

Air Travel Trust

Annual Report & Accounts

31 March 2020

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Bankers

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25 Gresham Street
London
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Chair

Ms M K Fuller

Auditor

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

Trustees

Ms M K Fuller (*appointed 9 March 2020*)
Mr P A Smith
Ms C R Staples
Mr C J Tingle
Mr M G Medicott (*retired 31 January 2020*)

Secretary

Mr G Paterson

Report of the Trustees

for the year ended 31 March 2020

Constitution and terms of reference

ATOL, which is managed by the Civil Aviation Authority ('CAA') is a statutory licensing scheme which also provides financial protection to consumers of licensable air travel. As a licensing scheme it ensures that only businesses regarded as financially robust and fit can sell licensable travel, and as a financial protection scheme it ensures that if an ATOL holder fails, affected consumers are either repatriated or receive a replacement holiday or a refund. The Air Travel Trust ('ATT' or 'the Trust') funds the costs of administering the financial protection scheme (the licensing scheme being separately funded from ATOL licence fees charged by the CAA), under its primary purpose to provide compensation to consumers. The ATT was created by the Secretary of State for Transport and its purpose and the Trustees' scope to act are contained in the Trust Deed, which is at [Appendix 1](#). The Trustees are all Board Members or officials of the CAA, appointed in accordance with the Trust Deed. The Trustees met 25 times during the year.

On 31 January 2020, Michael Medlicott retired from his position as Non-Executive Director of the CAA and consequently resigned as a Trustee at the same time. On 9 March 2020, Marykay Fuller was appointed as a Trustee in his place.

During the year three of the Trustees, Michael Medlicott, Marykay Fuller and Paul Smith, were also members of the Air Travel Insolvency Protection Advisory Committee ('ATIPAC'). ATIPAC was created by the Secretary of State for Transport to provide advice to Government, the CAA and the ATT on financial protection arrangements for air travellers and customers of air travel organisers. Its membership includes senior travel industry figures, as well as consumer representatives and independent members. Ms Sandra Webber, an independent member and Chair of ATIPAC, is invited to attend meetings of the ATT for agenda items that do not include commercially confidential information.

The CAA performs the administrative functions of the ATT and there is an agreement in place between the two parties which governs that relationship. The CAA acts as the ATT's agent in the exercise of its powers, including repatriating consumers and refunding them for losses they have incurred as a result of the failure of an ATOL holder. In administering the ATT's funds, the CAA applies the ATT's Payment Policy which sets out how the Trustees exercise their discretion to make payments for the benefit of consumers.

Report of the Trustees (*continued*)

The failure of the Thomas Cook Group

On 23 September 2019 the Thomas Cook Group was placed into compulsory liquidation and the Official Receiver was appointed by the Court as liquidator. The CAA, acting both as agent of the ATT and under instruction of HM Government, immediately stepped in to run what was the largest peacetime repatriation of over 150,000 UK nationals. Just over 68,000 (45%) of those passengers had the benefit of ATOL protection and so were able to continue with their holiday as planned at no extra cost. The remaining passengers were repatriated by the UK Government as there was insufficient capacity available at the time to enable an orderly return to the UK without intervention. In situations like this there is always disruption, upset and stress for the individuals concerned, but an exceptional 97% of passengers were brought home to the UK on the same day they were originally due to return. Full details of the depth of the repatriation – and its success – have been widely reported by the CAA, HM Government, and the trade and wider press, so are not repeated here.

A team of CAA staff were brought together immediately following the repatriation to manage the refund programme, with the Trustees driving new, innovative ways of working to ensure consumers were able to receive their refunds in an acceptable timeframe. Following on from the process first adopted with Monarch, consumers that had booked through retail travel agents were refunded without having to first wait for their agent to forward any ‘pipeline’ monies they were holding, with the reconciliation taking place behind the scenes. Thomas Cook was the first failure of an ATOL holder where consumers had been able to pay for their holiday in instalments by Direct Debit, and the ATT worked closely with GoCardless – the agency Thomas Cook had used to run their Direct Debit scheme – to automatically refund over £90m to over 91,000 consumers without them having to make a claim.

Where sufficiently reliable data had been available from Thomas Cook, further streamlined processes were put in place to reduce the amount of paperwork and form-filling that consumers were required to provide, backed up with additional anti-fraud processes to confirm the correct identities of those being refunded. There were a minority of cases where the data available from Thomas Cook was unreliable or incomplete, and these consumers were unfortunately required to submit fully evidenced claims. At the time of signing, the Trust has refunded just under 300,000 bookings.

A very small number of consumers submitted fraudulent claims, ranging from claims for previously cancelled holidays or package components, to a variety of forged paperwork, but thanks to the very detailed booking and payment information we were able to extract from Thomas Cook’s systems, the Trustees are confident these claims were all detected and refused. Further, almost immediately after failure a small number of ‘opportunistic’ or fraudulent websites appeared, offering to either manage the claim process on behalf of consumers, or for the purpose of scamming personal information and bank details from distressed and potentially vulnerable consumers. To the best of our knowledge, with the assistance of the relevant authorities the CAA was able to trace and close down these websites in a matter of days.

Report of the Trustees *(continued)*

The failure of the Thomas Cook Group *(continued)*

For some time prior to failure, there had been much speculation in the press and markets over the future of Thomas Cook. The bespoke insurance policy that the ATT had in place provided for an annual risk review mechanism by the insurers. Following the most recent renewal of Thomas Cook's ATOL, in order to retain insurance cover the ATT agreed an additional £100m deductible to apply in the event of a failure of the group, on top of the £150m deductible already in place for the very largest ATOL holders. This effectively capped the ATT's exposure to £250m which was within the cash reserves of the Trust at the time of failure. Further, the policy provided for 'staged' or interim claim payments to be made to the ATT, meaning that the Trust only needed to draw on the banking facility for three weeks in March 2020, to cover a timing difference with one of the interim claim payments.

Airline Insolvency Review

The final report¹ of the Airline Insolvency Review was published in May 2019. The report contains a number of recommendations that, if adopted, could result in changes to the composition of the Trust and how the Trustees would execute their duties in future. The report is currently with the Government so that next steps can be considered, and until that exercise is complete the impact on the Trust cannot be determined.

Repatriation capability building

During the year the ATT continued to develop its capability to mount a successful repatriation exercise. The work included the negotiation of improved contracts with various airlines that could be used as a source of replacement flying, contracting with additional airlines, and entering into similar arrangements with various suppliers of ground handling and support services. The ATT funded this work, which was carried out on its behalf by the CAA.

Pack Peace of Mind

The Trust continues to provide funding to support the CAA's "Pack Peace of Mind" campaign. This multi-channel campaign has been running for several years now and is aimed at improving consumer awareness of the protection provided by the ATOL scheme. It encourages consumers to check that their holidays are covered by ATOL, so that they do not lose money if a travel company goes out of business.

¹ The final report of the Airline Insolvency Review can be found on the gov.uk website at: <https://www.gov.uk/government/publications/airline-insolvency-review-final-report>

Report of the Trustees (*continued*)

The UK travel market

In 2019 the UK economic environment remained benign with a 1.5% increase in GDP for the year. Bookings for summer 2019 started strongly with high single digit growth compared to 2018, however that position of strength began to unwind with a weaker booking environment in the usual busy booking months of January to March lowering expectations to only marginal growth in holidays for summer 2019. The slowdown was driven by continued Sterling weakness increasing input costs, Brexit uncertainty and softening consumer demand that had become more price conscious. Increasingly competitive pricing and excess market capacity resulting in a profit margin squeeze for some tour operators and airlines.

