

# Air Travel Trust

## Report and Accounts



The background image shows an airport terminal with a large circular graphic overlay. In the foreground, there are two digital flight information display screens and a round analog clock. The left screen shows a list of flight remarks, and the right screen shows a list of flight numbers and check-in terminals. The clock shows the time as approximately 10:10.

Remarks	Flight	Terminal
Check-in at Terminal 1	10:00 10100	Check-in at Terminal 1
Check-in at Terminal 2	10:00 10200	Check-in at Terminal 2
Check-in at Terminal 1	10:00 10300	Check-in at Terminal 1
Check-in at Terminal 1	10:00 10400	Check-in at Terminal 1
Check-in at Terminal 2	10:00 10500	Check-in at Terminal 2
Check-in at Terminal 1	10:00 10600	Check-in at Terminal 1

Flight	Terminal
10:00 10100	Check-in at Terminal 1
10:00 10200	Check-in at Terminal 2
10:00 10300	Check-in at Terminal 1
10:00 10400	Check-in at Terminal 1
10:00 10500	Check-in at Terminal 2
10:00 10600	Check-in at Terminal 1
10:00 10700	Check-in at Terminal 1
10:00 10800	Check-in at Terminal 1
10:00 10900	Check-in at Terminal 1
10:00 11000	Check-in at Terminal 1
10:00 11100	Check-in at Terminal 1
10:00 11200	Check-in at Terminal 1
10:00 11300	Check-in at Terminal 1
10:00 11400	Check-in at Terminal 1
10:00 11500	Check-in at Terminal 1
10:00 11600	Check-in at Terminal 1
10:00 11700	Check-in at Terminal 1
10:00 11800	Check-in at Terminal 1
10:00 11900	Check-in at Terminal 1
10:00 12000	Check-in at Terminal 1
10:00 12100	Check-in at Terminal 1
10:00 12200	Check-in at Terminal 1
10:00 12300	Check-in at Terminal 1
10:00 12400	Check-in at Terminal 1
10:00 12500	Check-in at Terminal 1
10:00 12600	Check-in at Terminal 1
10:00 12700	Check-in at Terminal 1
10:00 12800	Check-in at Terminal 1
10:00 12900	Check-in at Terminal 1
10:00 13000	Check-in at Terminal 1
10:00 13100	Check-in at Terminal 1
10:00 13200	Check-in at Terminal 1
10:00 13300	Check-in at Terminal 1
10:00 13400	Check-in at Terminal 1
10:00 13500	Check-in at Terminal 1
10:00 13600	Check-in at Terminal 1
10:00 13700	Check-in at Terminal 1
10:00 13800	Check-in at Terminal 1
10:00 13900	Check-in at Terminal 1
10:00 14000	Check-in at Terminal 1
10:00 14100	Check-in at Terminal 1
10:00 14200	Check-in at Terminal 1
10:00 14300	Check-in at Terminal 1
10:00 14400	Check-in at Terminal 1
10:00 14500	Check-in at Terminal 1
10:00 14600	Check-in at Terminal 1
10:00 14700	Check-in at Terminal 1
10:00 14800	Check-in at Terminal 1
10:00 14900	Check-in at Terminal 1
10:00 15000	Check-in at Terminal 1

31 March 2007



# Air Travel Trust

## Report and Accounts

31 March 2007

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Designed and Produced by the CAA's Information Management Department on behalf of the Air Travel Trust

ISBN 978 011790 863 5

July 2007

Enquiries regarding the content of this publication should be addressed to:

Policy and Development, Consumer Protection Group, CAA House, 45-59 Kingsway, London, WC2B 6TE

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

27 July 2007

Rt. Hon Ruth Kelly, MP  
Secretary of State for Transport  
Great Minster House  
76 Marsham Street  
London SW1P 4DR

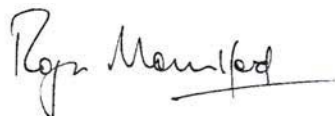
Dear Secretary of State

I submit herewith the report and accounts for the Air Travel Trust for the year ended 31 March 2007.

