - 30%)	344,895	16,300
Effects of:		
Expenses not deductible for tax purposes	1,700	1,928
Expenses not deductible for tax purposes - fixed assets	9,386	10,086
Qualifying depreciation in excess of capital allowances	33,073	26,776
Tax on profits of overseas subsidiaries	662,491	70,824
Other short term timing differences	(412)	412
Difference between pension contributions and FRS17 costs	(27,900)	150,300
Underlying tax credit on dividend from subsidiaries	(154,800)	(69,000)
Payment for group relief	106,152	-
Group relief claimed	(31,846)	-
Adjustment to tax charge in respect of previous periods	(300)	-
Current tax charge for year (note 14(a))	942,439	207,626

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 2007

15 Staff Costs	2007	2006
	£	£
Wages, salaries and related staff costs	2,260,405	2,253,005
Social security costs	237,950	230,873
Employer's pension contribution - Defined contributions	44,715	48,779
Defined benefit pension scheme service cost	243,000	313,000
Loss on settlements and curtailments	193,000	275,000
Total staff costs	2,979,070	3,120,657

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

	2007		2006	
	No.	£	No.	£
Total staff costs	64	2,979,070	69	3,120,657

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 £1,317,471 (2006 - £1,481,315) 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 £157,500 (2006 - £210,000) were payable by ABTA to its subsidiary during the year. Members' contributions towards this sum amounted to £155,380 (2006 - £199,338) and the shortfall of premiums collected has been borne by ABTA.

17 Legal and professional charges	2007	2006
	£	£
Judicial review of CAA guidance note 26	228,069	82,831
Recovery of Judicial Review costs	(295,000)	-
VAT advice	37,930	19,790
Staff recruitment	33,574	46,207
Retirement Benefits Scheme audit and professional fees	28,993	9,777
Professional fees re: sub-letting	20,950	-
Challenge to Government tax	17,500	-
Taxation advice	12,150	9,600
Trade mark registrations	11,896	-
New Articles for ABTA	8,002	-
Temporary legal staff	5,350	-
Accountancy	3,750	5,650
Other professional charges	21,148	20,883
Contribution by obligors to fraud investigations	-	(166,587)
Legal fees in respect of fraud investigations	-	10,691
Advice on airline commissions	-	6,031
	134,312	44,873

Notes to the Financial Statements

for the year ended 30 June 2007

18 Net claims in excess of insurance cover

Claims borne by the ABTA Ltd in respect of members who failed during the following years	2007	2006
	£	£
Year ended 30 June 2006	(150,000)	150,200
Recoveries	-	(2,491)
	(150,000)	147,709

These represent sums believed to be payable under ABTA'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 Ltd. This policy provides cover up to a maximum of 150% (2006 - 150%) of premiums paid to the company in any one year.

The credit in 2007 represents the reversal of provisions made as at 30 June 2006 following the verification of outstanding claims recorded. It is considered that all claims notified for the year to 30 June 2007 will fall within the level of insurance cover.

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 ABTA's indemnity shortfall insurance policies. ABTA has, in the past, 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 verify claims made and make settlements out of the funds called in.

During the financial year ended 30 June 2007, ABTA dealt with claims in respect of ABTA bonded members as follows:

	Failure of Members conducting Principal activities	Failure of Members conducting Retail activities
	£	£
Total claims	109,150	2,581,113

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

	2007	2006
Members conducting Principal activities	13	9
Members conducting Retail activities	19	38

Notes to the Financial Statements

for the year ended 30 June 2007

20 Monies held on behalf of third parties

Failures

ABTA acts as trustee for the funds called in respect of failed members, which are held in separate designated accounts and are not reflected in ABTA's balance sheet. At 30 June 2007 ABTA was responsible for funds totalling £362,018 (2006 - £1,739,149). 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 2007 the outstanding tax liability amounts to Nil (2006 - £21,273).

Pipeline monies

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

During the year £nil (2006 - £nil) was released and is included in miscellaneous income (see note 11).

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

At 30 June 2007 these funds totalling £23,057 (2006 - £23,057) are held in separately designated accounts and are not reflected in the balance sheet of ABTA.

Fines

Under ABTA's Articles of Association, members who appeal against fines levied by ABTA 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 2007 £ Nil (2006 - £2,734) was held by the ABTA and representing balances held pending hearing of the appeals. The funds are not reflected in the ABTA's balance sheet.

SPS

ABTA 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 2007 the balance held in the scheme was £8,108,869 (2006 - £9,623,341) and is not reflected in ABTA's balance sheet.

Notes to the Financial Statements

for the year ended 30 June 2007

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 2006

The latest actuarial valuation of the scheme, carried out by the scheme's independent professionally qualified actuary, was at 1st July 2006 and was carried out using the scheme's technical provisions as required by the Pensions Act 2004.

At that date, the market value of the assets of the scheme was £6,866,000 and the value of the scheme liabilities was £10,675,000 with a deficit of £3,809,000 based on salary at retirement age. The value of the scheme assets was 64% 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 discount rate to be applied to the scheme liabilities is 6.25% before retirement and 5.3% after retirement. For those members within 5 years of Normal Retirement Age pensions are assumed to be purchased on an underlying interest rate of 5.2%.
- Salary growth is 3.6%.
- Pension increases on pre-1 July 2003 service are 5% and 3.5% on post-1 July 2003 service.
- The standard contribution rate had been assessed using the Age Attained Method.

