

Portman Group Holdings Limited

Report and Financial Statements

31 December 2008

Directors

M E Aldridge (Chairman – non executive)
G N Flack (Chief Executive)
D A Canavan
A G Wormsley (Non-executive)
M J Hare

Secretary

D A Canavan

Auditors

Ernst & Young LLP
George House
50 George Square
Glasgow
G2 1RR

Solicitors

Dickson Minto W.S
16 Charlotte Square
Edinburgh
EH2 4DF

Bankers

Clydesdale Bank PLC
91 Gresham Street
London
EC2V 7BL

Registered Office

Royal London House
22-25 Finsbury Square
London
EC2A 1DX

Corporate overview

With over fifty years experience in delivering first-rate travel services to corporations large and small, Portman has developed an enviable reputation in becoming one of the largest travel management companies in the UK. At Portman we have a single, critical purpose in ensuring our customers' travel programmes work at their best for the travellers, travel bookers and the corporation itself. Simply put:

We help our customers buy better

Achieving this aim demands a unique balance of human expertise, commercial insight and practical application, so that we consistently improve the effectiveness of customers' travel programmes.

A Customer Centric Organisation

As a leader in travel management solutions, Portman possesses many strengths - formidable buying power, a tradition of service excellence, and, most importantly, an attitude of mind that places the customers' perspective at the heart of our service response.

Travel management means providing quantifiable corporate value as well as producing the outstanding service demanded by today's travelling executives and travel arrangers. Our strong service culture is delivered by highly experienced travel consultants, being assisted with online transactions by our dedicated fulfilment team, and emergency help from our specialist 24-hour service.

Reassurance and Responsibility

The recent economic turbulence has meant that customers have undertaken extensive and far reaching reviews of their travel policies and spend levels. We respond to this challenge by sourcing the best available price for each transaction on behalf of the customer. Additionally we drive process savings and maximise online adoption levels to achieve meaningful cost reductions.

Companies continue have a keen sense of duty of care to their travelling employees, whilst travellers themselves are more sensitive than before to the pressures of doing business internationally. We want to minimise inconvenience and uncertainty for travellers, their families and employers. This thinking helped us develop proactive services such as Portman alerts and installing traveller tracking mechanisms so that head offices have real time data on all their travelling personnel. All of our services are backed up by first class management information that is accessible to all our customers.

In response to the planet's growing environmental challenge, we launched the Portman Forest, a groundbreaking ecoSmart scheme designed to enable and encourage our customers to offset their CO₂ emissions generated by domestic and international travel by supporting renewable energy, energy efficiency and sustainable forestry projects around the world.

Innovation and Global Reach

Portman solutions are always tailored to customers' specific needs. We create compelling service blends that incorporate the wealth of human expertise found throughout our network, together with LiveWire, our highly cost-efficient online service, which provides users the widest choice, and best available fares in a single simple display. We are a major shareholder, with board representation, in Radius, the global travel company, and this allows us to extend our service capability worldwide through more than 6,000 partner offices in over 70 countries. By working more closely with Radius, we have been able to extend our appeal to customers who need more global solutions and this support network will be leveraged more intensively for further business development going forward.

The Partner of Choice

At Portman we want to be recognised as the best in the business. Our unique position is based on the combination of the advantages of our substantial buying power and industry know-how with the culture of customer service and responsiveness rarely found in organisations of our size.

Directors' report

The directors present their report and group accounts for the year ended 31 December 2008. The comparative numbers include the period from 10 October 2006, the date of incorporation, to 31 December 2007. On 18 December 2006, the company acquired Portman Holdings Limited.

Results

The group loss for the year, after taxation amounted to £1.1m (2007 - profit £0.3m). This consolidated loss has arisen due to amortisation of goodwill in the year of £2.1m. In line with group strategy of internal investment no dividends have been proposed or paid during the year.

Principal activities and review of business

The principal activity of the group is providing travel management consultancy for business customers.

Portman Group Holdings Limited owns 100% of the share capital of Portman Holdings Limited; Portman Travel Limited; Fleet Street Travel Limited (non trading from 1 May 2008); Portman Travel (Ireland) Limited (formerly known as Fleet Street Travel (Ireland) Limited) and Portman Travel BV (formerly known as Fleet Street Travel BV). The Fleet Street subsidiaries were acquired on 20 February 2008 as part of the acquisition of the Fleet Street Travel Group. The acquisition consideration included £440,000 in respect of 10,000 ordinary shares issued by the company.

In the year under review the group primarily operated in the United Kingdom, with Ireland and the Netherlands generating 1% of total income for the group. The trade existing in Fleet Street Travel Limited was transferred to Portman Travel Limited on 30 April 2008.

Use of forward-looking statements

This review has been prepared solely to provide additional information to shareholders as a body to assess the group's strategies and the potential for these strategies to succeed, and should not be relied upon by any other party or for any other purpose. The review contains forward – looking statements. These statements have been made by the directors in good faith based on the information available to them up to the time of their approval of this report. They should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward – looking information.

Trading review

The Board reports a group loss before tax for the year ended 31 December 2008 of £0.7m (2007 profit - £1.5m). This result includes the profits derived from the acquisition of the Fleet Street Group from 20 February 2008. The trading results for the year have been impacted by the turmoil in the financial markets spreading to all market sectors and impacting customers' travel patterns. This reduced trading activity primarily arose in the last quarter of 2008 and is continuing into 2009. Management have responded to the down turn in client activity by implementing a selective cost reduction programme to match resource to anticipated trading volumes.

The group continued to act as a consolidator in the marketplace with the acquisition of Fleet Street Travel Limited, Fleet Street Travel (Ireland) Limited and Fleet Street BV (together Fleet Street), a travel management group with an annual turnover of £80m per annum, in February 2008.

Directors' report (continued)

Business objectives and strategies

The group has identified three key elements in its strategy for accelerating growth and creating shareholder value. These are:-

- Targeted investment in new product development, innovation and marketing to support organic growth and profitability coupled with targeted capital expenditure on infrastructure to support internal efficiency and continued improvement in customer service.
- Focussed acquisitions which meet strict rate of return criteria.
- Increased penetration of online products to deliver enhanced value to our customers. This is in line with the group's overall objective of delivering travel management services as a 'one stop shop' and recognises that for different products customers wish to pick their channel to market on an individual transaction basis.

The group assesses its performance against the following objectives:-

2008 objectives

- To increase income generated by 20% in 2008
- To achieve 210,000 or 14% of its transactions being processed online by the end of 2009
- To maintain a current ratio (excluding funding repayments) in excess of 110%

2009 objectives

- To ensure that overhead costs are aligned to business activity
- To achieve 16% of travel transactions being processed online by the end of 2009
- To maintain a current ratio (excluding funding repayments) in excess of 110%

Key financial and other performance indicators

The group has made significant progress in the year on the three key elements of its strategy.

During the year the group significantly upgraded IT hardware to allow roll out of our integrated selling platform. This software allows our consultants to consolidate travel offerings available in one screen thus providing the customer with a more efficient travel booking process.

All the system and operational changes required to allow management to integrate the Fleet Street businesses into the group structure have been completed with significant synergies achieved. This acquisition met the required internal rate of return during 2008.

Finally, online transactions for 2008 totalled 206,000 or 13% of total transactions undertaken by the group and volume is continuing to grow as management focus on encouraging existing and new customers to transact online when it suits their particular business requirements.

Directors' report (continued)

Key financial and other performance indicators (continued)

The group progress on strategic objectives is monitored by the Board by reference to the key performance indicators applied on a group wide basis. The group's key financial and other performance indicators during the year were as follows:-

| | <i>from incorporation to 31 December</i> | |
|---|--|------|
| | 2008 | 2007 |
| | £m | £m |
| Group turnover | 351 | 297 |
| Total operating profit | 5.9 | 6.5 |
| (Loss)/profit after tax and minority interest | (0.9) | 0.3 |
| Shareholders' funds | (0.1) | 1.8 |
| Income generated as % of group turnover | 9.8% | 9.6% |
| Current assets as % of current liabilities | 165% | 125% |
| Interest cover | 0.9 | 1.5 |
| Average number of employees | 711 | 558 |

Group turnover at £351m for the year includes £69m of sales derived from the acquisition of the Fleet Street Travel business, which is in line with expectations. Core business has reduced in the final quarter of 2008 due to prevailing economic conditions. Income generated of £34.3m, which represents a 20% increase on the prior year, is in line with the group objectives set in 2007.