The main event in the UK travel sector was the failure of Thomas Cook on 23 September 2019. The travel sector was unevenly impacted due to different levels of dependence upon distribution via Thomas Cook's travel agencies or its flight programme. Excluding the impact of Thomas Cook, forward bookings in October 2019 were 12% ahead of those in October 2018 as consumer confidence had continued to improve throughout the year.

The OECD UK Consumer Confidence Index reached above 100 in the last quarter of the year and 2020 started on a very positive note with a strong booking environment in early January and February 2020. This materially changed with the onset of the COVID-19 crisis in March 2020 following the Government's imposed restrictions, with a sharp decline in consumer confidence and inability to travel leading to very low bookings. The impact of travel restrictions and therefore cancellations led to an exceptional demand for customer refunds, which in turn resulted in significant liquidity pressures across the industry.

The COVID-19 pandemic has brought all previous growth to a halt, with an industry effectively on pause for over a year and a sector under tremendous financial stress. It is likely to take time for it to recover to 2019 levels. Whilst the Government recently issued the Global Travel Taskforce report² on 9 April, uncertainty remains. The timing of when bookings can actually restart, likely driven by increased certainty over travel restrictions and reciprocal arrangements with destination countries, coupled with the speed of the general economic recovery, will be key in determining the shape of the sector and the competitive landscape post-crisis. This will be critical to the shape of recovery throughout 2021 and beyond.

² The report of the Global Travel Taskforce can be found on the gov.uk website at: <https://www.gov.uk/government/publications/global-travel-taskforce-safe-return-of-international-travel>

Report of the Trustees (*continued*)

Incoming resources

ATOL Protection Contributions ('APC') are collected under the powers set out in The Civil Aviation (Contributions to the Air Travel Trust) Regulations 2007, as amended ('ATT Regulations'). The current rate of APC is £2.50 per passenger booked (2019: £2.50). Total contributions (before accounting for APC credits) received during the year amounted to £64,845,360, relating to 25,938,144 passengers booked (2019: £65,700,685, relating to 26,280,274 passengers). The Trustees operate a policy of pursuing penalty interest payments from ATOL holders who fail to pay their APC on time.

The Trust takes all reasonable steps to ensure that companies or individuals are held to account for any losses that they cause the ATT to incur. It takes appropriate steps to recover amounts from the liquidation of failed companies or through Her Majesty's Court Service. During the year the Trust received £3,295,582 (2019: £287,013) from liquidation dividends and £48,566 (2019: £nil) from Court orders.

The Trust actively employs an investment strategy of notice and term deposits in line with an investment policy that ensures that there is limited risk to liquidity. This adds value to the fund by way of interest receipts which in turn adds value to the financial protection for the consumer. Interest income during the year amounted to £1,035,366 (2019: £1,361,505).

Resources expended

The number of ATOL holder failures during the year was 8. The total value of expected claims on the Trust is £448,459,994 (2019: £3,634,519) (see [note 7](#)).

Like for like administrative costs and expenditure on professional services have increased from last year to £15,538,426 (2019: £13,630,748), mainly as the result of a continued increase in Accredited Body fulfilment charges. Expenses charged by the CAA under its agreement with the ATT amounted to £960,117 (2019: £745,617), in respect of the operational management of the Trust's affairs in collecting APC, arranging banking and insurance facilities, claims handling and day-to-day financial and secretariat services (see [note 6](#)).

In March 2020 the Trust temporarily called on the borrowing facility to provide additional liquidity to support consumer refunds whilst waiting for further funds from the insurance policy. This resulted in interest payments of £8,878 (2019: £nil). Bank fees and charges for the year were £271,474 (2019: £380,999).

Report of the Trustees (*continued*)

Details of failures during the year

Including the failure of Thomas Cook, the number of ATOL holder failures in the year was eight, one less than last year. The overall impact on the Trust of current and prior year failures, taking into account reductions in provisions for prior year failures, was a net loss of £445,017,029 (2019: net surplus of £439,630) (see [note 7](#)).

In total, 68,306 passengers of failed ATOL holders required repatriation and more than twelve times as many customers, all with bookings to travel at a later date, were due refunds for amounts paid in respect of their bookings. Full details are provided at [Appendix 2](#).

Failure amounts provided for and released

The Trust recorded calls on its funds of £448,459,994 (2019: £3,634,519) in respect of five of the eight ATOL holder failures during the year. For prior year failures, where further information became available after the reporting period, the Trust recorded additional calls on its funds of £207,057 (2019: £nil). This amount represents both amounts paid in the year and estimated balances payable and provided for at the year end.

For prior year failures, where all expenditure has been concluded, or forecast expenditure has been revised due to the availability of more accurate information and/or claims being lower than forecast, the Trust has been able to release £3,650,022 (2019: £4,074,148) back to the fund.

Provisions for failures are made with careful consideration given to IAS37 *Provisions, contingent liabilities and contingent assets* and the Trust's recognition and measurement criteria, as stated in [note 2.1](#), to provide in full based on information available at the time. Any excess provisions are released as a consequence of the final calls on the Trust being lower than anticipated, or at any time when further information becomes available and the estimates of expenditure can be revised.

Report of the Trustees (*continued*)

Going concern

The ATT forms an intrinsic part of the means by which effect is given to the UK Government policy that consumers who purchase flight-inclusive package holidays are financially protected should the tour operator with which they have booked cease trading or otherwise fail to provide the services purchased, in line with the ATT Payment Policy. When reviewing the Annual Report and Accounts, the Trustees explicitly consider whether the Trust has sufficient assets and resources available to meet its actual and anticipated obligations on a going concern basis. As part of this consideration the Trustees take account of the overall performance of the package travel sector, the CAA's assessment of the actual and forecast performance of certain ATOL holders, and of any strategic policy direction provided by the Secretary of State for Transport and HM Government ('HMG') more broadly.

The Trust's assets primarily include cash and commercial borrowing facilities and, to the extent that those assets may be insufficient to meet the demands on the ATT should a large ATOL holder fail, or multiple smaller ATOL holders, the Trustees' expectation is that HMG will provide additional financial support to the ATT and thus to consumers. That expectation is based on the support provided by HMG to the ATT over many years, recent written assurance provided by the Secretary of State for Transport, and the Trustees' view as to the obligations of the UK Government in relation to package travel.

The Trustees have concluded that the ATT has adequate resources available to continue in operational existence for the foreseeable future, being not less than twelve months, and that it is appropriate to adopt the going concern basis for this Annual Report & Accounts. Further details are outlined in the Notes to the Financial Statements (see [note 1.3](#)).

Acknowledgements

The Trustees are grateful to the CAA for the continued administrative support and secretariat services provided during the year. They would also like to thank the CAA for the work of its staff relating to the administration of the APC and management of the Trust's activities.