The Trust has been in deficit since 1996, and this year the total deficit rose from £15.8 million to just over £20 million. Expenditure on meeting claims was lower than in the previous year despite an increase in the number of failures. A total of 5 companies resulted in calls on the Trust, which totalled £3.3 million. The majority of this can be attributed to one large failure, which accounted for £2.5 million. The increase in the deficit also reflects interest of £0.9 million on the Trust's borrowings. Over the years, the trust has paid a total of £4.8 million in interest, representing 24% of the accumulated deficit.

The Trust, in combination with ATOL bonds, enabled over 4,500 holidaymakers to return home and refunded nearly 55,000 who would have been out of pocket in the absence of the protection scheme. It should be recognised that the level of expenditure on claims remains low as a percentage of total licensable turnover, which for the second year exceeded £15 billion.

The Civil Aviation Act gained Royal Assent in November 2006 and consultation is currently under way on draft secondary implementing legislation. The Trustees welcome the proposal in the consultation to introduce the ATOL Protection Contribution on ATOL bookings from 1 April 2008. This legislation will enable the Trust to be replenished and, subject to the outcome of the consultation, build a new protection system for the future.



Roger Mountford  
Chairman

# Air Travel Trust

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**CAA House**  
**45-59 Kingsway**  
**London**  
**WC2B 6TE**

## **Trustees**

Mr R P Mountford      Chairman  
Mr R J Britton  
Miss C Jesnick  
Mr R T R Jackson

## **Industry Representative**

Mr J Cox OBE

## **Officials**

Mr M Ashby, Treasurer  
Miss J Knight, Secretary  
Mr A R Bowles, 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

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## Constitution and Terms of Reference

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The Air Travel Trust (ATT) 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 (CAA).

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 CAA 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 ATT Fund provides money to meet the deficit.

The Trustees are all Board Members and officials of the CAA, appointed ex officio. The Trustees met five times during the year - twice in June 2006 and once each in July 2006, October 2006 and February 2007.

The terms of reference of the Trust are contained in the Trust Deed, which is at Appendix 1 of this report.

Two of the trustees, Roger Mountford and Richard Jackson, are also members of the Air Travel Insolvency Protection Advisory Committee (ATIPAC). This committee provides advice to the CAA, the Trustees of the Air Travel Trust and the Secretary of State for Transport on the financial protection arrangements for air travellers and customers of air travel organisers. It includes representatives from key travel trade and airline associations, consumer representatives, independent members and members appointed by the CAA. The Chairman of ATIPAC, John Cox, attends meetings of the Air Travel Trust as an industry representative.

## Review of the Year

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The Trust Fund has been in deficit since 1996 and, as no levy has been enacted to replenish the Fund, it moves further into deficit year on year. Liquid funds are provided from a credit facility with the Bank of Scotland, which is guaranteed by the Government.

The Trust incurred expenditure of £3,586,818 on failures during the year, which together with interest payments of £881,099 and offset by settlements of £240,233, due to liquidation dividends, increased the overall deficit to £20,055,252.

Due to the protection afforded by ATOL and the ATT, 4,706 passengers were able to complete their holiday and return home after their travel company had failed, whilst a further 54,116 were refunded advance payments, having been unable to travel. In terms of passenger numbers affected by failures, this was the busiest year since 1996.

Twenty-seven ATOL Holders failed in the year to 31 March 2007. This represented a small rise on last year's figure. However, the number of calls on the Trust was down from eleven last year to five. Three of these failures led to calls of over £250,000 each.

The main call on the Trust was caused by the failure of Tapestry Holidays Limited, who sold the majority of its business direct to the public and a small proportion through third party agents; it



made all of its credit card sales through its associate company, Palegold Ltd. When it failed, 1,462 passengers had to be repatriated and a further 2,700 refunded, leading to total expenditure of just over £4.2 million and a call on the Trust of just over £2.5 million.

The following table lists the five failures that led to calls on the Trust. The CAA has not issued any formal demands to date in respect of the cases listed below, but these will be reviewed for overtrading.

<b>Licence Holder</b>	<b>Date Bond Called</b>	<b>Bond Amount</b>	<b>Total Expenditure</b>	<b>Call on the Air Travel Trust</b>
		<b>£</b>	<b>£</b>	<b>£</b>
<b>2006</b>				
All in 1 Travel Ltd.	30 June	108,382	118,382	10,000
Tapestry Holidays Ltd.	10 Aug	1,700,000	4,243,450	2,543,450
Travel World International Ltd.	15 Aug	933,516	1,227,891	294,375
Dedicated Holidays Group Ltd.	01 Sept	597,849	979,914	382,065
A I (Leisure) Ltd.	17 Oct	639,000	686,791	47,791

Full details of all bonds called are at Appendix 2.