Operating profit of £5.9m (2007 - £6.5m) is before charging goodwill amortisation of £2.1m (2007 - £1.8m) and includes reorganisation costs associated with the integration of the Fleet Street businesses of £1.2m.

(Loss)/profit after tax of £(0.9)m (2007- £0.3m) is after accruing for interest on the loan notes and after charging for amortisation of goodwill. Under the terms of the loan notes this interest is due for payment in 2015.

The Portman Group continues to provide robust cash flows with net cash from operating activities amounting to £4.6m (2007 - £5.5m).

Shareholder funds represent the ordinary shares held by Super Selector S.a.r.l and management, reserves at the beginning of the year, retained loss for the year and the actuarial loss (net of tax) with respect to the pension fund.

Interest cover of 0.9 (2007 - 1.5) times is in line with the group's target and includes the interest on the loan notes (note 14). If the accrued interest on the loan notes (which is not payable until 2015) is excluded the interest cover increases to 3.6 times (2007 - 9.3)

The main trends and factors likely to affect future development, performance and position of the group's business are summarised below:-

Market

The business travel market, like most business sectors, has been and will continue, for the rest of 2009, to be adversely affected by the recession being experienced in the United Kingdom and the rest of the world. Customers are actively seeking ways of reducing travel and related expenditure and Portman is focussed on assisting customers to achieve these goals whilst positioning the business to be ready to respond proactively once this recession has passed.

Directors' report (continued)

Key financial and other performance indicators (continued)

Management are pleased to report that online transactions booked through Portman now account for over 13% of total transactions in 2008 and are ahead of online volume penetration targets. This trend, coupled with Portman's fully managed travel management service continues to provide a holistic "one stop shop" solution for customers both existing and prospective.

Competitor actions

A number of the group's contracts with major customers are expected to be retendered over the next two years. The Board continues to treat this risk as a high priority and has strengthened the account management team to respond to increased competition being experienced in the market place.

Financial structure

On 20 February 2008 the company acquired 100% of the voting shares of Fleet Street Travel Limited and Fleet Street Travel (Ireland) Limited for an aggregate consideration of £11.9m. Subsequent to this acquisition the company directly acquired the ownership of Fleet Street Travel BV from Fleet Street (Ireland) Limited on a no gain no loss basis. During the year Fleet Street Travel (Ireland) Limited and Fleet Street Travel BV changed their names to Portman Travel (Ireland) Limited and Portman Travel BV respectively. The group remains acquisitive, both domestically and with selective appetite for international expansion.

Capital structure

The group's capital structure is as follows:

| | <i>Note</i> | <i>2008</i> £000 | <i>2007</i> £000 |
|----------------------------|-------------|---------------------|---------------------|
| Term loans | 15 | 12,770 | 2,720 |
| Loan notes | 14 | 33,971 | 31,044 |
| Equity shareholders' funds | 19 | (265) | 1,781 |
| Hire purchase | 16 | 175 | - |
| Deferred Consideration | 14 | 1,862 | - |
| | | 48,513 | 35,545 |
| | | 48,513 | 35,545 |

The capital structure of the group has facilitated the acquisition of the Fleet Street Travel Group during the year, Portman Holdings Limited during 2007, and ongoing working capital requirements.

Ownership

The majority shareholder in the company is Super Selector S.a.r.l, headquartered in Luxembourg, which is a wholly owned subsidiary of funds advised by Vision Capital LLP (Vision) which is based in London.

A G Wormsley is the representative of Vision and is a non-executive director of Portman Group Holdings Limited.

Approximately 26% of the ordinary shares of the company are owned by the executive directors and members of the management team.

Directors' report (continued)

Directors and their interests

The directors during the year were as follows:

| | |
|--------------|----------------------------|
| M E Aldridge | (Chairman – non executive) |
| G N Flack | (Chief Executive) |
| D A Canavan | |
| M J Hare | (appointed March 2008) |
| A G Wormsley | |
| R D Govan | (resigned December 2008) |

The directors' interests at 31 December 2008 in the share capital of the company are disclosed below:-

| | <i>At 31 December 2008</i> | <i>At 31 December 2007</i> |
|-------------------------|----------------------------|----------------------------|
| | <i>Ordinary shares</i> | <i>Ordinary shares</i> |
| M E Aldridge (Chairman) | 6,250 | 6,250 |
| G N Flack | 30,000 | 30,000 |
| D A Canavan | 30,000 | 30,000 |
| M J Hare | 10,000 | - |
| R D Govan | - | 30,000 |

R D Govan resigned as a director of the company in December 2008 and retains his shareholding (30,000 Ordinary shares) whilst an employee of the company.

No director held an interest in the shares of the company or in any other group company except as listed above.

M E Aldridge is a director appointed by Vision and is the non-executive Chairman of the Board, Remuneration committee and Audit committee. Since 1998 Mark has been working as a Chairman/non-executive director of a number of private equity backed businesses including Deloro Stelite, DeltaRail Holdings, Aktrion Group, Recruitment Solutions Group and Wastepack Group. Previously he was a main board director of Hays plc and prior to that at BET plc as CEO of Initial Contract Services and Biffa Waste Services.

G N Flack, a Chartered Accountant, joined Portman in 1980 as Chief Accountant rising to become Company Secretary, Financial Director and Managing Director from 1992. Graham led the management buyout of Portman Travel Limited by Portman Holdings Limited in 1996, and was instrumental in successfully guiding the company through the secondary buyout in 2006.

D A Canavan, a Chartered Accountant with over 26 years experience in the accounting profession and commerce, joined Portman in 1997 as Finance Director. David is also Company Secretary and is responsible for all financial and HR matters.

M J Hare is the Commercial Director of the company and has 30 years experience in the corporate travel industry having previously held the position of Managing Director of Fleet Street Travel Limited from the formation of that company until its sale to Portman Group Holdings Limited in February 2008. Michael is responsible at Board level for operations, both on and offline, together with technology and the negotiation of all commercial agreements with suppliers.

A G Wormsley is a non-executive director on the board of a number of Vision's investments. Alister is Managing Partner of Vision Capital, having previously worked for UBS (in London, Hong Kong and Tokyo) and Salomon Brothers. Alister holds a degree in mechanical engineering from Bristol University and an MBA from London Business School.

Directors' report (continued)

Employee matters

The total average number of employees increased by 27% in the year to 31 December 2008 due to the acquisition of the Fleet Street business and certain restructuring to support the strategic growth of the group.

Due to the current recessionary environment management froze recruitment at the end of quarter three 2008 and implemented a group wide cost reduction programme. As a result by the end of February 2009 employee numbers have been reduced to 588 from 737 at September 2008, a reduction of 20%. Management believe that this action, although regrettable, places the group in a position to service the ongoing business at the appropriate cost for the level of business activity.

The group is committed to involving all employees in the performance and development of the group. Employees are encouraged to discuss with management matters of interest to the employees and subjects affecting day to day operations of the group. Where appropriate employees participate directly in the success of the business through the group's bonus schemes.

Disabled persons

It is the group's policy to give full consideration to suitable applications for employment from disabled persons. Opportunities exist for employees of the group who become disabled to continue in their employment or to be trained for other positions within the group.

Social and community issues

The group has supported ad hoc local community and charitable events through its support of staff participation in local fund raising events.

Environmental matters

The group is aware of the environmental impact the users of its services have and seeks to reduce this impact by encouraging carbon offsetting by its clients and by measuring, when requested, carbon footprints of journeys undertaken. In comparison the group itself has minimal environmental impact as its activities are office based and the group operates a policy of recycling its office waste products.

Significant contractual and other relationships

The group has a number of important relationships with its customers and suppliers. No single customer represents more than 5% of the group turnover. The largest supplier to the group is a major airline which accounts for circa 25% of the group's purchases.

Supplier payment policy and practice

The group negotiates payment arrangements and other terms and conditions with all its principal suppliers. Payments to suppliers are made in accordance with negotiated arrangements. The average number of days purchases in trade creditors for the group was 33 days (2007 - 32 days).

