

# **AIR TRAVEL TRUST**

**Report and Accounts**

**31 March 2004**



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**Air Travel Trust  
CAA House  
45–59 Kingsway  
London WC2B 6TE**

9 July 2004


Secretary of State for Transport  
Great Minster House  
76 Marsham Street  
London SW1P 4DR

Sir

I submit herewith the Report and Accounts of the Air Travel Trust for the year ended 31 March 2004.

Total expenditure on customers' claims during the past year remained relatively low, despite a difficult year in the industry. Continued changes in holiday buying patterns, including further growth in direct bookings with airlines, add to the pressures on the traditional travel companies.

The ability of the CAA to manage failures effectively is dependent on having immediate access to funds to make payments to airlines and overseas accommodation suppliers. To this end the Trust needs to be adequately funded to meet the cost of future failures which can happen without much, if any, warning. Although progress made in drafting a Bill is encouraging, it is very disappointing that pressures on Parliamentary time continue to delay legislation to re-introduce the levy needed to restore the Fund. This Fund underpins a protection system which, although highly valued by UK consumers, has been obliged to exist on deficit financing for the last eight years: as a result, in the last year the amount of loan interest paid was nearly double the amount of compensation paid to holidaymakers.

A handwritten signature in black ink, appearing to read 'Roger Mountford', with a long horizontal stroke extending from the bottom of the signature.

Roger Mountford  
Chairman

# Air Travel Trust

CAA House  
45–59 Kingsway  
London  
WC2B 6TE

## TRUSTEES

Mr R P Mountford (Chairman)  
Mr R J Britton  
Miss C Jesnick  
Mrs H M Simpson

## OFFICIALS

Mr M Ashby, Treasurer  
Mr D J Bourne, Secretary  
Miss S Springett, Assistant Secretary

## BANKERS

National Westminster Bank plc  
Bloomsbury Parr's Branch  
214 High Holborn  
London WC1V 7BX

Bank of Scotland  
38 Threadneedle Street  
London EC2P 2EH

## AUDITORS

Deloitte & Touche LLP  
London

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# Report of the Trustees

## CONSTITUTION AND TERMS OF REFERENCE

The Air Travel Trust exists as a reserve fund to back up the bonds provided as part of the Air Travel Organisers' Licensing system (ATOL), which is managed by the Civil Aviation Authority.

The ATOL scheme is a UK statutory system that provides financial protection to air travellers and air holidaymakers against the insolvency of their tour operator or travel company. With a few exceptions, all travel firms either advertising or selling air travel in the UK must hold an ATOL. The Civil Aviation Authority holds bonds provided by ATOL holders and, if a company fails, the money from its bond can be used to allow customers abroad to complete their holiday and then return to the UK, and also to refund customers' advance payments for those who were still due to travel. When individual bonds prove to be insufficient to meet all the claims made upon them, the Air Travel Trust Fund provides money to meet all the deficit.

The Trustees are all Board Members and officials of the Civil Aviation Authority, appointed ex officio. The Trustees met twice during the year, in April and June.

The terms of reference of the Trust are contained in the Trust Deed, which is at Appendix 1 of this report. This new Trust Deed, which takes account of new insolvency provisions and modernises some of the drafting, was signed in January 2004 and replaced the 1986 Trust Deed.

Two of the Trustees, Mr Roger Mountford and Mrs Helen Simpson, are also members of the Air Travel Insolvency Protection Advisory Committee (ATIPAC). This committee represents parties affected by the financial protection of air travel, including travel trade associations, air travel consumers' groups and the CAA.



## **REVIEW OF THE YEAR**

The Trust Fund continues to be in deficit and has been since 1996. Liquid funds are provided from a credit facility with the Bank of Scotland which is guaranteed by the Government. During the year, the Trustees reviewed the adequacy of the available liquidity in the light of potential claims and a new facility based on different terms has been arranged.

In the year to 31 March 2004 there was expenditure of £206,000 on new failures (net of £78,500 of previous advances that have been returned) and an amount of £63,000 was recovered as the liquidation dividend from a failed ATOL holder. £409,000 was charged to the Fund in interest costs. The year end deficit was £9.7 million, which was an increase from the £9.1 million deficit at the beginning of the year.

During the year the Civil Aviation Authority, acting on behalf of the Air Travel Trust, has taken legal action under personal guarantees provided by principals of failed ATOL holders, and under guarantees provided by the parent companies of failed ATOL holders. These actions are still in progress.

