

Portman Travel Limited
Report and Financial Statements

31 December 2009

Directors and advisors

Directors

M J Hare (Chief Executive Officer)

D A Canavan

M E Aldridge (Non-Executive)

A G Wormsley (Non-Executive)

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

35 Regent 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 to 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.

Our proactive response to the recent disruption caused by volcanic ash closing European airspace ensured our travellers were kept fully informed, given timely and knowledgeable assistance in securing cost effective alternative travel options, whilst ensuring that they completed their journeys in the shortest possible time. Following the return to normality underlying shifts from direct channels (e.g. airline websites) to managed solutions (e.g. travel management companies) have been significant.

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 financial statements for the year ended 31 December 2009.

Results and dividend

The profit for the year, after taxation, amounted to £1.5m (2008 – £5.3m).

Equity dividends of £5.3m (£265 per share) (2008 – £4.9m, £245 per share) have been approved and accrued in the year.

Principal activities

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

Operating review

Key financial and other performance indicators

	2009	2008
	£m	£m
Turnover	239	332
Operating profit	2	5
Profit after tax	1	5
Shareholders' funds	6	10
Average number of employees	549	652

Trading review

The board reports a profit before tax for the year ended 31 December 2009 of £1.7m (2008 –£5.5m).

This has been achieved against a background of the current worldwide economic recession. Trading conditions have been challenging with volumes down by 20%. Management proactively instigated a cost reduction programme to ensure that the company's cost base reduced in line with the volume of trade. This has allowed the company to restructure the branch network in order to maximise operating efficiencies and obtain economies of scale whilst seeking to retain staff by adopting flexible working practices.

The group conducted a full review of its product offering investing in training for the sales team; strengthening the accounts management team and continuing to develop its relationship with Radius Travel Management to improve the groups' global service capability. This has already paid dividends with the signing of a significant global customer in the second half of 2009 with a turnover of £17m per annum.

The board believes these actions position the company to continue to effectively service our customer base and drive growth as market conditions improve.

Overall sales have decreased by £93m – 28% during 2009. Customer transactions handled were down 20%, with average sales value down 12%, reflecting the reduced traffic and the emphasis on costs savings by customers.

Overhead costs, net of reorganisation costs, of £21.5m are £3.8m (15%) lower than 2008 and represent 83% (2008 –79%) of income generated.

The ultimate parent company of Portman Travel Limited is Super Selector S.à.r.l, headquartered in Luxembourg, which is a wholly owned subsidiary of Vision Capital Partners VI and VI-S LP funds, which are advised by Vision Capital LLP (Vision) which is based in London.

Directors' report

Principal risks and uncertainties

Market risks

The business travel market, like most business sectors, has been adversely affected by the worldwide recession. Customers are actively seeking ways of reducing travel and related expenditure and Portman is focussed on assisting customers to achieve their goals.

Globalisation of travel management services continues to be the focus of large and complex organisations. The Portman offering through its international Radius partners is delivering a credible alternative to the "major" travel management companies.

Management are pleased to report that online transactions booked through Portman now account for over 18% of total transactions in 2009. 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.

Financial risk management objectives and policies

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

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

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

The company 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.

Future developments

The board aim to maintain the development of the business by organic growth and acquisition, coupled with continuous productivity and efficiency gains. The company seeks to develop closer links with international partners via Radius. Acquisition opportunities will continue to arise in 2010 and Portman is strategically placed to increase market share by acquisition of companies which are a suitable cultural, geographical and business fit.

Adoption of going concern basis

Subsequent to the balance sheet date the bank has confirmed its renewal of the group's current banking facilities.

In their consideration of going concern the Directors have reviewed the group's future cashflow forecasts and associated risks; these forecasts extend for a period beyond one year from the date of approval of these financial statements.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

Directors' report

Directors

The directors who served during the year were:

M J Hare (appointed CEO September 2009)
D A Canavan
A G Wormsley
G N Flack (resigned October 2009)
P G Jones (appointed September 2009, resigned February 2010)

Disabled persons

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

Employee involvement

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

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 and the group's auditor, 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.