Future developments

The Board aims to maintain the development of the business by organic growth and acquisition, coupled with continuous productivity and efficiency gains. The group seeks to develop closer links with international partners via Radius. Acquisition opportunities will continue to arise in 2009 and Portman is strategically placed to increase market share by acquisition of companies which are a suitable cultural, geographical and business fit.

Directors' report (continued)

Principal risks and uncertainties

Market factors

Increased pressure from suppliers, primarily via internet access, has increased the range of market participants in recent years. Portman continues to develop alternative routes to market, including the use of its own Livewire online booking engine which seeks to optimise choice and value for customers.

Financial risk management objectives and policies

The group has established a risk and financial management framework whose primary objective is to protect the group from events that hinder the achievement of the group's performance objectives. The framework aims to limit undue third party exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Risk relating to leverage

At 31 December 2008 the group had borrowings of £48.6m (2007 - £33.8m). The loan notes (£34.0m) attract a coupon rate of 10% per annum on an accrued basis. Neither the principal loan notes nor the accrued interest are due for payment until 2015. The term loans amounting to £12.8m attract interest linked to LIBOR. In addition during 2008 the company entered into an interest window swap agreement for £10m of the term loan which allows the interest rate to float between predetermined limits. At 31 December the £10m loan attracted interest at 7.95%. Hire purchase contracts relating to office machinery amount to £0.2m and are repayable within five years.

Risk relating to operational cash flows

The group's principal financial instruments are cash, debt discounting, term loans, loan notes and general banking facilities, all of which are utilised to facilitate acquisitions and normal trading operations.

The main risks from the group's financial instruments are credit and cash flow risk.

The group mitigates credit risk by thorough credit vetting of customers prior to commencement of trade and periodically thereafter, systematic enforcement of credit limits and agreed payment terms and insuring of trade debt.

The group mitigates cash flow risk by use of third party working capital facilities, enforcement of customer credit limits and agreed payment terms.

The group operates internationally and is exposed to limited foreign exchange risk arising from the Euro. The exchange risk arises as an element of Sterling denominated income is dependent on Euro denominated cost.

The group met agreed banking covenants throughout the year to 31 December 2008.

Acquisition of own shares

No shares in the company were acquired by the Portman Holdings Warehouse Trust during the year.

Taxation

An analysis of the taxation charge is set out in note 7 to the accounts. The effective tax rate for the current year is higher than the standard rate as a result of the amortised goodwill and other disallowable expenses being added back to the profit for tax purposes.

Going concern

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Directors' report (continued)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the forthcoming Annual General Meeting.

By order of the Board

D A Canavan
Secretary

24th June 2009

Statement of directors' responsibilities in respect of the financial statements

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 period. Under that law the directors have elected to prepare the 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 group and the company and of the profit or loss of the group for that period. In preparing those 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 group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of Portman Group Holdings Limited

We have audited the group and parent company financial statements of Portman Group Holdings Limited for the year ended 31 December 2008 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 26. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for the preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and Corporate Overview. 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 audit opinion

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

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

Independent auditors' report

to the members of Portman Group Holdings Limited (continued)

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 the group's and the parent company's affairs as at 31 December 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
Glasgow

25th June 2009

Group profit and loss account

for the year ended 31 December 2008

| | | <i>from incorporation to 31 December</i> | |
|---|-------------|--|-------------|
| | | 2008 | 2007 |
| | <i>Note</i> | £000 | £000 |
| Turnover | 2/3 | 351,069 | 296,783 |
| Cost of sales | | 316,785 | 268,180 |
| | | <hr/> | <hr/> |
| Income generated | | 34,284 | 28,603 |
| Distribution costs | | 19,439 | 15,180 |
| Administration costs | | 8,896 | 6,971 |
| | | <hr/> | <hr/> |
| Group operating profit before goodwill amortisation | | 5,949 | 6,452 |
| Goodwill amortisation | 9 | 2,146 | 1,750 |
| | | <hr/> | <hr/> |
| Group operating profit | 4 | 3,803 | 4,702 |
| Interest payable | 6 | 4,462 | 3,110 |
| Other finance (income)/expense | 6 | (8) | 97 |
| | | <hr/> | <hr/> |
| (Loss)/profit on ordinary activities before taxation | | (651) | 1,495 |
| Taxation | 7(a) | 433 | 968 |
| | | <hr/> | <hr/> |
| (Loss)/profit on ordinary activities after taxation | | (1,084) | 527 |
| Minority interest | | - | 190 |
| | | <hr/> | <hr/> |
| (Loss)/profit for the year attributable to members of the parent company | 18/20 | (1,084) | 337 |
| | | <hr/> <hr/> | <hr/> <hr/> |

Group statement of total recognised gains and losses for the year ended 31 December 2008

| | | <i>from incorporation to 31 December</i> | |
|--|-------------|--|----------------------|
| | <i>Note</i> | <i>2008 £000</i> | <i>2007 £000</i> |
| <i>(Loss)/profit for the year attributable to members</i> | | | |
| Actuarial (loss)/gain recognised on defined benefit pension scheme | 22 | (1,084) | 337 |
| Movement on deferred tax relating to pension liability | | 610 | (406) |
| <i>Total (loss)/gain relating to the year</i> | | <u>(2,654)</u> | <u>1,286</u> |

Group balance sheet

at 31 December 2008

| | <i>Note</i> | <i>2008</i> £000 | <i>2007</i> £000 |
|--|-------------|---------------------|---------------------|
| Fixed assets | | | |
| Intangible assets - goodwill | 9 | 40,434 | 34,066 |
| Tangible assets | 10 | 1,625 | 1,073 |
| Investment | 11 | 127 | 127 |
| | | 42,186 | 35,266 |
| Current assets | | | |
| Trade debtors subject to limited recourse financing | 12 | 16,071 | 22,193 |
| Less non-returnable amounts received | 12 | - | (5,063) |
| | | 16,071 | 17,130 |
| Other debtors | 12 | 3,567 | 2,929 |
| Cash at bank and in hand | | 4,523 | - |
| | | 24,161 | 20,059 |
| Creditors: amounts falling due within one year | 13 | 14,764 | 16,085 |
| | | 9,397 | 3,974 |
| Net current assets | | 9,397 | 3,974 |
| Total assets less current liabilities | | 51,583 | 39,240 |
| Creditors: amounts falling due after more than one year | 14 | 50,054 | 37,043 |
| Pension liability | 22 | 1,794 | 416 |
| | | 51,583 | 39,240 |
| Capital and reserves | | | |
| Called up share capital | 17 | 51 | 50 |
| Share premium account | 18 | 889 | 450 |
| Treasury stock | 18 | (5) | (5) |
| Profit and loss account | 18 | (1,368) | 1,286 |
| Foreign exchange reserve | 19 | 168 | - |
| Shareholders' funds | 19/20 | (265) | 1,781 |
| | | 51,583 | 39,240 |

Approved by the Board

G N Flack
Director

24th June 2009

Company balance sheet

at 31 December 2008

| | <i>Note</i> | <i>2008</i> £000 | <i>2007</i> £000 |
|--|-------------|---------------------|---------------------|
| Fixed assets | | | |
| Intangible assets - goodwill | 9 | 201 | - |
| Investments | 11 | 44,071 | 32,215 |
| | | <u>44,272</u> | <u>32,215</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 12 | 6,691 | 2,390 |
| Cash at bank and in hand | | 10 | 9 |
| | | <u>6,701</u> | <u>2,399</u> |
| Creditors: amounts falling due within one year | 13 | 2,900 | - |
| | | <u>3,801</u> | <u>2,399</u> |
| Net current assets | | <u>3,801</u> | <u>2,399</u> |
| Total assets less current liabilities | | <u>48,073</u> | <u>34,614</u> |
| Creditors: amounts falling due after more than one year | 14 | 47,002 | 34,080 |
| Capital and reserves | | | |
| Called up share capital | 17 | 51 | 50 |
| Share premium account | 18 | 889 | 450 |
| Profit and loss account | 18 | 131 | 34 |
| Shareholders' funds | 19/20 | <u>1,071</u> | <u>534</u> |
| | | <u>48,073</u> | <u>34,614</u> |