## **REPLENISHMENT OF THE TRUST FUND**

Initially managed by the Air Travel Reserve Fund Agency, the Trust Fund was established by a levy on holidays. The Fund's only income since 1978 has arisen from income from investments while the Fund was in surplus. It became apparent during the early 1990s, following a number of large calls, that the Fund would go into deficit unless new legislation re-introduced a levy so as to replenish the Fund: however, despite repeated requests and assurances that it was the intention to introduce legislation, there are still no levy powers.

The Fund was exhausted in summer 1996 and subsequently the Trustees have continued to meet customer claims through a borrowing facility guaranteed by the Government. In being satisfied that the Trust can continue to meet its obligations, the Trustees also rely on assurances from the Department for Transport that the Government

remains committed to ATOL and that the guarantee will be further extended if the need arises.

The Trustees reiterate their profound concern that the Fund providing funding of last resort for a major consumer protection system has remained in deficit for such an extended period. The Trustees continue to believe that the introduction of new legislation for levy powers is vital but they now understand that, despite the preliminary steps that have been taken, no Parliamentary time will be available in the next Parliamentary session.

### **BONDS CALLED IN THE YEAR UNDER REPORT**

Eighteen ATOL holding travel companies failed in the year ending 31 March 2004. This number was twice as many as the previous year but represented a return to a more normal annual level of failures. The call on the Trust was lower than the previous two years.

ATOL enabled 1,984 customers to complete their holidays and return home, and a further 11,880 customers received refunds in respect of their advance payments. In the year to 31 March 2004 total expenditure was £3.8 million and an amount of £285,000 was provided by the Trust. Amounts received from bonds met 92% of the cost of managing failures during the year; this was the second highest figure since 1986, when the Trust was established, and is directly attributable to the fact that the three largest failures required funding which was well within the bonds that the CAA held at the time of failure.

The failure of Specialist Tours Limited resulted in the largest call on the Fund, with expenditure of £457,000 against a bond of £270,000. There was a resulting call of £187,000 on the Fund and the CAA is investigating apparent overtrading by this company.

The failure of Sky Tours and Travel Limited led to a call of £95,000 on the Fund as the bond of £26,000 was inadequate for the level of bookings held. Again, the CAA is investigating apparent overtrading under this licence.

The final failure involving a call on the Fund was for R & K McDowell Limited. The expenditure in respect of this failure was £13,000, £3,000 above the £10,000 bond held.

Full details of all bonds called are at Appendix 2.

## **ACKNOWLEDGEMENTS**

The Trustees are grateful to the Civil Aviation Authority for the continuing administrative support and secretariat services provided during the year.

**Accounts for the year  
ended 31 March 2004**



## **INDEPENDENT AUDITORS' REPORT TO THE SECRETARY OF STATE FOR TRANSPORT AND THE TRUSTEES OF THE AIR TRAVEL TRUST**

In accordance with our engagement letter dated 25 June 2004, we have audited the accounts of the Air Travel Trust for the year ended 31 March 2004, which comprise the fund account, the balance sheet and the related notes 1 to 7. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Secretary of State for Transport and the Trustees, as a body, in accordance with Clause 13 of the Trust Deed. Our audit work has been undertaken so that we might state to the Secretary of State for Transport and the Trustees those matters we are required by our engagement letter to state to them in our auditors' report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Secretary of State for Transport and the Trustees, as a body, for our audit work, for our report, or for the opinions we will form.

### **RESPONSIBILITIES OF TRUSTEES**

Clause 13 of the Trust Deed requires the Trustees to prepare accounts for each financial year.

The Trustees consider that in preparing these accounts, they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Trustees have prepared the financial statements on a going concern basis.

The Trustees are responsible for keeping proper accounting records to enable them to ensure that the accounts give a true and fair view of the state of affairs of the Trust as at the end of the financial year and of the income and expenditure of the Trust for that period, and that they comply with the Trust Deed and the directions made thereunder by the Secretary of State for Transport. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **RESPONSIBILITIES OF AUDITORS**

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the provisions of the Trust Deed and the directions made thereunder by the Secretary of State for Transport. We also report if, in our opinion, the Report of the Trustees is not consistent with the accounts, if the Trust has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

## **BASIS OF OPINION**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the accounts, and of whether the accounting policies are appropriate to the Trust'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 accounts 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 accounts.

### *Going Concern*

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 to the accounts concerning the current Government guarantee which enables the Trust to meet its current obligations as they fall due. Note 1 explains the Trustees' belief that the Government will support the Trust by continuing the loan guarantee. If the Government were to withdraw its support, the Trust would not be able to continue as a going concern. In view of the significance of the situation we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

## **OPINION**

In our opinion the accounts give a true and fair view of the state of the Trust's affairs at 31 March 2004 and its income and expenditure for the year then ended and have been properly prepared in accordance with the provisions of the Trust Deed and the directions made thereunder by the Secretary of State for Transport.