## **Replenishment of the Trust Fund**

Initially managed by the Air Travel Reserve Fund Agency, the Trust Fund was established by a levy on holidays. This ran until 1978, since when the Fund's only income has derived 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 to replenish the Fund.

The Civil Aviation Act, which included powers to replenish the Air Travel Trust Fund, gained Royal Assent on 8 November 2006. The Department for Transport (DfT) and CAA are currently consulting on draft Regulations to implement the legislation. The Civil Aviation (Contributions to the Air Travel Trust) Regulations 2007 are expected to come into force in March 2008 and will allow the CAA, on the ATT's behalf, to collect a levy from licence holders.

Until such time as the Fund is replenished, claims are being met through a borrowing facility guaranteed by the Government. This is supported by continuing assurances from the DfT that the Government remains committed to consumer protection and that the guarantee will be further extended if the need arises.

## **Reform of Bonding**

In April 2007, the DfT and CAA issued a consultation document on Reform of Bonding and replenishment of the Air Travel Trust Fund. The consultation proposes replacing bonding with a £1 per passenger 'ATOL Protection Contribution' (APC), paid by ATOL holders. Although technically this falls outside the period of this report, as the consultation was issued after the year-end, this is a significant development. Should the proposal be supported by the industry and accepted by the Government, the contributions from ATOL holders would be used to pay off the ATT deficit and

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form a surplus fund. The Trustees are seeking advice on the structure of the fund and also insurance cover for the failure of a major operator. If the proposal is adopted it is expected that the legislation will come into force in March 2008.

The Trustees will be reviewing the current policies for administering ATOL holder failures and considering the changes that are required if the APC is introduced. Further work will also be carried out on updating the Trust Deed and the agreements currently in place with credit card companies.

## **Acknowledgements**

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

# Report of the Auditors

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## **Independent Auditors' Report to the Secretary of State for Transport and the Trustees of the Air Travel Trust ('The Trustees')**

In accordance with our engagement letter dated 22 June 2007, we have audited the non-statutory accounts of the Air Travel Trust for the year ended 31 March 2007, which comprise the fund account, the reconciliation of movements in the fund account, the balance sheet and the related notes 1 to 7. These accounts have been prepared under the accounting policies set 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 dated 5 January 2004, as amended by a Deed of Variation dated 4 January 2005 ('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 and Auditors**

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Clause 13 of the Trust Deed requires the Trustees to prepare accounts for each financial year. The Trustees have prepared the accounts in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 the system of internal control, for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibility is to audit the accounts in accordance with International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the accounts give a true and fair view, in accordance with the relevant financial reporting framework, 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.

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## Basis of Opinion

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We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

## Opinion

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In our opinion:

- the accounts give a true and fair view of the state of the Trust's affairs as at 31 March 2007 and its income and expenditure for the year then ended; and
- the accounts 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  
London

26 July 2007

# Fund Account

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## Air Travel Trust

### Fund Account for Year Ended 31 March 2007

	Note	Year to 31.3.07 £	Year to 31.3.06 £
<b>INCOME</b>			
Liquidation dividends and settlements	2	240,233	73,131
<b>EXPENDITURE</b>			
Compensation claims	3	(3,586,818)	(4,642,731)
Audit and legal expenses	4	(5,150)	(4,288)
Loan interest and bank charges		(881,099)	(601,921)
		<u>(4,473,067)</u>	<u>(5,248,940)</u>
<b>NET DECREASE IN FUND FOR THE YEAR</b>		<u>(4,232,834)</u>	<u>(5,175,809)</u>
<b>RECONCILIATION OF MOVEMENTS IN THE FUND ACCOUNT</b>			
Fund at beginning of year		(15,822,418)	(10,646,609)
Net decrease in fund for the year		(4,232,834)	(5,175,809)
<b>FUND AT END OF YEAR</b>		<u>(20,055,252)</u>	<u>(15,822,418)</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.