Approved by the Board

G N Flack
Director

24th June 2009

Group cash flow statement

for the year ended 31 December 2008

| | | <i>from incorporation to 31 December</i> | |
|--|-------------|--|----------|
| | | 2008 | 2007 |
| | <i>Note</i> | £000 | £000 |
| Net cash flow from operating activities | 23(a) | 4,560 | 5,481 |
| Returns on investments and servicing of finance | 23(b) | (1,057) | (519) |
| Taxation | | (1,068) | (1,280) |
| Capital expenditure and financial investments | 23(b) | (644) | (743) |
| Acquisitions | 23(b) | (7,172) | (32,238) |
| Cash flow before financing | | (5,381) | (29,299) |
| Financing | 23(b) | 9,914 | 29,289 |
| Increase/(decrease) in cash in year | | 4,533 | (10) |

Reconciliation of net cash flow to movement in net debt

| | | <i>from incorporation to 31 December</i> | |
|--|-------------|--|----------|
| | | 2008 | 2007 |
| | <i>Note</i> | £000 | £000 |
| Increase/(decrease) in cash in the year | 23(c) | 4,533 | (10) |
| Cash inflow from increase in loan notes | | (2,927) | (31,044) |
| Cash inflow from new loans | | (10,750) | - |
| Repayment of long term loans | | 700 | 680 |
| Decrease in amounts returnable from limited recourse finance | | 303 | 747 |
| Redemption of preference shares | | - | 1,000 |
| Hire Purchase | | (175) | - |
| Change in net debt resulting from cash flows | | (8,316) | (28,627) |
| Debt acquired | | - | (5,450) |
| | | (8,316) | (34,077) |
| Net debt at 1 January | | (34,077) | - |
| Net debt at 31 December | 23(c) | (42,393) | (34,077) |

Notes to the financial statements

at 31 December 2008

1. Accounting policies

Accounting convention

The financial statements of Portman Group Holdings Limited were approved for issue by the Board of Directors on 24th June 2009.

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

Revenue recognition policy

Revenue, which is stated net of value added tax, predominantly represents amounts invoiced to third parties and includes travel services such as airline, hotel and rental car reservations. Revenue is recognised when the transaction is contracted with the supplier.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary and joint venture undertakings. References to 'subsidiaries' are to be taken as references to subsidiary undertakings. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the effective date of acquisition or disposal under the acquisition method of accounting. No profit and loss account is presented for Portman Group Holdings Limited as permitted by s.230 of the Companies Act 1985.

Goodwill

Goodwill arising on consolidation and on the acquisition of businesses, which represents the excess of the purchase consideration for subsidiary companies or businesses over the fair value ascribed to their net assets at the respective dates of acquisition is capitalised and amortised over its estimated useful economic life on a straight line basis, subject to a maximum of 20 years. This amortisation policy reflects the directors' assessment of the benefits realised from the acquisition.

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Depreciation

Depreciation is calculated at rates designed to write off the cost of assets evenly over their expected useful lives as follows:

| | | |
|-------------------------------|---|---|
| Leasehold property | - | over the lease period by equal annual instalments |
| Office furniture and fittings | - | 10 years |
| Computers | - | 3 to 5 years |
| Office machinery | - | 8 years |
| Motor vehicles | - | 4 years |

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, or less tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pension benefits

The group operates a defined benefit pension scheme. On the advice of an independent qualified actuary, contribution payments are made to the scheme to ensure that the scheme's assets are sufficient to cover future liabilities. Pension scheme assets are measured using market values. Pension scheme liabilities are measured, using the projected unit method and discounted at the rate of return on an AA rated corporate bond of equivalent term. Any increase in the present value of the liabilities of the fund expected to arise from employee service is charged against operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income/expense. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Contributions to defined contribution schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Foreign currencies

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at the period-end rates of exchange. All exchange differences so arising are reported as part of the profit for the period.

Assets and liabilities of subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date. The results of foreign subsidiaries are translated at the average rate of exchange for the period.

Exchange differences arising on the consolidation at closing rates of net investments in subsidiaries are taken to reserves.

Capital instruments

Equity shares are included in shareholders' funds. Other instruments, redeemable other than on liquidations, are classified as liabilities. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument.

Leases

Rental costs in respect of operating leases are charged to the profit and loss account as incurred.

2. Turnover

Turnover, which is stated net of value added tax, represents, with the exception of referral sales, amounts invoiced to third parties. Turnover is attributable to the group's continuing activities.

Notes to the financial statements

at 31 December 2008

3. Segmental analysis

The group's turnover and profit before taxation are derived from, and the net assets are attributable to, its principal activity of business travel services which is carried on principally within the United Kingdom. Portman Travel BV (formerly Fleet Street Travel BV) and Portman Travel (Ireland) Limited (formerly Fleet Street Travel (Ireland) Limited) are 100% subsidiaries acquired in February 2008 and are based in the Netherlands and Ireland respectively. Together Portman Travel BV and Portman Travel (Ireland) Limited contributed less than 1% of turnover (£3.1m) from the date of acquisition.

4. Group operating profit

This is stated after charging the following:

| | <i>from incorporation to 31 December</i> | |
|---|--|-------------------|
| | <i>2008</i> | <i>2007</i> |
| | <i>£000</i> | <i>£000</i> |
| Debt factor's charges (excluding interest) | 405 | 431 |
| Depreciation of owned fixed assets | 446 | 405 |
| Depreciation of assets held under hire purchase contracts | 19 | - |
| Amortisation | 2,146 | 1,750 |
| Auditors' remuneration | 197 | 119 |
| Operating lease rentals for plant and machinery | 438 | 344 |
| Operating lease rentals for land and buildings | 1,151 | 921 |
| | <u> </u> | <u> </u> |

Notes to the financial statements

at 31 December 2008

4. Group operating profit (continued)

The remuneration of the auditors is further analysed as follows:

| | <i>from incorporation to 31 December</i> | |
|---|--|------|
| | 2008 | 2007 |
| | £000 | £000 |
| <i>Audit of the financial statements:</i> | | |
| Ernst & Young LLP | 87 | 65 |
| De Hooze Waerder | 6 | - |
| Baker Tilly Ryan Glennon | 12 | - |
| | 105 | 65 |
| <i>Other fees - other services:</i> | | |
| Ernst & Young LLP | 46 | 36 |
| De Hooze Waerder | 4 | - |
| Baker Tilly Ryan Glennon | 3 | - |
| | 53 | 36 |
| <i>Other fees - taxation services:</i> | | |
| Ernst & Young LLP | 27 | 18 |
| BDO Stoy Hayward | 9 | - |
| Baker Tilly Ryan Glennon | 3 | - |
| | 39 | 18 |
| | 197 | 119 |

During 2008, the company paid the auditors £143,080 in connection with the acquisition of Fleet Street Travel Limited, Portman Travel BV (formerly Fleet Street Travel BV) and Portman Travel (Ireland) Limited (formerly Fleet Street Travel (Ireland) Limited) which has been accounted for as a cost of acquisition (see note 11).

5. Staff costs

| | <i>from incorporation to 31 December</i> | |
|-----------------------|--|--------|
| | 2008 | 2007 |
| | £000 | £000 |
| Wages and salaries | 15,813 | 12,302 |
| Social Security costs | 1,448 | 1,131 |
| Other pension costs | 630 | 510 |
| | 17,891 | 13,943 |
| | 17,891 | 13,943 |

Notes to the financial statements

at 31 December 2008

5. Staff costs (continued)

The average number of employees during the year is shown below and is broken down into the following categories:

| | 2008 No. | <i>from incorporation to 31 December</i> 2007 No. |
|--|---------------------|---|
| Management (executive directors and operational management) | 17 | 18 |
| Operations (branch management and staff) | 694 | 540 |
| | <u>711</u> | <u>558</u> |
| | <i>2008</i> £000 | <i>2007</i> £000 |
| Directors' emoluments | 655 | 740 |
| | <u>2008</u> No. | <u>2007</u> No. |
| Members of defined benefit pension scheme | 2 | 3 |
| | <i>2008</i> £000 | <i>2007</i> £000 |
| <i>The amounts in respect of the highest paid director are as follows:</i> | | |
| Emoluments | 193 | 269 |
| Accrued pension at end of year | 63 | 59 |