Deloitte & Touche LLP  
Chartered Accountants  
and Registered Auditors  
London

6 July 2004

*Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the Trustees but no control procedures can provide absolute assurance in this area.*

*Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.*





## AIR TRAVEL TRUST

### FUND ACCOUNT for year ended 31 March 2004

	Note	Year to 31.3.04 £	Year to 31.3.03 £
<b>INCOME</b>			
Liquidation dividends and settlements	2	62,608	–
<b>EXPENDITURE</b>			
Compensation claims	3	(206,325)	(416,443)
Legal and administration expenses	4	(12,614)	(5,978)
Loan interest		(408,621)	(371,622)
		<u>(627,560)</u>	<u>(794,043)</u>
<b>NET DECREASE IN FUND FOR THE YEAR</b>		<u>(564,952)</u>	<u>(794,043)</u>
<b>RECONCILIATION OF MOVEMENTS IN THE FUND ACCOUNT</b>			
Fund at beginning of year		(9,092,959)	(8,298,916)
Net decrease in fund for the year		(564,952)	(794,043)
<b>FUND AT END OF YEAR</b>		<u>(9,657,911)</u>	<u>(9,092,959)</u>

*There are no other recognised surpluses or deficits other than those presented above, consequently no statement of total recognised gains and losses is presented.*

*The following notes 1 to 7 form part of these accounts.*

## AIR TRAVEL TRUST

### BALANCE SHEET as at 31 March 2004

	Note	31.3.04 £	31.3.03 £
<b>ASSETS</b>			
Cash		1	1
		<u>1</u>	<u>1</u>
<b>CREDITORS: amounts falling due within one year</b>	5		
Compensation claims outstanding		(199,896)	(79,500)
Bank loans		(9,372,274)	(8,845,638)
Loan interest and other creditors		(85,742)	(167,822)
		<u>(9,657,912)</u>	<u>(9,092,960)</u>
<b>NET LIABILITIES</b>		<u>(9,657,911)</u>	<u>(9,092,959)</u>
Represented by :			
<b>FUND ACCOUNT</b>		<u>(9,657,911)</u>	<u>(9,092,959)</u>

R P Mountford, Trustee

C Jesnick, Trustee

6 July 2004

*The following notes 1 to 7 form part of these accounts.*

# AIR TRAVEL TRUST

## NOTES TO THE ACCOUNTS for the year ended 31 March 2004

### 1 ACCOUNTING POLICIES

#### (a) Basis of preparation

The Trustees have prepared the financial statements in accordance with United Kingdom accounting standards, the terms of clause 13 of the Trust Deed shown at Appendix 1 and directions from the Secretary of State for Transport as referred to therein.

The Trust Deed allows liabilities to be paid out of the Trust Fund at the absolute discretion of the Trustees. The Trust meets its day to day working capital requirements through bank loans which are currently secured by a Government guarantee of up to £21 million. The Trustees have been informed that the Government will continue to support the Trust Fund by continuing the loan guarantee which will be further extended if the need arises. However, there is currently no mechanism in place to replenish the Trust Fund by means of levies authorised by legislation or otherwise.

The Trustees have prepared the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of support by the Government.

#### (b) Accounting Convention

The accounts are prepared under the historical cost convention.

#### (c) Income and Expenditure

Liquidation dividends and settlement income are accounted for on a receipts basis. Provisions are made for compensation claims on a full provision basis. Administration expenses and bank interest are accounted for on an accruals basis.

## 2 LIQUIDATION DIVIDENDS AND SETTLEMENTS

In the current year liquidation dividends of £62,608 were received from the liquidation of The Flight Company (UK) plc. (No liquidation dividends or settlements were received during the year to 31 March 2003).

## 3 COMPENSATION CLAIMS

The compensation paid or provided (or prior advances released) during the year as a result of the failures of holders of Air Travel Organisers' Licences were as follows:

	<i>Year to 31.3.04 £</i>	<i>Year to 31.3.03 £</i>
<b>Failures prior to 31.3.03</b>		
Bon Voyage Travel Ltd	–	(2,685)
Journeys East Ltd	(30,000)	200,300
Parkline Ltd	–	(1,732)
Sunrise Holidays Ltd	–	(5,000)
Sunscape Tours Ltd	–	(20,849)
Taymead Ltd	–	(3,215)
Tyche Tours Ltd	(3,500)	71,870
Vacation USA Ltd	(45,000)	177,754
<b>Failures since 31.03.03</b>		
R & K McDowell Ltd	3,000	–
Sky Tours & Travel Ltd	94,825	–
Specialist Tours Ltd	187,000	–
	<hr/> 206,325	<hr/> 416,443

#### **4 ADMINISTRATION EXPENSES AND TAXATION**

	<i>Year to 31.3.04 £</i>	<i>Year to 31.3.03 £</i>
Audit Fees	4,107	4,113
Legal fees	8,507	1,865
	<hr/>	<hr/>
	12,614	5,978
	<hr/>	<hr/>

The Trust has no employees (2003: nil).