Principal Risks and Uncertainties

The Trustees continually review and monitor material risks and uncertainties which could affect the Trust's ability to fulfil its role in supporting the ATOL scheme. The following list highlights what the Trustees consider to be the principal risks and uncertainties together with actions taken or considered to mitigate any adverse consequences on the Trust.

| Area | Description of Risk | Mitigating Actions |
|-------------------|---|--|
| Economic factors | <ul style="list-style-type: none"> • Reduced passenger numbers and hence lower APC income • Greater number of failed ATOL holders and calls on Trust • Failure of major ATOL holder • Unfavourable market movements caused by economy-wide changes and/or dislocation as a result of the UK's departure from the EU | <ul style="list-style-type: none"> • Increased borrowing facilities • Insurance policies held • Cash and liquid resources held • Financial support from HM Government |
| APC reporting | <ul style="list-style-type: none"> • ATOL holders incorrectly report passenger numbers and reduce payments of APC | <ul style="list-style-type: none"> • Regular CAA monitoring of returns and submissions • CAA compliance unit monitors ATOL holders' compliance with ATOL Standard Terms • ATOL Reporting Accountants scheme, in conjunction with the major UK accountancy bodies • Independent assurance on ATOL holder returns • Potential introduction of online "eATOL Certificate" system |
| Claims provisions | <ul style="list-style-type: none"> • Higher numbers or value of claims than originally estimated on an individual failure | <ul style="list-style-type: none"> • CAA monitoring of returns • Regular review of claims progress and provision levels • CAA engagement with systems providers to obtain high quality information at failure |
| Insurance policy | <ul style="list-style-type: none"> • Insurers refuse to pay out on claim due to technicality or breach of terms | <ul style="list-style-type: none"> • CAA continuous internal monitoring of compliance with policy terms |

Independent Auditor's Report

Independent Auditor's Report to the Trustees of the Air Travel Trust (the 'Trustees')

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2020 and of its incoming resources and application of resources and the cash flow for the year then ended;
- 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; and
- have been properly prepared in accordance with requirements of the Companies Act 2006.

We have audited the financial statements of the Air Travel Trust (the 'Trust') which comprise:

- the statement of Financial Activities;
- the statement of Financial Position;
- the statement of cash flows; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Trustees' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent Auditor's Report *(continued)*

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of trustees

As required by Clause 17 of the Trust Deed, the Trustees are responsible for keeping proper accounting records to enable them to ensure that the financial statements 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 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.

In preparing the financial statements, the Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

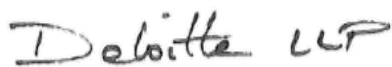
Independent Auditor's Report *(continued)*

Auditor's responsibilities for the audit of the financial statements *(continued)*

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Trustees, as a body, in accordance with Clause 17 of the Trust Deed dated 5 January 2004, as amended by Deeds of Variation dated 4 January 2005, 18 March 2008, 27 April 2012, 18 May 2016, 29 April 2019 and 17 July 2020 (the 'Trust Deed'). Our audit work has been undertaken so that we might state to the Trustees those matters we are required, by our engagement letter, to state to them in our 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 Trustees, as a body, for our audit work, for our report, or for the opinions we have formed.



Deloitte LLP
London
30 September 2021

Note: The Trust's Annual Report is published on the website of the Civil Aviation Authority ('CAA'). The maintenance and integrity of the CAA's website is the responsibility of the Board members of the CAA. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ in other jurisdictions.

Statement of Financial Activities

for the year ended 31 March 2020

| | Notes | Year to 31.03.20 £ | Year to 31.03.19 £ |
|--|-------|--------------------------|--------------------------|
| Incoming Resources | | | |
| ATOL Protection Contributions | 3 | 64,845,360 | 64,730,356 |
| Liquidation dividends and settlements | 4 | 3,344,148 | 287,013 |
| Proceeds from insurance policy | 4 | 192,564,742 | - |
| Total Incoming Resources | | 260,754,250 | 65,017,369 |
| Resources Expended | | | |
| Audit and legal expenses | 5 | (145,736) | (107,339) |
| Other administrative expenses | 6 | (16,498,543) | (14,376,365) |
| Provisions for compensation claims charged in the year | 7, 15 | (448,459,994) | (3,634,519) |
| Total Resources Expended | | (465,104,273) | (18,118,223) |
| Net gain on release of provisions for compensation claims relating to prior periods | 7, 15 | 3,442,965 | 4,074,148 |
| Finance income | 8 | 906,251 | 1,361,222 |
| Finance costs | 8 | (280,352) | (380,999) |
| Tax expense | 9 | (493,205) | (596,690) |
| Net Movement in Fund | | (200,774,364) | 51,356,827 |
| Reconciliation of Fund | | | |
| Fund balance brought forward | | 221,352,548 | 169,995,721 |
| Fund balance carried forward | | 20,578,184 | 221,352,548 |

Statement of Financial Position

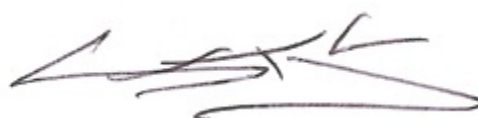
as at 31 March 2020

| | Notes | 31.03.20 £ | 31.03.19 £ |
|---|-----------|---------------------|--------------------|
| Non-Current Assets | | | |
| Investment in subsidiaries | <u>17</u> | 4 | 4 |
| Current Assets | | | |
| Cash and liquid resources | | 26,246,044 | 210,699,757 |
| Restricted cash on deposit | <u>10</u> | 10,614,280 | 60,334 |
| ATOL Protection Contribution and other debtors | <u>11</u> | 16,672,526 | 17,025,896 |
| Prepayments and accrued income | <u>12</u> | 1,726 | 152,565 |
| Total Current Assets | | 53,534,576 | 227,938,552 |
| Total Assets | | 53,534,580 | 227,938,556 |
| Current Liabilities | | | |
| Provisions | <u>15</u> | (17,629,937) | (4,124,714) |
| Restricted cash held from obligors and administrators | <u>10</u> | (10,614,280) | (60,334) |
| Trade and other payables | <u>13</u> | (4,546,495) | (1,927,450) |
| Income tax | <u>9</u> | (165,684) | (473,510) |
| Total Current Liabilities | | (32,956,396) | (6,586,008) |
| Net Current Assets | | 20,578,180 | 221,352,544 |
| Net Assets | | 20,578,184 | 221,352,548 |
| Represented by | | | |
| Fund account | | 20,578,184 | 221,352,548 |

The financial statements and notes 1–20 were approved by the Trustees on 28 September 2021 and signed on their behalf by:



Marykay Fuller
Chair of Trustees



Chris Tingle
Trustee

Statement of Cash Flows

for the year ended 31 March 2020

| | Notes | Year to 31.03.20 £ | Year to 31.03.19 £ |
|--|-------|--------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Net (deficit) / surplus of fund before tax | | (200,281,159) | 51,953,517 |
| <i>Adjustments for:</i> | | | |
| Interest income and foreign exchange gains/losses | 8 | (906,251) | (1,361,222) |
| Net finance costs | 8 | 280,352 | 380,999 |
| | | (200,907,058) | 50,973,294 |
| Decrease / (increase) in trade and other receivables | | 353,370 | (5,336,469) |
| Decrease / (increase) in prepayments | | 150,839 | (67,704) |
| Increase / (decrease) in provisions | 15 | 13,505,223 | (2,831,050) |
| Increase in trade and other payables | | 13,172,991 | 496,203 |
| Cash (expended)/generated from operating activities | | (173,724,635) | 43,234,274 |
| Finance costs | 8 | (271,474) | (380,999) |
| Tax paid | | (801,031) | (285,683) |
| Net cash (expended) / provided by operating activities | | (174,797,140) | 42,567,592 |
| Cash flows from investing activities | | | |
| Investment in subsidiaries | 17 | - | (4) |
| Interest received | | 1,035,366 | 1,361,505 |
| Net cash provided by investing activities | | 1,035,366 | 1,361,501 |
| Cash flows from financing activities | | | |
| Repayments of bank borrowings | | (10,000,000) | - |
| Proceeds of bank borrowings | | 10,000,000 | - |
| Interest paid | | (8,878) | - |
| Net cash used in financing activities | | (8,878) | - |
| Net (decrease) / increase in cash and cash equivalents | | (173,770,652) | 43,929,093 |
| Cash and cash equivalents at beginning of period | | 210,760,091 | 166,831,281 |
| Effects of exchange rate changes on cash balances held in foreign currencies | 8 | (129,115) | (283) |
| Cash and cash equivalents at end of period | | 36,860,324 | 210,760,091 |

Notes to the Financial Statements

for the year ended 31 March 2020

1 Significant Accounting Policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and with the terms of Clause 17 of the Trust Deed (shown at [Appendix 1](#)) and directions from the Secretary of State as referred to therein.