Notes to the financial statements

at 31 December 2008

6. Interest and other finance expense

| | <i>from incorporation to 31 December</i> | |
|---|--|--------------|
| | 2008 | 2007 |
| | £000 | £000 |
| Interest payable on limited recourse facility | 119 | 286 |
| Other interest | 14 | - |
| Interest on loan | 924 | 233 |
| Super Preference share interest | - | (12) |
| Interest on loan notes | 3,405 | 2,603 |
| | <u>4,462</u> | <u>3,110</u> |
| <i>Other finance expense:</i> | | |
| Interest on pension scheme liabilities | 539 | 514 |
| Expected return on pension scheme assets | (547) | (417) |
| | <u>(8)</u> | <u>97</u> |

7. Taxation

(a) The charge based on the profit for the year comprises:

| | | <i>from incorporation to 31 December</i> | |
|---|-------------|--|------------|
| | <i>Note</i> | 2008 | 2007 |
| | | £000 | £000 |
| <i>UK corporation tax:</i> | | | |
| Current year charge | 7(b) | 127 | 971 |
| | | <u>127</u> | <u>971</u> |
| <i>Deferred tax:</i> | | | |
| Pension contributions in excess of pension charge | | 75 | 61 |
| Decelerated capital allowances | | (28) | (5) |
| Other timing differences | | 83 | (59) |
| Acquisition of subsidiary undertaking | | 176 | - |
| | | <u>306</u> | <u>(3)</u> |
| | | <u>433</u> | <u>968</u> |

Notes to the financial statements

at 31 December 2008

7. Taxation (continued)

- (b) The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

| | <i>from incorporation to 31 December</i> | |
|---|--|-------------------|
| <i>Note</i> | <i>2008</i> | <i>2007</i> |
| | <i>£000</i> | <i>£000</i> |
| (Loss)/profit on ordinary activities before tax | (651) | 1,495 |
| | <u> </u> | <u> </u> |
| At UK corporation tax rate of 28.5% (2007: 30%) | (185) | 448 |
| <i>Effect of:</i> | | |
| Disallowed expenses and non taxable income | 621 | 491 |
| Fixed asset timing differences | (29) | 8 |
| Other timing differences | (93) | 73 |
| Pension provision | (76) | (49) |
| Utilisation of brought forward tax losses | (111) | - |
| | <u> </u> | <u> </u> |
| 7(a) | 127 | 971 |
| | <u> </u> | <u> </u> |

- (c) Other than deferred tax there are no additional factors known that will affect future periods' tax charge.

- (d) The deferred tax asset is included in the balance sheet, in debtors (note 12) and consists of:

| | <i>from incorporation to 31 December</i> | |
|--------------------------------|--|-------------------|
| | <i>2008</i> | <i>2007</i> |
| | <i>£000</i> | <i>£000</i> |
| Decelerated capital allowances | 67 | 40 |
| Other timing differences | 97 | 180 |
| | <u> </u> | <u> </u> |
| | 164 | 220 |
| | <u> </u> | <u> </u> |
| At 1 January | 220 | 156 |
| Profit and loss account | (56) | 64 |
| | <u> </u> | <u> </u> |
| At 31 December | 164 | 220 |
| | <u> </u> | <u> </u> |

- (e) The deferred tax asset arising on the pension deficit is included in the pension liability (note 21).

Notes to the financial statements

at 31 December 2008

8. Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £97,000 (2007: £34,000).

9. Intangible assets – goodwill

| | <i>Company</i> £000 | <i>Group</i> £000 |
|-------------------------|------------------------|----------------------|
| <i>Cost:</i> | | |
| At 1 January 2008 | - | 35,816 |
| Additions | 201 | 8,514 |
| | <hr/> | <hr/> |
| At 31 December 2008 | 201 | 44,330 |
| | <hr/> | <hr/> |
| <i>Amortisation:</i> | | |
| At 1 January 2008 | - | 1,750 |
| Amortisation in year | - | 2,146 |
| | <hr/> | <hr/> |
| At 31 December 2008 | - | 3,896 |
| | <hr/> | <hr/> |
| <i>Net book amount:</i> | | |
| At 31 December 2008 | 201 | 40,434 |
| | <hr/> <hr/> | <hr/> <hr/> |
| At 31 December 2007 | - | 34,066 |
| | <hr/> <hr/> | <hr/> <hr/> |

Group

Goodwill arising on consolidation is amortised over the directors' estimate of its useful life of 20 years.

The addition in the period of £8,514,072 relates to the acquisition of Fleet Street Travel Limited, Portman Travel (Ireland) Limited (formerly Fleet Street Travel (Ireland) Limited) and Portman Travel BV (formerly Fleet Street Travel BV) (see note 11).

Company

The addition during the year of £200,582, represents the goodwill purchased on a no gain, no loss basis when the 100% interest in Portman Travel BV was transferred from Portman Travel (Ireland) Limited to Portman Group Holdings Limited (see note 11). No amortisation has been provided during the year.

Notes to the financial statements

at 31 December 2008

10. Tangible assets

Group

| | <i>Short leasehold property £000</i> | <i>Office furniture and fittings £000</i> | <i>Computers and office machinery £000</i> | <i>Total £000</i> |
|--|--|---|--|-----------------------|
| <i>Cost:</i> | | | | |
| At 1 January 2008 | 29 | 343 | 1,106 | 1,478 |
| Acquisition of subsidiary undertakings | - | 17 | 342 | 359 |
| Additions | - | 125 | 519 | 644 |
| Exchange differences | - | - | 14 | 14 |
| At 31 December 2008 | 29 | 485 | 1,981 | 2,495 |
| <i>Depreciation:</i> | | | | |
| At 1 January 2008 | 12 | 50 | 343 | 405 |
| Charge for the year | 8 | 58 | 399 | 465 |
| At 31 December 2008 | 20 | 108 | 742 | 870 |
| <i>Net book amount:</i> | | | | |
| At 31 December 2008 | 9 | 377 | 1,239 | 1,625 |
| At 31 December 2007 | 17 | 293 | 763 | 1,073 |

The net book value of office machinery includes an amount of £200,638 in respect of assets held under hire purchase contracts, arising on the acquisition of Fleet Street Travel Limited.

11. Fixed asset investments

| | <i>Company £000</i> | <i>Group £000</i> |
|-----------------------|-------------------------|-----------------------|
| <i>Cost:</i> | | |
| At 1 January 2008 | 32,215 | 127 |
| Additions (see below) | 11,856 | - |
| At 31 December 2008 | 44,071 | 127 |

Group

The fixed asset investment represents 62 class B voting shares in WTT, Inc, d/b/a Radius Global Travel Company (Radius). The shareholding represents 10% of the issued share capital, carrying voting rights, of Radius. Radius is a travel management consultancy incorporated in the United States of America.

Notes to the financial statements

at 31 December 2008

11. Fixed asset investments (continued)

Company

On 20 February 2008 Portman Group Holdings Limited acquired the entire issued share capital of Fleet Street Travel Limited and Fleet Street Travel (Ireland) Limited, and thus its wholly owned subsidiary, Fleet Street Travel BV. These travel agencies are incorporated in England, Ireland and the Netherlands respectively. The consideration of £11.9m (including costs associated with the acquisition of £0.7m) was financed by a term loan and a deferred payment of £1.9m, payable on 20 February 2010. The resulting goodwill of £8.5m has been capitalised in the group balance sheet and is being amortised over 20 years in accordance with FRS 10.

The acquisition has been included in the group accounts using the acquisition method of accounting. Accordingly the group Profit and Loss account and the Statement of Cash-flows include the results and cash-flows of the acquired companies from 20 February 2008. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Fleet Street Travel (Ireland) Limited and Fleet Street Travel BV changed their names to Portman Travel (Ireland) Limited and Portman Travel BV respectively during the year.