None of the Trustees received any remuneration from the Trust in the current or preceding financial years.

The Trust has paid no taxation in the current or preceding financial years.

Administration is provided by the Civil Aviation Authority at nil cost to the Trust.

#### **5 CREDITORS - amounts falling due within one year**

The compensation claims outstanding represent expected claims on the Trust resulting from failures of holders of Air Travel Organisers' Licences.

The bank loans are repayable within one year.

#### **6 ULTIMATE CONTROLLING PARTY**

The Trust is controlled by the Trustees under the terms of the Trust Deed agreed with the Secretary of State for Transport.

#### **7 POST BALANCE SHEET EVENTS**

Since the balance sheet date and up to the 15 June 2004, there have been two failures of holders of Air Travel Organisers' Licences. There is no indication at the present that either of these will result in a call to the Trust.



## Appendix 1 Text of the Trust Deed dated 5 January 2004

THIS DEED OF TRUST is made the *Fifth* day of *January* two thousand and four BETWEEN THE SECRETARY OF STATE FOR TRANSPORT of the one part and RUPERT JOHN BRITTON, CHRISTINE JESNICK, ROGER PHILIP MOUNTFORD and HELEN MARGARET SIMPSON (hereinafter called the "Original Trustees") of the other part

### **WHEREAS:-**

- (A) A fund known as the Air Travel Reserve Fund ("the Fund") was established in 1975 to help repatriate and meet claims for losses and liabilities incurred by passengers and customers of failed air travel operators.
- (B) In 1986, the Fund was wound up and its assets were transferred to a trust known as the Air Travel Trust set up pursuant to a Deed dated 28 January 1986 ("the 1986 Deed") to perform the same function.
- (C) Under the Air Travel Trust Fund Order 2003 the Secretary of State has required the Trustees to effect a variation of the trusts of the 1986 Deed so as to conform to the text of this Deed and has directed the Trustees to secure that the trust fund and all other assets subject to the trusts declared by the 1986 deed be held on the trusts of this present Deed.
- (D) The parties hereto have agreed that notwithstanding the matters set out above -
  - (i) any guarantee relating to borrowings by the Air Travel Trust under the 1986 Deed shall not be affected but shall continue to apply as if the same related to the Air Travel Trust as constituted by this present Deed.
  - (ii) any other right, privilege, obligation or liability acquired, accrued or incurred under the 1986 Deed shall continue as if acquired, accrued or incurred under this present Deed, and
  - (iii) any investigation, legal proceeding or remedy in respect of any such guarantee, right, privilege, obligation or liability shall not be affected but shall continue to apply as if the same related to the Air Travel Trust as constituted by this present Deed.

### **NOW THIS DEED WITNESSETH as follows:-**

1. THE Trust constituted by this Deed shall be known as the Air Travel Trust unless and until the Trustees adopt and apply to it (as they are hereby entitled to do) some other name.



**2. IN** this Deed the following expressions have the following meanings -

- (1) "Air travel organiser" means a person whose activities consist of or include activities in respect of which he is required by virtue of any regulations for the time being in force under Section 71 of the Civil Aviation Act 1982 (hereinafter called "the 1982 Act") to hold an air travel organiser's licence;
- (2) "Customer" means a person (other than an air travel organiser) who has made a payment or on whose behalf a payment has been made to an air travel organiser under or with a view to entering into a licensable transaction;
- (3) "Defaulting air travel organiser" is an air travel organiser who the Trustees have reasonable grounds for believing cannot or will not be able to carry out his obligations in respect of a customer;
- (4) "Licensable transaction" means any transaction to provide or to arrange for the provision of one or more flights (with or without ground accommodation or other facilities) in circumstances where this constitutes an activity in respect of which the air travel organiser is required to hold an air travel organiser's licence;
- (5) "Secretary of State" means the Secretary of State for Transport for the time being;
- (6) "Specified Period" means the period beginning at the date of this Deed and enduring for twenty-one years and the said number of years shall be the perpetuity period applicable to this Deed;
- (7) "Trustees" means the holders for the time being of the following Offices within the Civil Aviation Authority (hereinafter called "the CAA"), namely the Group Director Consumer Protection, the Director Finance & Corporate Services, the Board Member Licensing Finance and the Secretary and Legal Adviser (or the holder for the time being of all or any of those Offices under whichever title might be certified by the Secretary or Deputy Secretary of the CAA for the time being as applicable). The Original Trustees are the holders of those Offices as at the date hereof. "Trustee" means any one of the "Trustees";
- (8) "Trust Fund" means and includes -
  - (a) the trust fund and all other assets subject to the trusts declared by the Deed dated 28 January 1986 made between the Secretary of State of the one part and Raymond Colegate CBE, Ian Edward Donovan, Thomas McMillan and Gillian Mary Eve White of the other part which trust fund and

assets the Secretary of State shall by Order direct be held on the terms of this present Deed,