# Balance Sheet

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## Air Travel Trust Balance Sheet as at 31 March 2007

	Note	31.3.07 £	31.3.06 £
<b>ASSETS</b>			
Cash		1,752	1
Settlements due		138,482	-
		<u>140,234</u>	<u>1</u>
<b>CREDITORS</b>			
	5		
Compensation claims outstanding		(759,647)	(219,854)
Bank loans		(19,336,053)	(15,536,424)
Loan interest and other creditors		(99,786)	(66,141)
		<u>(20,195,486)</u>	<u>(15,822,419)</u>
<b>NET LIABILITIES</b>		<u>(20,055,252)</u>	<u>(15,822,418)</u>
Represented by:			
<b>FUND ACCOUNT</b>		<u>(20,055,252)</u>	<u>(15,822,418)</u>

R P Mountford Trustee

C Jesnick Trustee

26 July 2007

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

# Notes to the Accounts

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## Air Travel Trust

### Notes to the Accounts for the Year Ended 31 March 2007

#### 1 Accounting Policies

a) Basis of preparation

The Trustees have prepared the financial statements in accordance with the terms of Clause 13 of the Trust Deed (shown in Appendix 1) and directions from the Secretary of State as referred to therein.

The accounts are prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards.

The Trustees have prepared the financial statements on a going concern basis.

b) Income and Expenditure

Liquidation dividends and settlement income are accounted for on an accruals 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

Liquidation dividends and settlements were received in respect of the following:

	<b>Year to 31.3.07</b>	<b>Year to 31.3.06</b>
	<b>£</b>	<b>£</b>
Cruise Promotions Ltd	150,000	-
Sunrise Holidays Ltd	1,751	-
The Flight Company (UK) plc	-	73,131
Sunrise Holidays Ltd (New Marathon Tours)	88,482	-
	<u>240,233</u>	<u>73,131</u>

### 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:

	<b>Year to 31.3.07</b>	<b>Year to 31.3.06</b>
	<b>£</b>	<b>£</b>
<b><i>Failures prior to 31.03.06</i></b>		
Action Travel Ltd	(16,000)	263,000
APA Travel Service Ltd	-	(20,000)
Cruise Promotions Ltd	20,000	3,100,000
Euro Cities Ltd	-	(19,800)
Finlandia Travel Agency Ltd	51,155	50,000
Garba S	(4,000)	136,000
Ghana Travel Ltd	7,000	(122,000)
Jetline Express Worldwide Travel Ltd	(23,621)	53,622
Onshine Ltd	-	490,000
Pandora World Travel Ltd	-	98,000
Peopleschoice Holidays Ltd	-	(11,874)
Phileas Fogg Travel Ltd	-	278,000
Raho Travel Ltd	244,082	5,918
Pleasurebeach Ltd	2,285	26,000
Safe Travel Ltd	-	5,164
Sky Tours & Travel Ltd	-	(3,900)
Sunrise Holidays Ltd	(1,764)	-
Unitours Travel Ltd	-	(10,399)
Wadebay Ltd	30,000	325,000
<b><i>Failures since 31.03.06</i></b>		
A I (Leisure) Ltd	47,791	-
All in 1 Travel Ltd	10,000	-
Dedicated Holidays Group Ltd	382,065	-
Tapstry Holidays Ltd	2,543,450	-
Travel World International Ltd	294,375	-
	<u>3,586,818</u>	<u>4,642,731</u>



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## 4 Audit and Legal Expenses

	Year to 31.3.07	Year to 31.3.06
	£	£
Audit Fees	5,150	4,288
	<u>5,150</u>	<u>4,288</u>

The Trust had no employees during the year (2006: 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 the preceding financial year.

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

## 5 Creditors

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 in between one year and five years (2006: between two years and five years).

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 secured by a Government guarantee of up to £31 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 considered necessary. The Civil Aviation Act gained Royal Assent in 2006 and will enable the Secretary of State to make Regulations to replenish the Air Travel Trust by contributions paid by air travel organisers.

## 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 24 July 2007, there have been 3 failures of holders of Air Travel Organisers' Licences. These are not expected to result in a call on the Trust.

# Appendix 1

## Text of the Trust Deed

### ANNEX

CONFORMED COPY OF AIR TRAVEL TRUST DEED DATED 5 JANUARY 2004  
AS AMENDED BY DEED OF VARIATION FOR THE AIR TRAVEL TRUST  
DATED fourth DAY OF January 2005

**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

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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.