1.2 Consolidated financial statements

These financial statements do not present the consolidated position of the Trust together with the subsidiary entity “ATT re MAEL Ltd” on the basis that the carrying value of the subsidiary is considered to be immaterial.

1.3 Going concern

The ATT forms an intrinsic part of the means by which the UK Government delivers its policy of consumer protection in relation to package travel. When reviewing the Annual Report and Accounts, the Trustees explicitly consider whether the Trust has sufficient assets and resources available to meet its actual and anticipated obligations on a going concern basis.

At the date of signing, the Trust’s resources primarily include £45m of cash reserves, £75m of commercial borrowing facilities and, to the extent that those resources may be insufficient to meet the demands on the ATT, the Trustees’ expectation is that HMG will provide additional financial support to the ATT as necessary. That expectation is based on the support provided by HMG to the ATT over many years, recent written assurance provided by the Secretary of State for Transport, and the Trustees’ view as to the obligations of the UK Government in relation to package travel.

In addition, the Trustees take account of the overall performance of the package travel sector, the CAA’s assessment of the actual and forecast performance of certain ATOL holders, and of any strategic policy direction provided by the Secretary of State for Transport and HMG more broadly. The Trustees acknowledge the ongoing COVID-19 pandemic and the effect that the collapse in air travel has had, and will continue to have, on the package travel sector. There is still significant uncertainty about how long it will take the sector to recover, and how this might impact consumer demand for ATOL-protected holidays. This in turn creates significant uncertainty over the income and expenditure of the Trust, in terms of reduced APC Income and an increase in both the number and aggregate cost of ATOL failures.

Notes to the Financial Statements (*continued*)

1.3 Going concern (*continued*)

A range of scenarios have been considered in assessing likely outcomes and recovery to pre-COVID levels, and the impact this may have on the Trust's resources. These scenarios cover a range of reduced income levels and a combination of both large and multiple small ATOL holder failures. During the first year of the pandemic, APC Income levels have been approximately one third of levels in the previous two years, and as outlined in note 20 below, costs of around £14m to date are expected as a result of ATOL holder failures. This experience of both income and expenditure variations has been used to continuously review forecasts and validate the Trust's scenario analyses.

Having taken relevant factors into account the Trustees have concluded that the ATT has adequate resources available to continue in operational existence for the foreseeable future, being not less than twelve months from the date of this Annual Report & Accounts, and that it is appropriate to adopt the going concern basis for their preparation.

1.4 Amendments to IFRSs

In the current year, the Trust has applied one amendment to IFRSs issued by the International Accounting Standards Board that are required for accounting periods beginning from 1 January 2019.

| Standard | Amendment | Impact on Financial Statements |
|-------------------------------------|--|--------------------------------|
| IFRS 9 <i>Financial Instruments</i> | IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. | Not material |

1.5 Basis of measurement

The financial statements have been prepared on the historical cost basis.

1.6 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the Trustees to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Information about assumptions and estimates that contain a risk of resulting in a material adjustment within the next financial year are included in note 2.

Notes to the Financial Statements (*continued*)

1.7 Income recognition

The Trust's income arises from contributions by air travel organisers who are required to hold an ATOL, known as ATOL Protection Contributions or APC. APC is a statutory contribution made for each applicable passenger booking taken by an ATOL holder.

Income is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow to the Trust. The Trust recognises income in the period that the passenger bookings are made. The bookings return (disclosing the number of bookings taken) submitted by each ATOL holder provides a reliable measurement of income in accordance with IFRS 15 *Revenue from Contracts with Customers*.

The Trust also relies on the regular monitoring and compliance work carried out by the CAA in support of the ATOL licensing system, together with its own detailed analysis of returns submitted by all licence holders, to provide verification of the accuracy of APC income. This is supplemented with reports from the independent auditors of ATOL holders.

1.8 Other income

Liquidation dividends and income arising from legal settlements are recognised immediately on receipt of cash or cash equivalents and measured at the fair value of the consideration received.

1.9 Expenditure

Except for those items requiring estimation and judgements disclosed in [note 2](#), all expenditure is accounted for on an accruals basis.

1.10 Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Trust operates (*its functional currency*). Transactions in currencies other than the Trust's functional currency (*foreign currencies*) are recognised at the rates of exchange prevailing on the dates of the transactions. At the balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognised in the income statement within 'Finance income and costs' in the period in which they arise.

1.11 Taxation

Income tax is payable on interest income and is calculated using the tax rates for trusts enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements (*continued*)

1.12 Financial instruments

Financial assets and financial liabilities are recognised in the Trust's statement of financial position when it becomes a party to the contractual provisions of the instrument.

Receivables

Trade receivables are classed and recognised as short term receivables and relate to APC income. These receivables are measured at fair value and based on the returns from ATOL holders. They are not subject to any impairment given the statutory nature of APC.

Cash and liquid resources

Cash comprises cash-on-hand accessible immediately and without penalty. Liquid resources are cash deposits maturing on fixed terms of between one and six months, or notice deposits requiring under 100 days' notice.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. The Trust will derecognise financial liabilities when, and only when, the Trust's obligations are discharged, cancelled or they expire.

2 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

2.1 Compensation claims

Compensation claims - Recognition

The Trust recognises an obligation in the event of an ATOL holder failure, and in accordance with the definitions in IAS37 *Provisions, contingent liabilities and contingent assets*, for certain responsibilities which will lead to probable economic outflows of uncertain timing and amounts. These obligations, that are a direct result of an ATOL holder failure, are part of the normal course of operations of the Trust and it is expected by all parties that the Trust will discharge these responsibilities in full.

The Trust recognises this obligation as an expense in the income statement and a corresponding provision in the statement of financial position at the date of the ATOL holder failure.

It is anticipated that all amounts in respect of compensation claims will be settled within one year of the statement of financial position date.

Notes to the Financial Statements (*continued*)

2.1 Compensation claims (*continued*)

Compensation claims - Measurement

The Trustees can call upon various methods by which to establish a reliable estimate of the obligation including, but not limited to; bookings databases of the failed ATOL holder, information supplied by management of the failed company, past experience and retained knowledge.

Estimates of the liability to the Trust also take into consideration any security put in place by the failed ATOL holder, possible claims referred to credit cards and administrative expenses. The progress of each failure is also constantly monitored and provisions are regularly updated to reflect the most accurate position available.

However, given the complexities involved with the administration of an ATOL holder failure and the reliance on multiple and individual responses from external persons and organisations, material adjustments relating to compensation claims may occur in the following financial reporting period where new information relating to the failure facilitates the need to do so.

2.2 APC credits provision

APC credits provision - Background

As a short to medium term compromise in respect of a legal dispute relating to obligations to hold an ATOL and pay APC, the CAA made available limited credit schemes for certain ATOL holders provided that, *inter alia*, their bookings were made in accordance with their ATOL licence and APC was paid in accordance with regulation 7 of the ATT Regulations.

The CAA terminated these arrangements on 1 July 2018, concurrent with the introduction of the Package Travel Directive 2015.