- (b) all money investments or other assets hereafter paid or transferred by any person or persons to or into the control of the Trustees and accepted by them as additions to the Trust Fund,
- (c) any property the proceeds of sale whereof are required or directed to be held upon the trusts hereof,
- (d) all other capital assets including any choses in action and capital money which hereafter by any means become or are made subject to the trusts hereof, and
- (e) the investments property and other assets from time to time representing the foregoing items or any part or parts thereof.

**3. THE Trustees shall hold the Trust Fund and the income thereof during the Specified Period upon the trusts and with and subject to the powers and provisions hereinafter declared and contained.**

**4. THE Trustees shall have the following powers which are exercisable if they in their absolute discretion should see fit -**

- (1) Power from time to time during the period of 21 years from the date hereof to accumulate the whole or any part of the income of the Trust Fund by investing the same and the resulting income thereof in any investments hereby authorised and adding the accumulations to the capital of the Trust Fund.
- (2) Power (subject to clause 5 hereof) at any time or times during the Specified Period to pay or apply the whole or any part of the Trust Fund and of any income thereof (without making any distinction between capital and income) -
  - (a) in providing carriage by air or other means of transport for passengers (including the cost of providing food, hotel accommodation, the movement of baggage and other incidental expenses) in substitution for carriage which a defaulting air travel organiser was to provide or was to arrange to be provided in accordance with his obligations under or in connection with any licensable transaction, and
  - (b) to or for the benefit of any customer in respect of -
    - (i) any loss which, in the opinion of the Trustees, has been incurred by or on behalf of such customer in respect of any payment made by or on behalf of the customer to a

defaulting air travel organiser under or with a view to entering into a licensable transaction; or

- (ii) any loss or liability which, in the opinion of the Trustees has been incurred by or on behalf of such customer in consequence of a breach by the defaulting air travel organiser of any of his obligations towards the customer under or in connection with a licensable transaction.

**5.** **IN** relation to the power set out in Clause 4(2) hereof -

- (1) The said power may only be exercised if the defaulting air travel organiser held an air travel organiser's licence at the time of booking by or on behalf of a customer or at any time in the three months prior to the time of booking. For these purposes, the time of booking means the time when a payment was first made by or on behalf of a customer to the air travel organiser under or in contemplation of entering into a licensable transaction;
- (2) Where a bond or other security has been provided to the CAA by or on behalf of the defaulting air travel organiser in accordance with any requirements applicable to air travel organisers by virtue of any regulations made under Section 71 of the 1982 Act, then the Trustees may only exercise the said power either -
  - (a) after any money available under such bond or other security has been applied by the CAA for the purposes for which such bond or other security was provided but has been insufficient to satisfy claims arising from or in connection with the default, or
  - (b) if they are reasonably satisfied that the Air Travel Trust will be reimbursed by the CAA to the extent that the CAA has received or may in future receive money pursuant to such bond or other security.
- (3) For the avoidance of doubt it is hereby declared that the Trustees may exercise the said power in respect of claims arising from or in connection with any defaults occurring before the date hereof.

**6.** **IN** default of and subject to any exercise of the power in clause 4(2) hereof and to the extent that the trusts hereby declared shall not validly take effect and subject to Clause 14 hereof, the Trustees shall hold the capital and income of the Trust Fund upon Trust for such persons and purposes in such shares and upon such conditions as the Secretary of State shall by Order made before the end of the Specified Period direct and in default of such an Order for the Secretary of State.

**7.** **The** Trustees shall have power to effect or concur in effecting any transaction concerning or affecting any part of the Trust Fund or any other property whatsoever if the Trustees think the transaction is

beneficial for the trusts and powers contained in this deed as if the Trustees were a sole absolute beneficial owner of the Trust Fund. Without prejudice to the generality of the foregoing, "transaction" includes any sale, exchange, assurance, grant, lease, surrender, reconveyance, release, reservation or other disposition and any purchase or other acquisition and any covenant, contract, licence, option or right, pre-emption and any compromise, partition, insurance or other dealing or arrangement; "effect" has the meaning appropriate to the particular transaction and references to "property" include references to restrictions and burdens affecting property.