Analysis of the acquisition

Net assets at date of acquisition:

| | <i>Book value £000</i> | <i>Fair value adjustments £000</i> | <i>Fair value to group £000</i> |
|---------------------------------|--------------------------------|--|---|
| Intangible fixed assets | 144 | (140) | 4 |
| Tangible fixed assets | 359 | - | 359 |
| Trade debtors | 6,326 | - | 6,326 |
| Other debtors | 901 | - | 901 |
| Cash | 2,382 | - | 2,382 |
| Trade creditors | (5,470) | - | (5,470) |
| Other creditors | (994) | - | (994) |
| Hire purchase | (166) | - | (166) |
| | <hr/> 3,482 | <hr/> (140) | <hr/> 3,342 |
| Goodwill arising on acquisition | | | <hr/> 8,514 |
| | | | <hr/> <hr/> 11,856 |
| <i>Discharged by:</i> | | | |
| Cash consideration | | | 10,745 |
| Issue of equity shares | | | 440 |
| Acquisition costs | | | 671 |
| | | | <hr/> <hr/> 11,856 |

Notes to the financial statements

at 31 December 2008

11. Fixed asset investments (continued)

Trading subsidiary undertakings:

| <i>Company</i> | <i>Activity</i> | <i>Country of incorporation</i> | <i>Percentage of ordinary share capital held</i> |
|----------------------------------|-----------------|---------------------------------|--|
| Portman Travel Limited* | Travel Agency | England | 100% |
| Portman Travel (Ireland) Limited | Travel Agency | Ireland | 100% |
| Portman Travel BV | Travel Agency | The Netherlands | 100% |

Non-trading subsidiary undertakings:

| <i>Company</i> | <i>Activity</i> | <i>Country of incorporation</i> | <i>Percentage of ordinary share capital held</i> |
|--|--------------------|---------------------------------|--|
| Portman Holdings Limited | Investment company | England | 100% |
| Macrocom (371) Limited* | Investment company | Scotland | 100% |
| Gemall Limited* | Investment company | England | 100% |
| John Cory Limited* | Dormant | England | 100% |
| Radius Travel Management (UK) Limited* | Dormant | England | 100% |
| Fleet Street Travel Limited | Dormant | England | 100% |

*owned by a subsidiary.

Portman Travel (Ireland) Limited and Portman Travel BV were formerly known as Fleet Street Travel (Ireland) Limited and Fleet Street Travel BV respectively.

The trading activities of Fleet Street Travel Limited have been taken over by Portman Travel Limited such that the investment is accounted for as a non-trading subsidiary.

12. Debtors

| | <i>Group</i> <i>2008</i> <i>£000</i> | <i>Group</i> <i>2007</i> <i>£000</i> |
|---|--|--|
| Trade debtors subject to limited recourse financing | 16,071 | 22,193 |
| Less non-returnable amounts received | - | (5,063) |
| | <u>16,071</u> | <u>17,130</u> |

| | <i>Company</i> <i>2008</i> <i>£000</i> | <i>Company</i> <i>2007</i> <i>£000</i> | <i>Group</i> <i>2008</i> <i>£000</i> | <i>Group</i> <i>2007</i> <i>£000</i> |
|-----------------------------------|--|--|--|--|
| <i>Other debtors:</i> | | | | |
| Prepayments and accrued income | - | - | 2,960 | 2,709 |
| Taxation – corporation tax | - | - | 443 | - |
| Deferred taxation asset (note 7d) | - | - | 164 | 220 |
| Amounts due from subsidiaries | 6,691 | 2,390 | - | - |
| | <u>6,691</u> | <u>2,390</u> | <u>3,567</u> | <u>2,929</u> |

Notes to the financial statements

at 31 December 2008

12. Debtors (continued)

Trade debtors subject to limited recourse financing represent debt discounted with a finance company in the normal course of business, so that the majority of cash received by the group on discounting is not returnable, and carries interest at variable rates. The returnable element of the proceeds is recorded in creditors due within one year. The group will not make good any losses over and above the agreed recourse limit and the financing company has confirmed their acceptance of this position in writing.

The provider of the finance has agreed in writing that it will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific item it has financed and that it will not seek recourse in any other form.

13. Creditors: amounts falling due within one year

| | <i>Company</i> 2008 £000 | <i>Company</i> 2007 £000 | <i>Group</i> 2008 £000 | <i>Group</i> 2007 £000 |
|---|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Bank overdraft | - | - | - | 10 |
| Trade creditors | - | - | 9,705 | 12,951 |
| Other taxes and social security | - | - | 416 | 363 |
| Accruals | - | - | 1,472 | 1,583 |
| Other creditors | 250 | - | 423 | 377 |
| Returnable element of proceeds received | - | - | - | 303 |
| Taxation – corporation tax | - | - | - | 498 |
| Term loans (see note 15) | 2,650 | - | 2,650 | - |
| Hire purchase creditor (see note 16) | - | - | 98 | - |
| | <u>2,900</u> | <u>-</u> | <u>14,764</u> | <u>16,085</u> |

14. Creditors: amounts falling due after more than one year

| | <i>Company</i> 2008 £000 | <i>Company</i> 2007 £000 | <i>Group</i> 2008 £000 | <i>Group</i> 2007 £000 |
|---|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Other creditors | 264 | 420 | 519 | 663 |
| Loan notes | 33,971 | 31,044 | 33,971 | 31,044 |
| Accrued interest | 3,505 | 2,616 | 3,505 | 2,616 |
| Term loans (see note 15) | 7,400 | - | 10,120 | 2,720 |
| Deferred payment on acquisition (see note 11) | 1,862 | - | 1,862 | - |
| Hire purchase creditor (see note 16) | - | - | 77 | - |
| | <u>47,002</u> | <u>34,080</u> | <u>50,054</u> | <u>37,043</u> |

The loan notes were issued during 2007 in order to finance the acquisition of Portman Holdings Limited. These loan notes accrue interest at 10% per annum and are repayable in 2015. The accrued interest due to Super Selector S.a.r.l. is converted to additional loan notes on an annual basis. The loan notes issued in 2008 arise from accrued interest on existing loan notes and final costs of the acquisition.

Notes to the financial statements

at 31 December 2008

15. Term loan

Term loans

Amounts payable within:

| | <i>Company</i> 2008 £000 | <i>Company</i> 2007 £000 | <i>Group</i> 2008 £000 | <i>Group</i> 2007 £000 |
|----------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|
| One year | 2,650 | - | 2,650 | - |
| Between one and two years | 2,900 | - | 2,900 | - |
| Between two and five years | 4,500 | - | 5,100 | - |
| In five years or more | - | - | 2,120 | 2,720 |
| At 31 December | <u>10,050</u> | <u>-</u> | <u>12,770</u> | <u>2,720</u> |

Loans repayable, included within creditors, are analysed as follows:

| | <i>Company</i> 2008 £000 | <i>Company</i> 2007 £000 | <i>Group</i> 2008 £000 | <i>Group</i> 2007 £000 |
|--|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Creditors: amounts falling due within one year | 2,650 | - | 2,650 | - |
| Creditors: amounts falling due out-with one year | 7,400 | - | 10,120 | 2,720 |
| At 31 December | <u>10,050</u> | <u>-</u> | <u>12,770</u> | <u>2,720</u> |

Term loan A

The term loan is repayable with quarterly instalments that commenced 31 March 2008 and complete on 31 December 2012, with annual payments per the above table. Interest is payable monthly in accordance with a Interest Rate Swap Agreement. Under the terms of the Interest Rate Swap Agreement interest rates are variable according to predetermined criteria. At 31 December 2008 the interest rate charge was 7.95%.

Term loan B

The term loan is secured by a floating charge over Portman Travel Limited's assets with the exception of trade debt subject to limited recourse financing and amounts held in trust on behalf of IATA. The loan shall be paid with quarterly instalments commencing 31 March 2013, and being fully repaid by 31 December 2014. Repayments total £600,000 in 2013 and £2,120,000 in 2014. Interest is charged at 2% above the banks base rate, and is paid monthly.

Notes to the financial statements

at 31 December 2008

16. Obligations under hire purchase contracts

| | 2008 £000 | 2007 £000 |
|--|--------------|--------------|
| <i>Amounts payable within:</i> | | |
| One year | 104 | - |
| Between one and two years | 78 | - |
| Between two and five years | 21 | - |
| | 203 | - |
| <i>Less:</i> finance charges allocated to future periods | 28 | - |
| | 175 | - |
| <i>Obligations are shown as:</i> | | |
| Current | 98 | - |
| Non-current | 77 | - |
| | 175 | - |

17. Share capital

Group and company

| | 2008 <i>No.</i> | 2008 £000 | 2007 <i>No.</i> | 2007 £000 |
|--|--------------------|--------------|--------------------|--------------|
| <i>Authorised, allotted, called up and fully paid:</i> | | | | |
| A Ordinary shares of 10p each | 375,000 | 38 | 375,000 | 38 |
| B Ordinary shares of 10p each | 135,000 | 13 | 125,000 | 12 |
| | 510,000 | 51 | 500,000 | 50 |

Ordinary share capital

The A and B ordinary shareholders rank pari passu for payment of dividends and the distribution of any surplus of assets after payment of liabilities on the winding up of the company. Shareholders are entitled to one vote per ordinary share.