Up until the termination date, ATOL holders in compliance with the above, and subject to independent verification requirements, were able to accumulate a credit of 50% of the value of APC paid in respect of those transactions. The accumulated credit was used only to offset future amounts of APC due.

2.3 Critical judgement in the assessment of going concern

The Trustees have taken a number of factors into account in concluding that the Financial Statements should be prepared on a going concern basis. The key critical judgement in concluding that no material uncertainty exists is that the Trust has both the implicit and explicit support of HM Government, without which a significant ATOL holder failure in the future might cause the Trust itself to fail. The ability to rely on this support is deemed a significant judgement and so the Trustees have considered this matter carefully. They have concluded that appropriate HMG support exists and that preparing these Financial Statements on a going concern basis is appropriate.

Notes to the Financial Statements (*continued*)

3 ATOL Protection Contributions

Income, all of which arises in the United Kingdom, is attributable to ATOL Protection Contributions ('APC') received in the year (including any late payment penalty interest imposed by the Trust).

| | Year to 31.03.20 | Year to 31.03.19 |
|-------------------------------|---------------------|---------------------|
| | £ | £ |
| ATOL Protection Contributions | 64,845,360 | 65,700,685 |
| APC credits † | - | (970,329) |
| Totals | 64,845,360 | 64,730,356 |

† Following changes to the ATOL Regulations that came into effect on 1 July 2018, the partial APC rebate scheme previously offered by the CAA was withdrawn at the same time.

4 Other Income

Liquidation dividends and other settlements were received / (repaid) in respect of the following:

| | Year to 31.03.20 | Year to 31.03.19 |
|---|---------------------|---------------------|
| | £ | £ |
| Skies the Limit Ltd (<i>liquidation dividend</i>) | - | 10,329 |
| Travel Definitions Ltd (<i>liquidation dividend</i>) | - | 7,376 |
| All Leisure Holidays Ltd (<i>liquidation dividend</i>) | - | 309,263 |
| Quickstep Leisure Ltd (<i>repaid liquidation dividend</i>) †† | - | (39,955) |
| Simply Sweden Ltd (<i>liquidation dividend</i>) | 13,520 | - |
| T D Europe Ltd (<i>liquidation dividend</i>) | 7,168 | - |
| Jewel in the Crown Holidays Ltd (<i>liquidation dividend</i>) | 53,608 | - |
| All Leisure Holidays Ltd (<i>liquidation dividend</i>) | 3,221,286 | - |
| Undisclosed (<i>HM Courts compensation order</i>) ††† | 48,566 | - |
| Totals | 3,344,148 | 287,013 |

†† In the winding up of Quickstep Leisure Ltd (a company related to Goldtrail Ltd, and both of which went into liquidation in 2010) it was discovered that a dividend had been erroneously received in 2013 and was repaid to the liquidator.

††† Compensation was received in respect of a fraudulent historical failure that remains subject to Court imposed reporting restrictions.

Notes to the Financial Statements (*continued*)

4 Other Income (*continued*)

| | Year to 31.03.20 £ | Year to 31.03.19 £ |
|--|--------------------------|--------------------------|
| Payments received from insurance claim | 192,564,742 | - |
| Totals | 192,564,742 | - |

Following the failure of the Thomas Cook Group, Trustees made a formal claim under the bespoke insurance policy that was in place. The policy provided for 'staged payments' to be made based on expected losses to provide additional cash liquidity at the time most needed by the Trust, subject to final reconciliation and loss adjustment. Amounts shown have been received in the year and are not expected to be subject to repayment following the final reconciliation.

5 Audit and Legal Expenses

| | Year to 31.03.20 £ | Year to 31.03.19 £ |
|--|--------------------------|--------------------------|
| Fees payable to the Trust's auditor for the audit of the Trust's annual accounts | 66,080 | 60,456 |
| Fees payable to the Trust's auditor for other services to the Trust | 4,200 | 6,180 |
| Legal expenses | 75,456 | 40,703 |
| Totals | 145,736 | 107,339 |

Notes to the Financial Statements (*continued*)

6 Other Administrative Expenses

| | Year to 31.03.20 | Year to 31.03.19 |
|---|---------------------|---------------------|
| | £ | £ |
| Insurance premiums | 11,571,636 | 11,571,636 |
| Fulfilment charges from Accredited Bodies | 3,199,166 | 1,648,090 |
| Marketing and promotion expenses | 112,494 | 202,782 |
| Charge from CAA for administrative services | 960,117 | 745,617 |
| Contingency planning expenses | 60,984 | 32,748 |
| Other expenditure | 594,146 | 175,492 |
| Totals | 16,498,543 | 14,376,365 |

Insurance premiums

Throughout the year, the Trust had in place an insurance policy to provide the Trust with access to funds in the event of ATOL holder failure(s), where costs arising from refunds and repatriation exceed either £150 million, £70 million or £10 million in a policy year, depending on the size of the failed ATOL holder(s). In order to ensure that the Thomas Cook Group remained covered by the policy and to preserve the annual premium, the Trustees negotiated an additional deductible of £100m in respect of the Group. Following the failure of Thomas Cook during the year, a claim was made on the policy. The entire policy expired on 31 March 2020 and was not renewed.

Contingency planning

During the year, the Trust spent £60,984 (2019: £32,748) on contingency planning work, including capability building activities and the development of an extensive contingency plan for the repatriation of UK consumers in the event of the potential failure of ATOL holders.

Fulfilment charge

The Trust recognises and supports the benefits provided by Accredited Bodies, both to the Trust itself and to consumers, and pays a fulfilment charge of £1.25 in respect of each qualifying booking taken.

Notes to the Financial Statements (*continued*)

7 Compensation Claims

Provisions for compensation claims charged or released to the statement of financial activities in the year. Recognition and subsequent measurement is disclosed in [note 2.1](#).

| | Year to 31.03.20 £ | Year to 31.03.19 £ |
|--------------------------|--------------------------|--------------------------|
| <i>Since 01.04.19</i> | | |
| Thomas Cook Group | 444,425,687 | - |
| The Holiday Place Ltd | 3,576,006 | - |
| <i>Other failures</i> | 458,301 | - |
| <i>Prior to 01.04.19</i> | | |
| Mert Selim Ltd | 939 | 2,124,673 |
| Lee's Travel Ltd | (282,999) | 624,221 |
| Chadwell Travel Ltd | (182,189) | (1,420,449) |
| Monarch Travel Group | (3,159,911) | (2,435,022) |
| <i>Other failures</i> | 181,195 | 666,947 |
| Totals | 445,017,029 | (439,630) |

8 Finance Income and Costs

| | Year to 31.03.20 £ | Year to 31.03.19 £ |
|---|--------------------------|--------------------------|
| Finance income | | |
| Interest income | 1,035,366 | 1,361,505 |
| Foreign exchange (loss) / gain on cash and cash equivalents | (129,115) | (283) |
| Total finance income | 906,251 | 1,361,222 |
| Finance costs | | |
| Bank administration fees and other bank charges | (271,474) | (202,259) |
| Interest paid on overdraft and borrowings | (8,878) | - |
| Overdraft and loan facility arrangement fees | - | (178,740) |
| Total finance costs | (280,352) | (380,999) |
| Net finance income | 625,899 | 980,223 |

Notes to the Financial Statements *(continued)*

9 Taxation

Having taken professional advice, the Trust is liable for income tax on interest income received by the Trust. The Trust has provided for income tax at 20% on the first £1,000 and 45% on all interest income received thereafter.

Income tax of £493,205 has been recorded in the statement of financial activities in relation to interest income received in the current year (2019: £596,690).