**8. WITHOUT** prejudice to the generality of clause 7 hereof, the Trustees shall have and may exercise at any time or times the following powers -

- (1) Power to borrow or to lend money for any purpose connected with the trusts and powers hereof whether with or without giving or receiving security;
- (2) Power in connection with the investment and changing of investments of trust money -
  - (a) to obtain and pay for the advice of such broker or other persons as the Trustees may think fit, and
  - (b) to employ any banking or merchant banking company or firm or other person or persons to manage such investments and to delegate to such manager or managers all or any of the duties or powers of the Trustees in respect of the investments or changing of investments of trust money.
- (3) Power to appoint any one or more of the Trustees to be the agents of the Trustees for the purpose of operating any bank or building society account of the Trustees or for the purpose of collecting any income of or managing or administering any property (in any part of the world) comprised in the Trust Fund or for any other purpose for which the Trustees may appoint agents;
- (4) Power (without prejudice to the jurisdiction of the Court) to decide what money or property represents income and what represents capital and how as between the capital and income of the Trust Fund any expenses or costs shall be borne or provided;
- (5) Power for the purpose of the trusts hereof to enter into any arrangement or contract notwithstanding that the person or persons with whom or on whose behalf the arrangement or contract is made are or include one or more of the Trustees;
- (6) Power to make rules and regulations for the management and administration of the Trust Fund or any part thereof and for matters connected therewith as the Trustees from time to time may think fit

and from time to time revoke and replace all or any such rules or regulations;

- (7) Power to appoint such persons as the Trustees may think fit or convenient to act in connection with such management or administration and (pursuant to the general power for that purpose conferred by sub-clause (6) of this clause) to make amend revoke and replace rules and regulations for the purpose of defining the functions and powers of any such persons and power also (if the Trustees think fit) to pay an honorarium fee or salary to and the expenses of any persons;
- (8) Power to delegate from time to time to any such persons all or any of the powers and duties of the Trustees hereunder;
- (9) Power to insure the Trust Fund against claims for payments arising as a result of the inability of one or more air travel organisers to meet their financial commitments or for sharing with insurers the burden of payment of such claims;
- (10) Power to bring, defend or fund legal proceedings in relation to the Trust Fund or to any other matter concerning the trusts and powers set out in this deed or their administration including (but without prejudice to the generality of the above) the power to fund litigation to enforce any bond or other security provided to the CAA by any air travel organiser.

**9.** THE statutory provisions about the appointment retirement and discharge of trustees shall apply to the trusts hereof subject to the following provisions of this clause -

- (1) Upon retiring from or otherwise vacating any of the offices of the CAA referred to in clause 2(7) hereof and subject to the provisions of that clause the Trustee who until retirement or otherwise held the relevant offices in the CAA shall automatically cease to be a Trustee hereof and the vacant office of Trustee shall devolve on the person appointed to fill the vacant office in the CAA provided that in the event of a delay in the appointment of the person to the vacant office of the CAA the remaining Trustees can act notwithstanding a vacancy in their number;
- (2) The remaining Trustees shall have power to vest the Trust Fund in the new Trustee so that thereafter -
  - (a) the new Trustee shall have all the same powers and discretions as are hereby conferred on the Trustees in relation to the Trust Fund and the income thereof,
  - (b) subject to paragraph (a) of this sub-clause all property held by such new Trustees and all property retained by the Trustees

shall remain subject to the same trusts powers and provisions as if no new Trustees had been appointed.

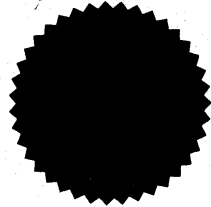
- 10. ANY** act or decision by two of the Trustees shall have the same force and effect as if it were the act or decision of all of them.
- 11. THE** Trustees may in the execution of any of the trusts of this Deed or in the exercise of any of the powers given to them by this Deed or by law sell property or lend money to or buy property or borrow money from or carry out any other transaction with the trustees of any other trust or the executors or administrators of any estate notwithstanding that the Trustees or any of them are or is the same person as those trustees, executors or administrators or any of them and where the Trustees are the same persons as those trustees, executors or administrators the transaction shall be binding on all persons then or thereafter interested under this Deed though effected and evidenced only by an entry in the accounts of the Trustees.
- 12. IN** the professed execution of the trusts and powers hereof no Trustee shall be liable for any loss to the Trust Fund arising by reason of the failure depreciation or loss of any investments made in good faith or for the negligence or fraud of any agent employed by him or by any other Trustee hereof although the employment of such agent was not strictly necessary or expedient or by reason of any mistake or omission made in good faith by any Trustee hereof or by reason of any other matter or thing except wilful and individual fraud or wrongdoing on the part of the Trustee who is sought to be made liable.
- 13. THE** Trustees shall keep proper accounts and proper records in relation to accounts and shall prepare in respect of each period of account a statement of accounts in such form as the Secretary of State may direct and shall arrange for the accounts to be audited in such manner as the Secretary of State may direct and shall make to the Secretary of State within a period to be specified by him at the end of each period of account a report on the performance of their functions during that period and to include in that report a copy of the statement of accounts prepared in respect of that period in accordance with this clause and any report made by the auditors on the statement or on the accounts. In this clause "period of account" means the period beginning with 1<sup>st</sup> February 2004 and ending with 31<sup>st</sup> March 2004 and any subsequent period of twelve months ending with the 31<sup>st</sup> March in any year.
- 14. THE** Trusts, powers and provisions of this Deed may at any time or times be varied or terminated by Deed during the Specified Period by the Secretary of State who may in his complete discretion direct the Trustees to dispose of the Trust Fund as he thinks fit.