Supplier payment policy and practice

The company 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 day's purchases in trade creditors was 30 days (2008 – 33 days).

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

25th June 2010

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent auditors' report

to the members of Portman Travel Limited

We have audited the financial statements of Portman Travel Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Portman Travel Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

James Douglas Nisbet (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Glasgow

25th June 2010

Profit and loss account

for the year ended 31 December 2009

	<i>Notes</i>	<i>2009</i> £000	<i>2008</i> £000
Turnover	2/3	238,973	332,235
Cost of sales		213,070	300,028
		-----	-----
Income generated		25,903	32,207
Distribution costs		15,636	17,487
Administration costs		8,483	9,239
		-----	-----
Operating profit before goodwill amortisation		1,784	5,481
Goodwill amortisation	10	161	160
		-----	-----
Operating profit	4	1,623	5,321
Interest income	7	(69)	(181)
Other finance expense/(income)	7	37	(8)
		-----	-----
Profit on ordinary activities before taxation		1,655	5,510
Tax on profit on ordinary activities	8(a)	161	250
		-----	-----
Profit attributable to shareholders	19/20	1,494	5,260
		=====	=====

Statement of total recognised gains and losses

for the year ended 31 December 2009

	<i>Notes</i>	<i>2009</i> £000	<i>2008</i> £000
<i>Profit for the year</i>		1,494	5,260
Actuarial (loss) recognised on defined benefit pension scheme	22	(615)	(2,180)
Movement on deferred tax relating to pension liability		172	610
<i>Total gains relating to the year</i>		1,051	3,690

Balance sheet

at 31 December 2009

	<i>Notes</i>	<i>2009</i> £000	<i>2008</i> £000
Fixed assets			
Intangible assets – goodwill	10	2,701	2,862
Tangible assets	11	1,628	1,577
Investments	12	127	127
		<u>4,456</u>	<u>4,566</u>
Current assets			
Trade debtors subject to limited recourse financing	13	13,535	15,998
Other debtors:			
Amounts receivable after more than one year	13	9,777	10,560
Amounts receivable within one year	13	3,486	3,709
Cash at bank and in hand		2,260	3,560
		<u>29,058</u>	<u>33,827</u>
Creditors: amounts falling due within one year	14	18,547	19,778
		<u>10,511</u>	<u>14,049</u>
Net current assets		<u>14,967</u>	<u>18,615</u>
Total assets less current liabilities		<u>14,967</u>	<u>18,615</u>
Creditors: amounts falling due after more than one year	15	6,989	6,531
Pension liability	22	1,937	1,794
		<u>6,041</u>	<u>10,290</u>
Net assets		<u>6,041</u>	<u>10,290</u>
Called up share capital			
Ordinary shares	18	2,000	2,000
Profit and loss account	19	4,041	8,290
		<u>6,041</u>	<u>10,290</u>
Equity shareholders' funds	20	<u>6,041</u>	<u>10,290</u>

M J Hare

Director

25th June 2010

Statement of cash flows

for the year ended 31 December 2009

	<i>Notes</i>	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
Cash flow from operating activities	23(a)	4,642	10,049
Returns on investments and servicing of finance	23(b)	69	181
Taxation		–	(1,068)
Capital expenditure	23(b)	(656)	(554)
Equity dividends paid		(5,300)	(4,900)
Cash flow before financing		(1,245)	3,708
Financing	23(b)	(55)	(128)
(Decrease)/Increase in cash in year		(1,300)	3,580

Reconciliation of net cash flow to movement in net funds

	<i>Notes</i>	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
(Decrease)/Increase in cash in year	23(c)	(1,300)	3,580
Decrease in amounts returnable from limited recourse financing		–	303
Hire purchase		55	(175)
Change in net debt resulting from cash flows		(1,245)	3,708
Net funds/(debt) at 1 January		665	(3,043)
Net (debt)/funds at 31 December	23(c)	(580)	665

Notes to the financial statements

at 31 December 2009

1. Accounting policies

Accounting convention

The financial statements of Portman Travel Limited were approved for issue by the Board of Directors on 25th June 2010.