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**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. (1) THE** Trustees shall have power to effect or concur in effecting any transaction concerning or affecting the trusts and powers contained in this Deed or any part of the Trust Fund or any other property whatsoever if the Trustees think the transaction is beneficial for such trusts and powers 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, guarantee or indemnity or any other dealing or arrangement including the delegation of any of the Trustees' powers under this Deed; "effect" has the meaning appropriate to the particular transaction and references to "property" include references to restrictions and burdens affecting property.

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(2) For the avoidance of doubt, insofar as any obligation to pay any money or monies arises pursuant to a transaction which the Trustees effect or concur in effecting pursuant to sub-paragraph (1) of this clause, the Trustees shall be entitled to make such payment or payments from the Trust Fund and nothing in clause 5(2) hereof shall affect this entitlement.

**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, administration, payment, application or distribution 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, engage or retain such persons as the Trustees may think fit or convenient to act in connection with such management, administration, payment, application or distribution 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

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(if the Trustees think fit) to pay an honorarium fee or salary to and the expenses of any persons;

- (8) Power to delegate all or any of the powers and duties of the Trustees hereunder to any person or persons and upon such terms (including the remuneration and the payment of the expenses of the delegatee or delegates and including provision for the delegates if more than one to exercise any such power or duty either jointly or jointly and severally) as the Trustees shall think fit (without being liable for the acts or defaults of any such delegatee) and to revoke or modify any such delegation or conditions or terms. For the avoidance of doubt, where the Trustees delegate the power contained in clause 4(2) hereof, references in clause 4(2) to the opinion of the Trustees shall be construed as references to the opinion of the delegatee or delegates;
- (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) Upon a Trustee being appointed pursuant to clause 9(1) above, the remaining Trustees and the person who has ceased to be a Trustee shall take all steps as are necessary to vest the Trust Fund in the remaining Trustees and the new Trustee jointly subject to the terms hereof.

**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

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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 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.

# Appendix 2

## Details of Tour Operator Bonds Called, April 2006 - March 2007

Licence Holder	Date Bond Called	Licensed Passengers	Licensed Revenue
			£'000
Osmani Travel Ltd.	06 Apr 2006	296	151
Holiday Travel Essentials Ltd.	06 Apr 2006	81	65
First Call (London) Ltd.	26 May 2006	240	96
Skyflights Ltd.	15 Jun 2006	1,331	170
Transtours Centre Ltd.	21 Jun 2006	402	300
All in 1 Travel Ltd.	30 Jun 2006	496	243
Phillippine Travel Ltd.	10 Jul 2006	100	120
Incentive & Conference Centre Ltd.	12 Jul 2006	1,220	1,179
Services Travel Centre Ltd.	04 Aug 2006	1,180	260
Tapestry Holidays Ltd.	10 Aug 2006	19,772	11,154
Travel World International Ltd.	15 Aug 2006	24,811	6,308
Dedicated Holidays Group Ltd.	01 Sep 2006	14,670	5,978
Holiday Index Ltd.	08 Sept 2006	6,625	1,930
Centre Travel 1990 Ltd.	22 Sep 2006	250	100
Solar International Travel Ltd.	26 Sep 2006	312	236
Masterplan Publishing Ltd.	26 Sep 2006	5,220	3,065
Champion Travel Agency Ltd.	29 Sep 2006	240	80
A I (Leisure) Ltd.	17 Oct 2006	1,979	5,768
Open Holidays Ltd.	24 Nov 2006	450	270
HCCT (Holidays) Ltd.	13 Dec 2006	169,263	28,468
Travel5Live Ltd.	17 Jan 2007	2,493	1,798
Travellers Way Ltd.	24 Jan 2007	2,023	1,200
Alpha Holidays Ltd.	06 Feb 2007	120	72
The Villa Collection.	07 Feb 2007	660	474
B P Tours and Travel Ltd.	05 Mar 2007	671	33
Air Connections Ltd.	27 Mar 2007	630	202
Travel & Tours Anywhere Ltd.	30 Mar 2007	2,650	4,557
<b>Total</b>		<b>258,185</b>	<b>74,275</b>