**IN WITNESS** whereof the Original Trustees have executed this Deed and The Corporate Seal of The Secretary of State for Transport has been hereunto affixed the day and year first above written

**SEAL REF No.**

DPT/2239

THE CORPORATE SEAL of  
THE SECRETARY OF STATE  
FOR TRANSPORT hereunto  
affixed is authenticated by:



SIGNED as a Deed by  
RUPERT JOHN BRITTON  
in the presence of:

R. J. Britton

A *Chawla*  
CAA HOUSE  
45-5A KINGSWAY  
LONDON WC2B 6TE

SIGNED as a Deed by  
CHRISTINE JESNICK  
in the presence of:

A *Chawla*  
as above

SIGNED as a Deed by  
ROGER PHILIP MOUNTFORD  
in the presence of:

A *Chawla*  
as above

SIGNED as a Deed by  
HELEN MARGARET SIMPSON  
in the presence of:

A *Chawla*  
as above

THE SECRETARY OF STATE  
FOR TRANSPORT

– and –

RUPERT JOHN BRITTON  
CHRISTINE JESNICK  
ROGER PHILIP MOUNTFORD  
HELEN MARGARET SIMPSON

---

DEED OF TRUST FOR THE  
AIR TRAVEL TRUST

---

R J Britton  
Secretary & Legal Adviser  
Civil Aviation Authority  
CAA House  
45-59 Kingsway  
London WC2B 6TE



## Appendix 2 Details of Bond Calls and their effects,

<i>Licence Holder</i>	<i>Date Bond Called</i>	<i>Licensed Passengers</i>	<i>Licensed Revenue</i>
			<i>£'000</i>
Dialogue Travel & Events Ltd	01 Apr 03	360	530
Holiday Focus Ltd	11 Apr 03	4,250	2,709
Pure Leisure (UK) Ltd	15 Apr 03	612	370
Specialist Tours Ltd	23 May 03	2,197	1,360
Select Golf Ltd	11 Sep 03	9,788	5,052
Kinetics Travel Services Ltd	15 Sep 03	40	66
Brazilian Magic Ltd	16 Sep 03	840	1,231
Extra Holidays & Travel Ltd	22 Sep 03	3,596	1,328
Airline Ltd	26 Sep 03	55,535	13,689
Travellers World Ltd	30 Sep 03	144	175
Axis Leisure Ltd	08 Oct 03	25,298	4,680
Sky Tours & Travel Ltd	02 Dec 03	120	51
R & K McDowell Ltd	16 Dec 03	248	70
SRG Skytravel (Croydon) Ltd	02 Feb 04	488	156
American & Latin Travel Ltd	17 Feb 04	135	68
Bonaventure Ltd	22 Mar 04	1,702	1,528
Coco Golf Ltd	26 Mar 04	867	705
ROC Lines Ltd	31 Mar 04	1,990	1,586
<b>Total</b>	<b>18</b>	<b>108,210</b>	<b>35,354</b>

### NOTES

- 1 The administration of all cases above may not have been completed. Administration costs which were incurred in paying passengers' refunds have been included in the Cost of Refunds.
- 2 The figures for Total Expenditure and any call on the Air Travel Trust reflect amounts already spent and estimated further expenditure.
- 3 Where a call on the Air Travel Trust is indicated, this is the difference between expected total expenditure and available bond monies. The call on the Air Travel Trust may include the expenditure of accrued interest.
- 4 The above totals may not agree to the sum of the figures shown in the table due to rounding differences.