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

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

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.

Goodwill

Goodwill arising 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 2009

1. Accounting policies (continued)

Deferred taxation

Deferred taxation 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 right to pay less or to receive more, or less tax, with the following exception:

- 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 Company 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 year-end rates of exchange. All exchange differences so arising are reported as part of the profit for the year.

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if they are not included in shareholders' funds. 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.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding. Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the period to the next rent review.

Notes to the financial statements

at 31 December 2009

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 company's continuing activities.

3. Segmental analysis

The company'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 entirely within the United Kingdom.

4. Operating profit

This is stated after charging the following:

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Debt factor's charges (excluding interest)	239	405
Depreciation of owned fixed assets	483	399
Depreciation of assets held under hire purchase contracts	29	19
Amortisation of goodwill	161	160
Auditors' remuneration	93	113
Operating lease rentals for plant and machinery	575	414
Operating lease rentals for land and buildings	1,156	1,051
	<u> </u>	<u> </u>

The remuneration of the auditors is further analysed as follows:

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Audit of the financial statements	55	63
Other fees – other services	9	35
– taxation services	29	15
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2009

5. Directors' emoluments

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Emoluments	550	548

	<i>2009</i>	<i>2008</i>
	<i>No.</i>	<i>No.</i>
Members of defined benefit pension scheme at 31 December	1	2

The amounts in respect of the highest paid director are as follows:

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Emoluments	163	193
Accrued pension at the end of the year	66	63

6. Staff costs

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	13,030	14,193
Social Security costs	1,083	1,266
Other pension costs	428	558
	14,541	16,017

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

	<i>2009</i>	<i>2008</i>
	<i>No.</i>	<i>No.</i>
Management (directors and operational management)	16	17
Operations (branch management and staff)	533	635
	549	652

Notes to the financial statements

at 31 December 2009

7. Interest income and other finance expense

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Other interest income	13	13
Interest payable on limited recourse facility	(12)	(119)
Interest on loan	(92)	(183)
Interest on amount due from a group company	160	470
	<u>69</u>	<u>181</u>
Other finance expense/(income):		
Interest on pension scheme liabilities	526	539
Expected return on pension scheme assets	(489)	(547)
	<u>37</u>	<u>(8)</u>

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
UK corporation tax		
Current year charge (note 8b)	–	120
Previous periods	74	–
	<u>74</u>	<u>120</u>
Deferred tax		
Pension contributions in excess of pension charge	116	75
Accelerated/ (decelerated) capital allowances	1	(28)
Other timing differences	(30)	83
	<u>87</u>	<u>130</u>
Tax on profit on ordinary activities	<u>161</u>	<u>250</u>

Notes to the financial statements

at 31 December 2009

8. Tax (continued)

(b) Factors affecting tax charge for the year

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

	2009 £000	2008 £000
Profit on ordinary activities before tax	1,655	5,510
Profit on ordinary activities multiplied by standard rate of corporation Tax rate of 28% (2008 – 28.5%)	464	1,570
Effect of:		
Disallowed expenses and non taxable income	30	25
Fixed asset timing differences	(1)	(29)
Other timing differences	44	(93)
Group relief	(421)	(1,166)
Pension provision	(116)	(76)
Adjustments in respect of prior periods	74	–
Utilisation of brought forward tax losses	–	(111)
	<u>74</u>	<u>120</u>

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

(d) The deferred tax asset included in the balance sheet, in debtors (note 13) consists of:

	2009 £000	2008 £000
Decelerated capital allowances	49	67
Other timing differences	144	97
	<u>193</u>	<u>164</u>
At 31 December	164	220
Profit and loss account	29	(56)
At 1 January	<u>193</u>	<u>164</u>

(e) The deferred tax asset arising on the pension deficit is included in the pension liability (note 22).