10 Restricted Cash on Deposit

Restricted cash on deposit refers to amounts received from bond obligors or other security provided by failed ATOL holders. The balance represents funds not used but still available for refunds to consumers. Any funds not used over the life of a failure are returned to the bond obligor or administrator / liquidator (as appropriate) upon completion of the administrative functions by the CAA in respect of the failed company.

The Trust recognises an asset in respect of cash and cash equivalents held in relation to any security received, and a corresponding liability in respect of amounts currently unused and due to bond and other security obligors.

11 ATOL Protection Contribution and Other Debtors

| | 31.03.20 | 31.03.19 |
|---------------|-------------------|-------------------|
| | £ | £ |
| APC debtors | 8,783,112 | 12,289,766 |
| Other debtors | 7,889,414 | 4,736,130 |
| Totals | 16,672,526 | 17,025,896 |

Notes to the Financial Statements (*continued*)

12 Prepayments and Accrued Income

| | 31.03.20 | 31.03.19 |
|-------------------------|--------------|----------------|
| | £ | £ |
| Prepayments | - | 57,922 |
| Accrued interest income | 1,726 | 94,643 |
| Totals | 1,726 | 152,565 |

13 Trade and Other Payables

| | 31.03.20 | 31.03.19 |
|--------------------------|------------------|------------------|
| | £ | £ |
| Trade and other payables | 4,546,495 | 1,927,450 |
| Totals | 4,546,495 | 1,927,450 |

Trade creditors and accruals principally comprise amounts outstanding for Fulfilment Charges payable to the Accredited Bodies and other administrative costs. It is the Trust's policy to pay on receipt of invoice and thereby eliminating any risk of late payment interest and penalty charges.

The Trustees consider that the carrying amount of trade payables approximates to their fair value.

14 Borrowings

The Trust currently has in place an unsecured revolving credit facility agreement with its bank that allows the Trust to call upon borrowings of up to £75 million. The facility was renewed for a further 3 years in May 2021 on materially similar terms, and it currently expires in May 2024 with an option to extend for up to two further years. There was one call on the facility during the year to provide additional liquidity to support consumer refund payments (2019: nil).

Notes to the Financial Statements (*continued*)

15 Provisions

| | 31.03.20 | 31.03.19 |
|---|-------------------|------------------|
| | £ | £ |
| Provisions for compensation claims | | |
| At the beginning of the period | 4,124,714 | 4,581,825 |
| Provisions charged for new failures during the period | 448,459,994 | 3,634,519 |
| Additional charges for prior year failures | 207,057 | - |
| Releases relating to prior year failures | (3,650,022) | (4,074,148) |
| Payments made during the year | (449,511,806) | (4,453,612) |
| Recoveries of cash held by travel agents † | 18,000,000 | 4,436,130 |
| At the end of the period | 17,629,937 | 4,124,714 |
| Provisions for APC credits †† | | |
| At the beginning of the period | - | 2,373,939 |
| New provisions charged during the period | - | 971,315 |
| Releases relating to prior periods | - | (986) |
| Payments made during the year | - | (3,344,268) |
| At the end of the period | - | - |
| Total provisions at end of the period | 17,629,937 | 4,124,714 |

† Following the failure of the Monarch group, the Trust put in place a streamlined claims process to ensure consumers were able to receive their refund as soon as possible. Part of this arrangement meant paying the consumer claim without first seeking any consumer's money held by their travel agent, as agent of the failed ATOL holder ("pipeline money"). A separate exercise was undertaken to recover the pipeline money from agents. This process was repeated following the failure of the Thomas Cook group. This amount represents the pipeline money recovered by this process.

†† Following changes to the ATOL Regulations that came into effect on 1 July 2018, the partial APC rebate schemes previously offered by the CAA were withdrawn at the same time.

The provision for compensation claims and the APC credits provision are based on estimates outlined in [notes 2.1 and 2.2](#) and in accordance with IAS37 *Provisions, contingent liabilities and contingent assets*. All commitments are expected to be settled within one year.

Notes to the Financial Statements (*continued*)

16 Financial Risk Management

16.1 Capital risk management

The Trust manages its capital to ensure that it will be able to continue as a going concern while ensuring an adequate return to the Trust through the optimisation of the fund invested in each transaction. The capital structure of the Trust consists of borrowing facilities, as disclosed in [note 14](#), cash and the fund as disclosed in the [statement of financial position](#).

The Trust does not have any externally imposed capital requirements.

16.2 Financial risk management objectives

The Trust manages the financial risks relating to its ongoing operations. These risks include market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. Where borrowing is necessary, the Trust seeks to minimise the effects of certain of these risks by acquiring fixed rate debt that provides a fixed and determinable cash flow for the Trust.

The Trust does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

16.3 Market risk

The Trust's activities expose it to the financial risks of changes in interest rates. The Trust's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section below.

16.4 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Trustees. The Trustees have built an appropriate liquidity risk management framework for the management of the Trust's short, medium and long-term funding and liquidity management requirements.

16.5 Liquidity and interest risk

The Trust's contractual maturity for its financial liabilities are currently limited to its short-term trade and other payables, all of which are payable within less than six months and, the contractual cash flows are the same as the principal amounts.

Notes to the Financial Statements (*continued*)

17 Investment in Subsidiaries

The Trustees previously incorporated “ATT re MAEL Ltd” specifically for the purpose of holding certain preference shares issued by Monarch Aircraft Engineering Ltd (“MAEL”). Shortly afterwards, MAEL went into administration. The Trustees have not prepared consolidated financial statements on the basis that the carrying value of the subsidiary is immaterial.

18 Ultimate Controlling Party

The Air Travel Trust is controlled by the Trustees under the terms of the Trust Deed made by the Secretary of State for Transport. The Secretary of State made variations to the Trust Deed on 29 April 2019 following the making of the Civil Aviation (Air Travel Organisers' Licensing) (Amendment) Regulations 2018 and the Package Travel and Linked Travel Arrangements Regulations 2018, and on 17 July 2020 as a result of the COVID-19 pandemic. The updated version of the Trust Deed is shown at [Appendix 1](#).

19 Related-party Transactions

Under the terms of the Trust Deed, the power to appoint Trustees lies primarily with the Chair and Chief Executive Officer of the CAA. Three of the Trustees (M Fuller, C Tingle and P Smith) are Board Members of the CAA and one Trustee (C Staples) is Secretary to the CAA. The Trust does not operate for the benefit of the CAA and it is not consolidated in the CAA’s financial statements under direction of the Secretary of State for Transport.

The relationship between the Trust, the CAA and the Secretary of State for Transport is outlined in more detail at the start of the [Report of the Trustees](#), on page 4. Amounts payable to the CAA are disclosed in [note 6](#).

Notes to the Financial Statements (*continued*)

20 Events After the Reporting Period

The COVID-19 pandemic has had, and continues to have, a huge impact on the global travel industry. Following the UK Government's advice against all but essential travel, virtually all holidays in the first few months of the crisis were cancelled or postponed, a situation seen repeated in the subsequent second and third 'lock-downs'. Air passenger numbers are likely to remain significantly suppressed until there is a greater uptake of the various vaccines and the outbreak is able to be brought under control.

As a result, most ATOL holders have been faced with significant challenges since mid-March 2020, not least issuing consumers with monetary refunds or 'refund credit notes' for affected holidays. Recognising the uncertainty that this brought to consumers, on 18 July 2020 HMG confirmed³ that refund credit notes for ATOL protected holidays would continue to be ATOL protected. The Trustees simultaneously published an addition to their Payment Policy⁴ to reflect this, followed in October 2020, January 2021 and April 2021 with clarifications on the use of 'refund credit notes' and an extension in their protection to September 2022, due to the prolonged disruption to the industry.