## April 2003 – March 2004

<i>Bond Amount</i>	<i>Number Repatriated</i>	<i>Cost of Repatriation</i>	<i>Number Refunded</i>	<i>Cost of Refunds</i>	<i>Total Expenditure</i>	<i>Call on Air Travel Trust</i>
<i>£'000</i>		<i>£'000</i>		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
66	0	0	44	24	24	0
406	0	0	315	216	216	0
70	0	0	144	42	42	0
270	0	0	910	457	457	187
758	104	68	1,768	574	642	0
18	0	0	25	4	4	0
123	1	1	4	7	8	0
186	45	32	100	53	85	0
1,461	1,000	306	2,226	603	909	0
84	18	31	33	31	63	0
1,314	800	164	5,844	830	994	0
26	0	0	280	121	121	95
10	0	0	36	13	13	3
19	0	0	16	9	9	0
10	0	0	0	0	0	0
153	16	15	88	85	100	0
141	0	0	2	1	1	0
397	0	0	45	76	76	0
<b>5,511</b>	<b>1,984</b>	<b>618</b>	<b>11,880</b>	<b>3,146</b>	<b>3,763</b>	<b>285</b>

## Appendix 3 Historical Movement of Reserve Fund Against Industry Turnover

Year ended 31 March	Turnover £'m	Passengers '000	Bonds called during year	Calls on reserve fund during year £'m	Total fund at year end £'m	Cost of failures as % of industry turnover	ATT calls as % of industry turnover	ATT calls as % of fund at start of year	Fund as % of industry turnover
1979	574	4,173	2	0.08	14.78	..	0.01		2.57
1980	813	5,304	2	0.02	16.10	..	0.00	0.14	1.98
1981	1,200	6,165	2	0.00	18.05	..	0.00	0.00	1.50
1982	1,488	6,662	9	3.02	15.64	..	0.20	16.73	1.05
1983	1,595	7,067	11	3.10	16.61	..	0.19	19.82	1.04
1984	1,893	7,938	9	0.58	19.44	..	0.03	3.49	1.03
1985	2,004	8,623	20	1.91	19.52	..	0.10	9.83	0.97
1986	2,123	8,662	18	1.36	22.10	..	0.06	6.97	1.04
1987	2,406	9,849	8	2.20	22.75	0.19	0.09	9.95	0.95
1988	3,118	12,598	16	1.23	23.18	0.10	0.04	5.40	0.74
1989	3,629	14,490	9	0.28	23.44	0.04	0.01	1.21	0.65
1990	3,704	13,982	21	0.40	23.71	0.06	0.01	1.70	0.64
1991	3,807	13,083	22	11.61	26.70	1.81	0.30	48.95	0.70
1992	3,253	10,110	16	0.73	5.01	0.04	0.02	2.75	0.15
1993	4,436	13,575	24	6.66	9.84	0.44	0.15	132.83	0.22
1994	5,180	14,528	20	1.58	8.82	0.09	0.03	16.07	0.17
1995	5,966	16,678	23	3.51	5.65	0.27	0.06	39.77	0.09
1996	6,874	18,812	31	4.10	1.87	0.10	0.06	72.65	0.03
1997	8,318	22,176	26	7.60	(5.26)	0.15	0.09	405.69	(0.06)
1998	9,426	25,673	21	0.36	(5.30)	0.05	0.00	(6.76)	(0.06)
1999	11,211	26,284	20	2.00	(7.39)	0.06	0.02	(37.73)	(0.07)
2000	11,982	27,824	17	0.31	(8.03)	0.01	0.00	(4.20)	(0.07)
2001	13,155	29,675	12	0.25	(8.96)	0.01	0.00	(3.15)	(0.07)
2002	13,881	30,723	23	0.40	(8.30)	0.02	0.00	(4.44)	(0.06)
2003	14,766	32,157	9	0.45	(9.09)	0.01	0.00	(5.43)	(0.06)
2004	14,750	30,464	18	0.29	(9.66)	0.03	0.00	(3.13)	(0.06)
2005	14,870	30,661							

### NOTES

- 1 Turnover and Passenger figures represent the total value and number of holidays/flights authorised by all Air Travel Organisers' Licences at the start of the year. The figures exclude all trade sales between ATOL Holders.
- 2 Calls on Reserve Fund are retrospectively adjusted figures indicating the cost of failures occurring during each year. The figure for Total Fund at year end is taken from the Air Travel Trust accounts and thus incorporates provisions based on estimates at the time of audit; figures are not adjusted retrospectively to show actual expenditure.
- 3 Calls and Costs of failures as % of turnover both use the base of turnover in the same year as the calls/failures. Fund as % of turnover applies the Fund at each year end to the turnover licensed for the year following.
- 4 Cost of failures represents the estimated Total Expenditure on failures during the year.