Notes to the financial statements

at 31 December 2009

9. Dividends

	2009	2008
	£000	£000
Dividend approved in the year		
£265.00 per share (2008 – £245.00)	5,300	4,900
	<u>5,300</u>	<u>4,900</u>

10. Goodwill

Cost:		£000
At 31 December 2009 and 1 January 2009		6,980
Amortisation:		
At 1 January 2009		4,118
Amortisation in year		161
At 31 December 2009		<u>4,279</u>
Net book amount:		
At 31 December 2009		<u>2,701</u>
At 31 December 2008		<u>2,862</u>

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

Notes to the financial statements

at 31 December 2009

11. Tangible assets

	<i>Short leasehold property £000</i>	<i>Office furniture and fittings £000</i>	<i>Computers and office machinery £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost:					
At 1 January 2009	438	1,488	5,430	29	7,385
Additions	–	261	395	–	656
Disposals	(141)	(645)	(1,488)	(29)	(2,303)
At 31 December 2009	297	1,104	4,337	–	5,738
Depreciation:					
At 1 January 2009	428	1,115	4,236	29	5,808
Charge for year	6	65	441	–	512
Disposals	(137)	(586)	(1,458)	(29)	(2,210)
At 31 December 2009	297	594	3,219	–	4,110
Net book amount:					
At 31 December 2009	–	510	1,118	–	1,628
At 31 December 2008	10	373	1,194	–	1,577

The net book value of office and machinery includes an amount of £171,582 in respect of assets held under hire purchase contract.

12. Fixed asset investment

	<i>£000</i>
Cost:	
At 1 January 2009 and 31 December 2009	127
	=

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 2009

13. Debtors

	2009	2008
	£000	£000
Trade debtors subject to limited recourse financing	13,535	15,998
Other debtors: amounts receivable after more than one year		
Amounts due by parent company	9,777	10,560
Other debtors: amounts receivable within one year		
Prepayments and accrued income	2,642	2,945
Deferred taxation asset (note 8d)	193	164
Amounts due by parent company	275	150
Taxation - corporation tax	376	450
	3,486	3,709

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 company on discounting is not returnable, and carries interest at variable rates. The returnable element of the proceeds would be recorded in creditors due within one year. The company 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.

14. Creditors: amounts falling due within one year

	2009	2008
	£000	£000
Trade creditors	11,165	9,436
Other taxes and social security	301	398
Accruals	1,465	1,472
Other creditors	40	97
Amounts due to parent company	4,936	8,277
Amounts due to group companies	529	-
Hire purchase creditors (see note 16)	111	98
	18,547	19,778

Notes to the financial statements

at 31 December 2009

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

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Term loan (note 17)	2,720	2,720
Other creditors	938	254
Amounts due to group companies	3,321	3,480
Hire purchase creditors (see note 16)	10	77
	<u>6,989</u>	<u>6,531</u>

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.

16. Obligations under hire purchase contracts

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Amounts payable within:		
One year	129	104
Between one and two years	11	78
Between two and five years	–	21
	<u>140</u>	<u>203</u>
Less finance charges allocated to future periods	19	28
	<u>121</u>	<u>175</u>
	<u><u>121</u></u>	<u><u>175</u></u>
Obligations are shown as		
Current	111	98
Non-current	10	77
	<u>121</u>	<u>175</u>
	<u><u>121</u></u>	<u><u>175</u></u>

17. Term loan

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Loans repayable, included within creditors, are analysed as follows:		
Wholly repayable within five years	2,720	600
Not wholly repayable within five years	–	2,120
	<u>2,720</u>	<u>2,720</u>
	<u><u>2,720</u></u>	<u><u>2,720</u></u>

Details of loan not wholly repayable within five years is as follows:

The terms of the secured loan of £2,720,000 results in 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 3.25% above the bank's base rate, and is paid monthly.

Notes to the financial statements

at 31 December 2009

18. Share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Deferred Ordinary shares of £1 each	5,000,000	5,000,000	2,000,000	2,000,000
	=====	=====	=====	=====
	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Ordinary shares US\$ 0.01 each "United States Dollar shares" (Authorised /Issued – 20,000 shares)	125	125	125	125
	=====	=====	=====	=====

Deferred Ordinary Shares

The deferred ordinary shareholders are not entitled to vote, attend, nor receive notice of general meetings. They are not entitled to participate in the profits or assets of the company except in the event of winding-up or a return of capital when they are entitled to 0.001% of the assets available for distribution to the members.