<b>Bond Amount</b>	<b>Number Repatriated</b>	<b>Cost of Repatriation</b>	<b>Number Refunded</b>	<b>Cost of Refunds</b>	<b>Total Expenditure</b>	<b>Call on Air Travel Trust</b>
<b>£'000</b>		<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
16	1	0	6	4	4	0
10	0	0	10	1	1	0
14	15	2	35	8	10	0
25	0	0	113	15	15	0
151	4	2	31	34	35	0
108	10	2	291	116	118	10
28	0	0	10	13	13	0
412	0	0	4	10	10	0
36	0	0	50	27	27	0
1,700	1,462	1,059	2,700	3,184	4,243	2,543
934	1,000	556	6,633	672	1,228	294
598	769	244	1,946	736	980	382
241	0	0	250	52	52	0
15	0	0	0	0	0	0
41	0	0	0	0	0	0
481	180	101	250	163	263	0
10	0	0	11	5	5	0
639	26	23	940	663	687	48
153	2	0	14	8	8	0
6,987	800	206	40,000	4,904	5,109	0
360	120	86	338	269	355	0
120	17	10	198	81	91	0
100	0	0	6	2	2	0
337	0	0	200	120	120	0
10	0	0	0	0	0	0
21	0	0	0	0	0	0
901	300	643	80	230	873	0
<b>14,447</b>	<b>4,706</b>	<b>2,934</b>	<b>54,116</b>	<b>11,317</b>	<b>14,251</b>	<b>3,278</b>

# Appendix 3

## Historical Movement of Reserve Fund Against ATOL Turnover

Year ended 31 March	Turnover	Passengers	Bonds Called During Year	Calls on Reserve Fund During Year	Total Fund at Year End	Calls as % of Turnover	Calls as % of Fund at Start of Year	Fund as % of Turnover
	£'m	'000						
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	0.09	9.95	0.95
1988	3,118	12,598	16	1.23	23.18	0.04	5.40	0.74
1989	3,629	14,490	9	0.28	23.44	0.01	1.21	0.65
1990	3,704	13,982	21	0.40	23.71	0.01	1.70	0.64
1991	3,807	13,083	22	11.61	26.70	0.30	48.95	0.70
1992	3,253	10,110	16	0.73	5.01	0.02	2.75	0.15
1993	4,436	13,575	24	6.66	9.84	0.15	132.83	0.22
1994	5,180	14,528	20	1.58	8.82	0.03	16.07	0.17
1995	5,966	16,678	23	3.51	5.65	0.06	39.77	0.09
1996	6,874	18,812	31	4.10	1.87	0.06	72.65	0.03
1997	8,318	22,176	26	7.60	(5.26)	0.09	405.69	(0.06)
1998	9,426	25,673	21	0.36	(5.30)	0.00	(6.76)	(0.06)
1999	11,211	26,284	20	2.00	(7.39)	0.02	(37.73)	(0.07)
2000	11,982	27,824	17	0.31	(8.03)	0.00	(4.20)	(0.07)
2001	13,155	29,675	12	0.25	(8.96)	0.00	(3.15)	(0.07)
2002	13,881	30,723	23	0.40	(8.30)	0.00	(4.44)	(0.06)
2003	14,766	32,157	9	0.45	(9.09)	0.00	(5.43)	(0.06)
2004	14,750	30,464	18	0.29	(9.66)	0.00	(3.13)	(0.07)
2005	14,870	30,661	14	0.54	(10.65)	0.00	(5.59)	(0.07)
2006	15,340	30,447	25	4.64	(15.82)	0.03	(43.57)	(0.10)
2007	15,867	29,219	27	3.59	(20.06)	0.02	(22.67)	(0.12)

### NOTES

1. Turnover and passenger figures represent the total value and number of holidays/flights authorised by all Air Travel Organisers' Licences in force at the start of the year. The figures exclude all trade sales between ATOL holders.
2. Calls on the reserve fund are retrospectively adjusted figures indicating the cost of failures occurring during each year. The figure for the 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 as % of turnover uses the base of turnover in the same year as the calls. Fund as % of turnover applies the Fund at each year end to the turnover licensed for the next year.
4. The Fund was originally managed by the Air Travel Reserve Fund Agency. Since 1986 it has been managed by the Air Travel Trust Fund.