In February 2008, 10,000 ordinary shares with aggregate nominal value of £10,000 were issued for consideration of £440,000 on the acquisition of the Fleet Street Group (note 11).

18. Reserves

Share premium account

| | 2008 £000 |
|--|--------------|
| <i>Group and company</i> | |
| At 1 January | 450 |
| Arising on issue of ordinary share capital | 439 |
| | 889 |
| At 31 December | 889 |

Notes to the financial statements

at 31 December 2008

18. Reserves (continued)

Profit and loss account

| | <i>Company</i> 2008 £000 | <i>Company</i> 2007 £000 | <i>Group</i> 2008 £000 | <i>Group</i> 2007 £000 |
|--|--------------------------------|--------------------------------|------------------------------|------------------------------|
| At 1 January (2007 - on incorporation) | 34 | - | 1,286 | - |
| (Loss)/profit for the year | 97 | 34 | (1,084) | 337 |
| Actuarial (loss)/gain net of tax thereon | - | - | (1,570) | 949 |
| At 31 December | <u>131</u> | <u>34</u> | <u>(1,368)</u> | <u>1,286</u> |

Group

Treasury stock – Investment in own shares

£000

At 1 January 2008 and 31 December 2008

5

The treasury stock represents 5,000 ordinary shares in Portman Group Holdings Limited.

19. Equity shareholders' funds

| | <i>Company</i> 2008 £000 | <i>Company</i> 2007 £000 | <i>Group</i> 2008 £000 | <i>Group</i> 2007 £000 |
|--------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Ordinary shares | 51 | 50 | 51 | 50 |
| Share premium account | 889 | 450 | 889 | 450 |
| Profit and loss account | 131 | 34 | (1,368) | 1,286 |
| Treasury stock | - | - | (5) | (5) |
| Foreign exchange reserve | - | - | 168 | - |
| | <u>1,071</u> | <u>534</u> | <u>(265)</u> | <u>1,781</u> |

Notes to the financial statements

at 31 December 2008

20. Reconciliation of shareholders' funds

| | <i>Company</i> 2008 £000 | <i>Company</i> 2007 £000 | <i>Group</i> 2008 £000 | <i>Group</i> 2007 £000 |
|---|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Shareholders' funds at 1 January (2007- on incorporation) | 534 | - | 1,781 | - |
| (Loss)/profit for the year | 97 | 34 | (1,084) | 337 |
| Treasury stock | - | - | - | (5) |
| Issued share capital | 1 | 50 | 1 | 50 |
| Actuarial (loss)/gain net of tax thereon | - | - | (1,570) | 949 |
| Share premium | 439 | 450 | 439 | 450 |
| Foreign exchange reserve | - | - | 168 | - |
| Shareholders' funds at 31 December | 1,071 | 534 | (265) | 1,781 |

21. Commitments

Annual commitments under non-cancellable operating leases are as follows:

Group

| | <i>Land and buildings</i> 2008 £000 | <i>Other</i> 2008 £000 | <i>Land and buildings</i> 2007 £000 | <i>Other</i> 2007 £000 |
|----------------------------|---|------------------------------|---|------------------------------|
| <i>Leases expiring:</i> | | | | |
| Within one year | 113 | 35 | 125 | 18 |
| Between two and five years | 599 | 243 | 341 | 249 |
| Thereafter | 224 | - | 419 | - |
| | 936 | 278 | 885 | 267 |

The company has no annual commitments under non-cancellable operating leases for year ended 31 December 2008 (2007 - £nil).

With the exception of one lease that expires in 2016 with an annual charge of £20,215, all other leases that expire after five years each contain a break clause that may be executed at Portman's discretion within five years.

22. Pension commitments

The group maintains pension plans for all eligible employees. The major plan is a defined benefit, final pensionable earnings plan, whose funds are administered by trustees and are independent of group finances. The pension costs in respect of the defined benefits plan have been calculated in accordance with FRS 17 Retirement Benefits.

The plan is subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rates of the employer's contributions which, together with the specified contributions payable by the employees and proceeds from the plan's assets, are expected to fund the benefits payable under the plan.

Notes to the financial statements

at 31 December 2008

22. Pension commitments (continued)

The latest valuation of the plan was carried out as at 5 April 2007 using the projected unit (PU) method and recorded the market value of the assets of the plan as £8,611,808. The actuarial value of the assets was sufficient to cover 93% of the benefits that would accrue to members. The principal assumptions were that the investment return would be 5.30% per annum, the salary increases would average 3.10% per annum, that pensions would increase in accordance with the rates under the pension plan rules and that LPI (Limited Price Indexation) escalating parts of present and future pensions would increase at the rate of 3.10% per annum.

The pension charge for the year ended 31 December 2008 was £229,000 (2007: £248,000).

The actuarial valuation carried out at 5 April 2007 was updated to 31 December 2008 by a qualified independent actuary. The major assumptions used by the actuary were:

| | <i>At 31 December</i> | | |
|---|-----------------------|-------------|-------------|
| | <i>2008</i> | <i>2007</i> | <i>2006</i> |
| Rate of increase in salaries | 3.2% | 3.6% | 3.2% |
| Rate of increase in deferred pensions | 3.0% | 3.4% | 3.0% |
| Rate of increase in pensions in payment | 3.0% | 3.4% | 3.0% |
| Discount rate | 6.2% | 5.6% | 5.0% |
| Inflation | 3.0% | 3.4% | 3.0% |

In accordance with FRS 17, the projected unit cost valuation method has been adopted. In January 2002 the plan was closed to new entrants. In future years, under this valuation method, the current service cost will increase.

| | <i>from incorporation to 31 December</i> | |
|--|--|--------------|
| | <i>2008</i> | <i>2007</i> |
| | <i>£000</i> | <i>£000</i> |
| <i>Change in benefit obligation</i> | | |
| Benefit obligation at beginning of year | 9,520 | 10,219 |
| Current service cost | 229 | 248 |
| Interest cost | 539 | 514 |
| Plan participants' contributions | 103 | 94 |
| Actuarial (gains)/losses | (1,795) | (1,328) |
| Benefits paid | (135) | (227) |
| Benefit obligation at end of year | <u>8,461</u> | <u>9,520</u> |
| <i>Analysis of defined benefit obligation</i> | | |
| Plans that are wholly or partly funded | <u>8,461</u> | <u>9,520</u> |

Notes to the financial statements

at 31 December 2008

22. Pension commitments (continued)

| | <i>from incorporation to 31 December</i> | |
|--|--|-------------|
| | <i>2008</i> | <i>2007</i> |
| | <i>£000</i> | <i>£000</i> |
| <i>Change in plan assets</i> | | |
| Fair value of plan assets at beginning of year | 8,942 | 8,123 |
| Expected return on plan assets | 547 | 417 |
| Actuarial gains/(losses) | (3,975) | 27 |
| Employer contribution | 488 | 508 |
| Member contributions | 103 | 94 |
| Benefits paid | (135) | (227) |
| | <hr/> | <hr/> |
| Fair value of plan assets at end of year | 5,970 | 8,942 |
| Funded status | (2,491) | (578) |
| Related deferred tax asset | 697 | 162 |
| | <hr/> | <hr/> |
| Net amount recognised | (1,794) | (416) |
| | <hr/> <hr/> | <hr/> <hr/> |
| | <i>2008</i> | <i>2007</i> |
| | <i>£000</i> | <i>£000</i> |
| <i>Components of pension cost</i> | | |
| Current service cost | 229 | 248 |
| Interest cost | 539 | 514 |
| Expected return on plan assets | (547) | (417) |
| | <hr/> | <hr/> |
| Total pension cost recognised in the P&L account | 221 | 345 |
| Actuarial (gains)/losses immediately recognised in the STRGL | 2,180 | (1,355) |
| | <hr/> <hr/> | <hr/> <hr/> |
| <i>Plan assets</i> | | |
| The weighted-average asset allocation at the year-end were as follows: | | |
| | <i>2008</i> | <i>2007</i> |
| | <i>%</i> | <i>%</i> |
| <i>Asset category:</i> | | |
| Equities | 99 | 98 |
| Cash | 1 | 2 |
| | <hr/> | <hr/> |
| | 100 | 100 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | <i>2008</i> | <i>2007</i> |
| | <i>£000</i> | <i>£000</i> |
| Actual return on plan assets | (3,428) | 444 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes to the financial statements

at 31 December 2008

22. Pension commitments (continued)

Weighted average assumptions used to determine benefit obligations at:

| | 2008 | 2007 |
|-------------------------------|------|------|
| | % | % |
| Discount rate | 6.25 | 5.60 |
| Rate of LPI pension increases | 3.00 | 3.40 |
| Rate of increases in salaries | 3.25 | 3.65 |
| Inflation assumption | 3.00 | 3.40 |