United States Dollar Shares

The United States Dollar shares are entitled to all voting rights. In the event of winding-up or a return of capital these shares are entitled to 99.999% of the assets available for distribution to members. These shares carry all rights to participate in the profits and assets of the company.

19. Reserves

	<i>£000</i>
At 31 December 2008	8,290
Profit for year	1,494
Dividend	(5,300)
Actuarial (loss) net of tax thereon	(443)
	=====
At 31 December 2009	4,041
	=====

Notes to the financial statements

at 31 December 2009

20. Reconciliation of shareholders' funds

	£000
At 31 December 2008	10,290
Profit for year	1,494
Dividend	(5,300)
Actuarial loss net of tax thereon	(443)
	<hr/>
At 31 December 2009	6,041
	<hr/> <hr/>

21. Commitments

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

	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	2009	2009	2008	2008
	£000	£000	£000	£000
Leases expiring:				
Within one year	48	69	113	35
Between two and five years	748	141	599	243
Thereafter	224	–	224	–
	<hr/>	<hr/>	<hr/>	<hr/>
	1,020	210	936	278
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 the company's discretion within five years.

22. Pension commitments

The company maintains pension plans for all eligible employees. The major plan is a defined benefits, final pensionable earnings plan, whose funds are administered by trustees and are independent of company 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.

The latest valuation of the plan was carried out 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 had accrued 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.

Notes to the financial statements

at 31 December 2009

22. Pension commitments (continued)

The pension charge for the accounting period under review was £108,000 (2008 – £229,000).

The actuarial valuation carried out at 5 April 2007 was updated to 31 December 2009 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 December		
	2009	2008	2007
Rate of increase in salaries	3.8%	3.2%	3.6%
Rate of increase in deferred pensions	3.4%	3.0%	3.4%
Rate of increase in pensions in payment	3.4%	3.0%	3.4%
Discount rate	5.8%	6.2%	5.6%
Inflation	3.6%	3.0%	3.4%

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.

	2009	2008
	£000	£000
Change in benefit obligation		
Benefit obligation at beginning of year	8,461	9,520
Current service cost	108	229
Interest cost	526	539
Plan participants' contributions	104	103
Actuarial losses /(gains)	1,485	(1,795)
Benefits paid	(298)	(135)
	10,386	8,461
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	10,386	8,461
	10,386	8,461
Change in plan assets		
Fair value of plan assets at beginning of year	5,970	8,942
Expected return on plan assets	489	547
Actuarial gains/(losses)	871	(3,975)
Employer contribution	560	488
Member contributions	104	103
Benefits paid	(298)	(135)
	7,696	5,970
Funded status	(2,690)	(2,491)
Related deferred tax asset	753	697
	(1,937)	(1,794)
	(1,937)	(1,794)

Notes to the financial statements

at 31 December 2009

22. Pension commitments (continued)

	2009	2008
	£000	£000
Components of pension cost		
Current service cost	108	229
Interest cost	526	539
Expected return on plan assets	(489)	(547)
	<u>145</u>	<u>221</u>
Total pension cost recognised in the P&L account	<u>145</u>	<u>221</u>
Actuarial losses immediately recognised in the STRGL	<u>615</u>	<u>2,180</u>
Plan assets		
The weighted-average asset allocation at the year-end were as follows:		
	2009	2008
	%	%
Asset category:		
Equities	80	99
Bonds	20	–
Other	–	1
	<u>100</u>	<u>100</u>
	<u>2009</u>	<u>2008</u>
	£000	£000
Actual return on plan assets	<u>1,360</u>	<u>(3,428)</u>
Weighted average assumptions used to determine benefit obligations at:		
	2009	2008
Discount rate	5.80%	6.25%
Rate of LPI pension increases	3.40%	3.00%
Rate of increases in salaries	3.80%	3.25%
Inflation assumption	3.60%	3.00%