Contributions

In the year ended 30 June 2007, ABTA 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 £726,000, including an additional contribution of £500,000 (2006 - £235,000). From 1 July 2007 the funding rate will increase from 18.5% of pensionable salaries to 21.3%. There will be also a cash injection of £1,600,000 before 31 October 2007. From 1 July 2008 additional annual contributions of £332,000 will be contributed by ABTA. Additionally, ABTA will provide a charge against cash deposits held by the captive insurance companies in the sum of £2,209,000. It is anticipated that the foregoing will eliminate the scheme deficit by 30 June 2016.

Valuation assumptions at 30 June 2007 and results

ABTA's appointed actuary for the purposes of carrying out the valuation at 30 June 2007 in accordance with Financial Reporting Standard 17 (FRS 17), adopted the following major assumptions:

	At 30 June 2007	At 30 June 2006
Rate of increase in salaries	4.3% pa	4.1% pa
Rate of increase in pensions in payment	3.3% - 5.0% pa	3.1% - 5.0% pa
Rate used to discount scheme liabilities	5.8% pa	5.5% pa
Inflation assumption	3.3% pa	3.1% pa

The values at 30 June 2007 were as follows:

	£	£
Value of scheme assets	7,212,000	6,859,000
Value of scheme liabilities	10,958,000	10,797,000
Deficit	(3,746,000)	(3,938,000)
Related deferred tax asset	1,072,880	1,181,400
Net pension liability recognised in the balance sheet	(2,673,120)	(2,756,600)

Notes to the Financial Statements

for the year ended 30 June 2007

21 Pension scheme *continued*

Scheme assets at 30 June 2007

The scheme assets are invested in equity and fixed interest managed funds to balance scheme assets with long term liabilities and to improve the overall investment performance. The long term rates of return expected at 30 June 2007 were as follows:

	Long-term rate of return expected at 30 June 2007	Long-term rate of return expected at 30 June 2006
	%	%
Fixed Interest	5.1	4.7
Equities	7.0	7.0
Cash	5.1	4.5

Analysis of the amount charged to operating surplus

	30 June 2007	30 June 2006
	£	£
Current service cost	243,000	233,000
Past service cost	-	80,000
Losses on Settlements and Curtailments	193,000	275,000
Total operating charge	436,000	588,000

Analysis of the amount charged to net pension financing costs

Expected return on pension scheme assets	(379,000)	(436,000)
Interest on pension scheme liabilities	576,000	584,000
Net charge recognised in the income and expenditure account	197,000	148,000

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

	30 June 2007	30 June 2006
	£	£
Actual return less expected return on pension scheme assets	136,000	(25,000)
Experience gains arising on the scheme liabilities	-	112,000
Changes in assumptions underlying the present value of the same liabilities	(37,000)	92,000
Actuarial gain recognised in the STRGL	99,000	179,000

History of experience gains and losses

	2007	2006	2005	2004	2003
	£	£	£	£	£
Difference between expected and actual return or scheme assets	136,000	(25,000)	133,000	(103,000)	(527,000)
Percentage of scheme assets	2	0	2	2	(8)
Expected gains and losses on scheme liabilities	-	112,000	80,000	(802,000)	(176,000)
Percentage of scheme liabilities	0	1	1	(9)	(2)
Total amount recognised in statement of total recognised gains and losses	99,000	179,000	(1,560,000)	189,000	(889,000)
Percentage of scheme liabilities	1	2	14	10	(10)

Notes to the Financial Statements

for the year ended 30 June 2007

21 Pension scheme *continued*

Movement in deficit during the year

	30 June 2007	30 June 2006
	£	£
Deficit at 1 July 2006	(3,938,000)	(3,616,000)
Current service cost	(243,000)	(233,000)
Past service cost	-	(80,000)
Loss on Settlements and Curtailments	(193,000)	(275,000)
Employer contributions invested	726,000	235,000
Other financial charges	(197,000)	(148,000)
Actuarial gain	99,000	179,000
Deficit in scheme at 30 June 2007	(3,746,000)	(3,938,000)

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 income and expenditure account and the STRGL.

22 Related Party Transactions

The following transactions have taken place during the year with group companies.

Income includes dividends of £420,000, a contribution of £45,000 towards risk management and other fees from the ABTA Travel Agents Insurance Company Limited.

Income includes dividends of £96,000 and a contribution of £5,000 towards risk management and other fees from the ABTA Insurance Company (Guernsey) Limited.

Indebtedness at the year end was as follows:

	ABTA Insurance Company (Guernsey) Limited	ABTA Travel Agents Insurance Company Limited
	£	£
Dividends receivable (note 4a)	96,000	420,000
Amounts due within one year (note 5)	-	15,136
ATP Training Limited		£
Income received by ABTA Limited on behalf of ATP Training Limited		91,365
Expenditure recharged to ATP Training Limited		197,621
Payment by ABTA Limited in respect of group relief		106,152
Amount due from ATP Training Limited at 30 June 2007		43,848