The UK separated from the European Union on 1 January 2021. It is not expected that this will lead to any material effect on either future income or future expenditure of the Trust.

Since the balance sheet date and up to 27 September 2021, 38 ATOL holders have failed, most of which are as a direct result of COVID-19. The cost to the ATT of these failures is expected to be approximately £14 million.

³ The Government announcement can be found on the gov.uk website at:

<https://www.gov.uk/government/news/boost-to-passengers-as-government-bolsters-atol-scheme>

⁴ The ATT Payment Policy and both additions can be found on the CAA website at:

<http://www.airtraveltrust.org.uk/>

Appendix 1 – Text of the Trust Deed

CONFORMED COPY OF AIR TRAVEL TRUST DEED DATED 5 JANUARY 2004 AS AMENDED BY DEEDS OF VARIATION DATED 4 JANUARY 2005, 18 MARCH 2008, 27 APRIL 2012, 18 MAY 2016, 29 APRIL 2019 AND 17 JULY 2020

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) The Secretary of State subsequently declared new trusts under which the same function has been performed by a trust also known as the Air Travel Trust.
- (D) The Air Travel Trust in its current form was established by deed on 5 January 2004 as amended by deeds of variation on 4 January 2005, 18 March 2008, 27 April 2012, 18 May 2016 and 29 April 2019 (the “**2004 Deed**”).
- (E) The Secretary of State, with the consent of the Trustees (as defined below), has amended the 2004 Deed in accordance with Clause 18 thereof by a deed of variation dated 17 July 2020 (the “**Deed of Variation**”).
- (F) This deed sets out the terms of the 2004 Deed as varied by the Deed of Variation.

NOW THIS DEED WITNESSETH as follows:

- 1.** **THIS** deed, being the 2004 Deed as varied by the Deed of Variation, shall hereafter be referred to as the “**Deed**”.
- 2.** **THE** parties hereto agree that, notwithstanding any provisions to the contrary set out herein or in any other relevant document:
 - (a) any guarantee relating to borrowings by the Air Travel Trust under the 2004 Deed shall not be affected but shall continue to apply as if the same related to the Air Travel Trust as constituted by this Deed;
 - (b) any other right, privilege, obligation or liability acquired, accrued or incurred under the 2004 Deed shall continue as if acquired, accrued or incurred under this Deed; and
 - (c) 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 Deed.
- 3.** **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.
- 4.** **TERMS** defined in the ATT Regulations and the ATOL Regulations (as each term is defined below) shall bear the same meaning when used in this Deed unless otherwise defined herein. The following expressions have the following meanings:
 - “**Act**” means the Civil Aviation Act 1982 as amended from time to time;
 - “**Agent**” means a person who acts as agent on behalf and with the authority of a disclosed identified principal who is an ATOL holder provided that such person, immediately upon their receipt of any payment for flight accommodation being made available:
 - (a) is entitled to supply an ATOL Certificate on behalf of the ATOL holder without reference to the ATOL holder;
 - (b) is able to bind the ATOL holder to the contract for flight accommodation; and
 - (c) acts in accordance with the terms of a written agency agreement which complies with such requirements as the CAA publishes from time to time;
 - “**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 Act to hold an ATOL;
 - “**ATOL**” means an air travel organiser’s licence granted by the CAA under the ATOL Regulations;
 - “**ATOL Certificate**” means a document which complies with such requirement as the CAA publishes from time to time;
 - “**ATOL holder**” means a person who holds an ATOL;
 - “**ATOL Regulations**” means The Civil Aviation (Air Travel Organisers’ Licensing) Regulations 2012 as such regulations may be amended, supplemented or replaced from time to time;
 - “**ATT Regulations**” means The Civil Aviation (Contributions to the Air Travel Trust) Regulations 2007 as such regulations may be amended, supplemented or replaced from time to time;
 - “**Beneficiary**” means a person to whom the Trustees will make a payment of any part of the Trust Fund under their power in Clause 6(2) hereof;
 - “**CAA**” means the Civil Aviation Authority;
 - “**CAA Chair**” means a Member of the CAA appointed as Chair of the CAA by the Secretary of State under section 2 of the Act;

“**certified licensable transaction**” means a transaction which the CAA has certified in an Expenditure Report to be a licensable transaction;

“**consumer**” includes a traveller and means an individual who:

- (a) makes use of flight accommodation for travel in person or provides it to another person who uses that flight accommodation for travel in person; or
 - (b) intends to make use of flight accommodation for travel in person or intends to provide it to another person to use that flight accommodation for travel in person; or
 - (c) makes use of flight accommodation for travel in person which has been provided to them by a person who is a consumer by reason of sub-paragraph (a) of this definition,
- but is not a person who procures flight accommodation in the course of business while acting as the agent of another person who uses that flight accommodation for travel in person;

“**Expenditure Report**” means a report provided by CAA to the Trustees, in which *inter alia*, the CAA certifies that the ATOL holder named in the report is a person who is a Failed ATOL holder or Potential Failed ATOL holder and

- (a) losses, liabilities or expenses have been incurred by or on behalf of consumers as a result of that Failed ATOL holder not fulfilling its obligations under or in connection with transactions that CAA certifies to be licensable transactions as defined in this Deed; and/or
- (b) liabilities or expenses that have been incurred by the Trustees prior to failure of that ATOL holder were in respect of contingency plans for a Potential Failed ATOL holder; and/or
- (c) losses, liabilities or expenses have otherwise been incurred which the Trustees have powers to make payments for under the terms of this Trust Deed;

“**Failed ATOL holder**” means an ATOL holder, or a person who held an ATOL within the previous 6 months, and:

- (a) who, in the opinion of the CAA:
 - (i) has gone into insolvency; or
 - (ii) cannot or will not be able to meet in whole or in part its obligations to its consumers; and/or
 - (iii) will fail to meet in whole or part its obligations to its consumers; and
- (b) in respect of whom the CAA publishes a notice of failure of that ATOL holder in the “Register of Failed ATOL holders” published by the CAA;

Any reference to “Failed ATOL holder” elsewhere in this Deed, including in the other definitions in this clause 4, should be read as to include Failed EEA ATOL holder.

“**Failed EEA ATOL holder**” means a person who is not an ATOL holder but who is established in an EEA state other than the UK and who held an ATOL on 30 June 2018 which expired on or before 31 January 2020 and:

- (a) who, in the opinion of the CAA:
 - (i) has gone into insolvency; or
 - (ii) cannot or will not be able to meet in whole or in part its obligations to its consumers; and/or
 - (iii) will fail to meet in whole or part its obligations to its consumers; and
- (b) in respect of whom the CAA publishes a notice of failure of that ATOL holder in the “Register of Failed ATOL holders” published by the CAA;

“**flight accommodation**” means accommodation for the carriage of persons on a flight in any part of the world;

a “**Flight-Plus**” exists when in respect of a booking made on or before 30 June 2018:

- (a) flight accommodation is made available which includes as a minimum:
 - (i) a flight out of the United Kingdom; or
 - (ii) a flight into the United Kingdom where the consumer has commenced the journey in the United Kingdom and departed the United Kingdom using another means of transport; and
- (b) living accommodation outside the United Kingdom or self-drive car hire outside the United Kingdom or both is supplied by any person under or in connection with the contract for such flight accommodation; and
- (c) such living accommodation or self-drive car hire is requested to be booked by or on behalf of the consumer on the same day as the consumer requests to book the flight accommodation, the previous day or the next day; and
- (d) the arrangement covers a period of more than twenty-four hours or includes overnight living accommodation,