Weighted average assumptions used to determine net pension cost for year ended:

| | 2008 | 2007 |
|-------------------------------|------|------|
| | % | % |
| Discount rate | 5.60 | 5.00 |
| Rate of LPI pension increases | 3.40 | 3.00 |
| Rate of increases in salaries | 3.65 | 3.25 |
| Inflation assumption | 3.40 | 3.00 |

Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 December 2008:

| | <i>Male</i> | <i>Female</i> |
|---|-------------|---------------|
| Member age 65 (current life expectancy) | 21.3 | 24.2 |
| Member age 45 (life expectancy at age 65) | 23.1 | 25.9 |

Five year history

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|---------|-------|---------|---------|---------|
| | £000 | £000 | £000 | £000 | £000 |
| Benefit obligation at end of year | 8,461 | 9,520 | 10,219 | 9,551 | 7,214 |
| Fair value of plan assets at end of year | 5,970 | 8,942 | 8,123 | 6,826 | 4,481 |
| Deficit in the plan | (2,491) | (578) | (2,096) | (2,725) | (2,733) |
| Related deferred tax asset | 697 | 162 | 629 | 817 | 820 |
| Net pension liability | (1,794) | (416) | (1,467) | (1,908) | (1,913) |

Difference between actual and expected return on plan assets:

| | | | | | |
|---------------------------|---------|----|-----|-----|-----|
| amount (£000) | (3,975) | 27 | 508 | 767 | 176 |
| percentage of plan assets | (67%) | 0% | 6% | 11% | 4% |

Experience gains and (losses) on plan liabilities:

| | | | | | |
|--------------------------------|----|-----|----|----|-------|
| amount (£000) | 73 | 106 | 24 | 29 | (100) |
| percentage of plan liabilities | 1% | 1% | 0% | 0% | 1% |

The group also operates defined contribution pension plans for certain employees. The assets of the plans are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £314,655 (2007: £169,415).

Notes to the financial statements

at 31 December 2008

23. Cash flow statement

(a) Reconciliation of operating profit to net cash inflow:

| | <i>from incorporation to 31 December</i> | |
|---|--|-------------|
| | 2008 | 2007 |
| | £000 | £000 |
| Operating profit | 3,803 | 4,702 |
| Depreciation charge for the year | 465 | 405 |
| FRS17 operating charge | 229 | 248 |
| Amortisation of goodwill | 2,146 | 1,750 |
| Decrease/(increase) in trade debtors | 7,385 | (551) |
| Decrease/(increase) in other debtors | 474 | (388) |
| Decrease in trade creditors | (8,716) | (1,150) |
| (Decrease)/increase in other creditors | (738) | 973 |
| Pension contributions | (488) | (508) |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | 4,560 | 5,481 |
| | <hr/> <hr/> | <hr/> <hr/> |

(b) Analysis of cash flows for headings netted in the cash flow statement:

| | 2008 | 2007 |
|--|---------|----------|
| | £000 | £000 |
| Returns on investments and servicing of finance | | |
| Interest paid | (1,057) | (519) |
| | <hr/> | <hr/> |
| | (1,057) | (519) |
| | <hr/> | <hr/> |
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (644) | (631) |
| Disposals | - | 15 |
| Investment in Radius | - | (127) |
| | <hr/> | <hr/> |
| | (644) | (743) |
| | <hr/> | <hr/> |
| Acquisitions | | |
| Cash at bank acquired | 2,382 | (23) |
| Cash consideration | (8,883) | (31,215) |
| Costs associated with the acquisition | (671) | (1,000) |
| | <hr/> | <hr/> |
| | (7,172) | (32,238) |
| | <hr/> | <hr/> |

Notes to the financial statements

at 31 December 2008

23. Cash flow statement

| | <i>from incorporation to 31 December</i> | |
|--|--|---------------|
| | 2008 | 2007 |
| | £000 | £000 |
| Financing | | |
| Decrease in amounts returnable from limited recourse financing | (303) | (747) |
| Loan notes issued | - | 31,044 |
| Preference shares redeemed | - | (1,000) |
| Bank loan repayment | (700) | (680) |
| Issue of ordinary shares | - | 500 |
| Receipt on disposal of own shares (net) | - | 172 |
| Hire purchase | 9 | - |
| New bank loan | 10,750 | - |
| Foreign exchange | 158 | - |
| | <u>9,914</u> | <u>29,289</u> |

(c) Analysis of net debt:

| | <i>At 31 December</i> | | <i>At 31 December</i> | |
|---|---------------------------|------------------|---------------------------|-----------------|
| | 2007 | <i>Cash flow</i> | <i>Acquisition</i> | 2008 |
| | £000 | £000 | £000 | £000 |
| Cash at bank and in hand | (10) | 4,533 | - | 4,523 |
| Term loan | (2,720) | - | - | (2,720) |
| Limited recourse financing - returnable amounts | (303) | 303 | - | - |
| Loan notes | (31,044) | (2,927) | - | (33,971) |
| New loan | - | (10,050) | - | (10,050) |
| Hire purchase | - | (9) | (166) | (175) |
| | <u>(34,077)</u> | <u>(8,150)</u> | <u>(166)</u> | <u>(42,393)</u> |

24. Guarantees

Group

| | 2008 | 2007 |
|-----------------------|-------|-------|
| | £000 | £000 |
| Travel industry bonds | 1,891 | 1,932 |

The group provides guarantees in respect of travel industry bonds in the normal course of business. All guarantees are provided by means of an insurance policy.

Notes to the financial statements

at 31 December 2008

25. Related party transactions

During the year the group entered into the following transactions, in the ordinary course of business with the following related parties.

| | <i>Sales to Related Parties £000</i> | <i>Amounts due from Related Parties £000</i> |
|---|--|--|
| Vision Capital Group Limited | | |
| 2008 | 514 | 66 |
| 2007 | - | - |
| Dunedin Enterprise Investment Trust PLC | | |
| 2008 | - | - |
| 2007 | 14 | - |
| Noble Grossart Investments Ltd | | |
| 2008 | - | - |
| 2007 | 3 | - |
| | <u> </u> | <u> </u> |

Sales to related parties and amounts due from related parties are in respect of business travel services.

Vision Capital Group Limited is a related party by virtue of it being an associate of Super Selector S.a.r.l., ultimate controlling party of the group. In 2008 Super Selector S.a.r.l. held interest in 72% (2007: 74%) of the Ordinary shares of Portman Group Holdings Limited.

In the prior year, the parties noted below were deemed to be related by virtue of their financial interest in Portman Holdings Limited during the prior year. Portman Holdings Limited is a wholly owned subsidiary of Portman Group Holdings Limited at 31 December 2008.

| | <i>2007 Cumulative redeemable preference shares</i> | <i>2007 Ordinary shares</i> |
|------------------------------------|---|-------------------------------------|
| Dunedin Enterprise Trust PLC | 2% | 1% |
| Noble Grossart Investments Limited | 2% | 1% |
| | <u> </u> | <u> </u> |

26. Ultimate parent undertaking

The company's ultimate parent undertaking is Super Selector S.a.r.l, a company registered in Luxembourg.