Notes to the financial statements

at 31 December 2009

22. Pension commitments (continued)

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

	2009	2008
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 life expectancy for mortality tables used to determine benefit obligations at 31 December 2009:

	Male	Female
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

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Benefit obligation at end of year	10,386	8,461	9,520	10,219	9,551
Fair value of plan assets at end of year	7,696	5,970	8,942	8,123	6,826
Deficit in the plan	(2,690)	(2,491)	(578)	(2,096)	(2,725)
Related deferred tax asset	753	697	162	629	817
Net pension liability	(1,937)	(1,794)	(416)	(1,467)	(1,908)
Difference between actual and expected return on plan assets:					
percentage of plan assets	871 11%	(3,975) (67%)	27 0%	508 6%	767 11%
Experience gains and (losses) on plan liabilities:					
percentage of plan liabilities	109 1%	73 1%	106 1%	24 0%	29 0%

The company also operates defined contribution pension plans for certain employees. The assets of the plans are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £277,707 (2008 – £314,655).

Notes to the financial statements

at 31 December 2009

23. Cash flow statement

(a) Reconciliation of operating profit to operating cash flows:

	2009 £000	2008 £000
Operating profit	1,623	5,321
Depreciation charge for the year	512	418
Loss on disposal of fixed assets	93	–
FRS 17 Operating charge	108	229
Amortisation of goodwill	161	160
Decrease in trade debtors	2,463	1,132
Decrease/(increase) in other debtors	302	(236)
Decrease/(increase) in inter-company debtor	(2,311)	7,372
Increase/(decrease) in trade creditors	1,729	(3,515)
Increase/(decrease) in other creditors	522	(344)
Pension contributions	(560)	(488)
	<hr/>	<hr/>
Net cash inflow from operating activities	4,642	10,049
	<hr/> <hr/>	<hr/> <hr/>

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

	2009 £000	2008 £000
Returns on investments and servicing of finance		
Interest income	69	181
	<hr/>	<hr/>
	69	181
	<hr/>	<hr/>
Capital expenditure		
Purchase of tangible fixed assets	(656)	(554)
	<hr/>	<hr/>
	(656)	(554)
	<hr/>	<hr/>
Financing		
Decrease in amounts returnable from limited recourse financing	–	(303)
Hire purchase	(55)	175
	<hr/>	<hr/>
	(55)	(128)
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

at 31 December 2009

23. Cash flow statement (continued)

(c) Analysis of net debt:

	<i>At</i>		<i>At</i>
	<i>1 January</i>	<i>Cash 31 December</i>	<i>flow</i>
	<i>2009</i>	<i>2009</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	3,560	(1,300)	2,260
Term loan	(2,720)	–	(2,720)
Hire Purchase	(175)	55	(120)
	<u>665</u>	<u>(1,245)</u>	<u>(580)</u>

24. Guarantees

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Travel industry bonds	1,119	1,891

The company provides guarantees in respect of travel industry bonds in the normal course of business. All guarantees are provided by means of an insurance policy, consistent with the prior year.

Notes to the financial statements

at 31 December 2009

25. Related party transactions

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

	<i>Sales to related parties £</i>	<i>Amounts due from related parties £</i>
Vision Capital Group Limited		
2009	391,776	69,288
2008	514,395	66,177

All transactions are in respect of business travel services.

The company is exempt from disclosing transactions with fellow group companies under FRS 8 – “Related Party Transactions” as it is a 100% subsidiary of a group.

Vision Capital Group Limited is a related party by virtue of it being an associate of Super Selector S.à.r.l., ultimate controlling party of the company. In 2009 Super Selector S.à.r.l held interest in 72.3% (2008 – 72.3%) of the Ordinary shares of Portman Group Holdings Limited.

26. Ultimate parent undertaking and controlling party

The company’s ultimate parent undertaking is Super Selector S.à.r.l., a company registered in Luxembourg. The parent undertaking of the smallest group of which the company is a member and for which group accounts are prepared is Portman Group International S.à.r.l. Copies of its group accounts are available from 5,Rue Guillaume Kroll, L-1882 Luxembourg.