PROVIDED THAT:

- (I) where a Flight-Plus exists, any other tourist services will be included in the Flight-Plus if such services:
 - (a) are not ancillary to flight accommodation or living accommodation;
 - (b) account for a significant proportion of the Flight-Plus;
 - (c) were supplied under or in connection with the contract for the flight accommodation; and
 - (d) were requested to be booked by or behalf of the consumer on the same day as the consumer requested to book the flight accommodation, the previous day or the next day; and
- (II) a package is not a Flight-Plus except –
 - (a) where a package does not include flight accommodation, flight accommodation (as described in (a) above) is requested to be booked by or on behalf of the consumer on the same day as the consumer requests to book the package, the previous day or the next day; or

- (b) where a package does include flight accommodation, living accommodation or self-drive car hire outside the United Kingdom is requested to be booked by or on behalf of the consumer on the same day as the consumer requests to book the package, the previous day or the next day;
- (III) a flight which begins and ends in the United Kingdom does not form part of a Flight-Plus;
- (IV) a Flight-Plus will cease to exist if:
 - (a) the consumer withdraws from the contract for any component of the Flight-Plus; and
 - (b) as a consequence of that withdrawal, the requirements in paragraphs (a), (b) or (c) of this definition are no longer satisfied.

“Flight-Plus arranger” means a person (other than the operator of the relevant aircraft) who in respect of a booking made on or before 30 June 2018:

- (a) as a principal or agent, makes available flight accommodation in response to a request to book which has been made directly to them by a consumer; and
- (b) has taken or takes any step which is intended to include, facilitate or enable or has the effect of including, facilitating or enabling the inclusion of that flight accommodation as a component of a Flight-Plus;

“Fulfilment Partner” means any third party, including (without limitation) a claims handler, appointed by the Trustees to act on behalf of or at the request of the Air Travel Trust in making arrangements for consumers in accordance with the terms of this Deed;

“licensable transaction” means a “relevant booking” as defined in the ATT Regulations; a relevant booking being an offer:

- (a) made by a consumer to purchase flight accommodation for one or more persons on a flight; and
 - (b) which is accepted by:
 - (i) an air travel organiser; or
 - (ii) where an ATOL is held by an accredited body, a member of that accredited body,
- and constitutes an activity in respect of which that organiser or accredited body is required to hold an ATOL;

“Member” means any person appointed under section 2 of the Act;

“package” means, if booked on or before 30 June 2018, the pre-arranged combination of at least two of the following components when sold or offered for sale at an inclusive price and when the service covers a period of more than twenty-four hours or includes overnight accommodation:

- (a) transport;
- (b) accommodation;
- (c) other tourist services not ancillary to transport or accommodation and accounting for a significant proportion of the package, and
 - (i) the submission of separate accounts for different components shall not cause the arrangements to be other than a package;
 - (ii) the fact that a combination is arranged at the request of the consumer and in accordance with the consumer’s specific instructions (whether modified or not) shall not of itself cause it to be treated as other than pre-arranged;

and, if booked after that date, has the meaning as in regulation 4A of the ATOL Regulations.

“Potential Failed ATOL holder” means an ATOL holder that CAA has certified in an Expenditure Report to be an ATOL holder, or a person who held an ATOL within the previous 6 months:

- (a) who, in the opinion of the CAA is at risk of:
 - (i) going into insolvency; or
 - (ii) not being willing or able to meet in whole or in part its obligations to its consumers; and/or
 - (iii) failing to meet in whole or part its obligations to its consumers; and
- (b) in respect of whom there is potential that the CAA may have to consider whether to publish a notice of failure of that ATOL holder in the “Register of Failed ATOL holders” published by the CAA;

“Secretary of State” means the Secretary of State for Transport for the time being;

“Specified Period” means the period beginning on the 5 January 2004 and enduring for twenty-one years thereafter and the said number of years shall be the perpetuity period applicable to this Deed;

“Trustees” means:

- (a) three or more Members appointed as Trustees jointly by the CAA’s Chief Executive Officer and CAA Chair;
 - (b) one or more employee of the CAA appointed as a Trustee jointly by the CAA’s Chief Executive Officer and CAA Chair; and
 - (c) such additional persons as may be appointed pursuant to clause 11 hereof;
- and in the singular means any one of them;

“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 CSE, Ian Edward Donovan, Thomas McMillan and Gillian Mary Eve White of the other part;
- (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 including (but without limitation) all contributions paid by air travel organisers pursuant to regulations made under section 71A of the Act;
- (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.

5. 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. The primary purpose of the Trust Fund (without limitation) is the provision of compensation for losses incurred or suffered by consumers and others who suffer losses or incur costs as a result of the provision to consumers of compensation or compensating services, in each case as a result of a Failed ATOL holder not fulfilling its obligations in relation to certified licensable transactions (whether being part of a package, a Flight-Plus or otherwise).

6. THE Trustees shall have the following powers which are exercisable if and as the Trustees (or two or more of them in accordance with clause 12) in their absolute discretion should see fit (and, where relevant, whether before or after a relevant consumer has departed on the outward leg of the relevant journey on the date of failure of the applicable ATOL holder):

- (1) power from time to time during the Specified Period to accumulate the whole or any part of the income and capital of the Trust Fund by investing the same and the resulting income thereof in any investments authorised in accordance with this Deed and adding the accumulations to the capital of the Trust Fund;
- (2) power (subject where relevant to clause 7 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) to or for the benefit of any consumer in respect of any of the following:
 - (i) any loss which, in the opinion of the Trustees, has been incurred by or on behalf of such consumer in respect of any payment made by or on behalf of the consumer to a Failed ATOL holder or to the Agent of a Failed ATOL holder under or with a view to entering into a certified licensable transaction; or
 - (ii) any loss or liability which, in the opinion of the Trustees has been incurred by or on behalf of such consumer in consequence of a breach by the Failed ATOL holder or of the Agent of the Failed ATOL holder of any of their relevant obligations towards the consumer under or in connection with a certified licensable transaction; or
 - (iii) any loss which, in the opinion of the Trustees, has been incurred by or on behalf of such consumer who has accepted a voucher (whether or not that voucher incorporates a right to be redeemed for cash) from an ATOL holder or the Agent of an ATOL holder in lieu of a refund (whether statutory or otherwise) under or in connection with a certified licensable transaction (whether that loss has been incurred prior to the redemption of the voucher or thereafter) such loss being in respect of that refund, provided that
 - (a) the licensable transaction has been certified by the CAA to have not been performed by reason, in whole or part, of the COVID-19 crisis; and
 - (b) the relevant ATOL holder is a Failed ATOL holder (whether failure occurred on before or after the date of this provision of the Deed coming into force);
 - (b) in order to relieve loss occasioned to consumers by the failure of an ATOL holder by providing flight accommodation or other means of transport for consumers in substitution for flight accommodation which a Failed ATOL holder was to provide or was to arrange to be provided in accordance with his obligations under or in connection with any certified licensable transaction;
 - (c) in order to relieve loss occasioned to consumers by the failure of an ATOL holder by providing living accommodation, car hire, transfers, food, movement of baggage, funds to meet relevant incidental expenses and any other tourist services which are purchased by a consumer as either part of a package with a certified licensable transaction or a Flight-Plus with a certified licensable transaction, in substitution for any of the foregoing which a Failed ATOL holder was to provide or was to arrange to be provided in accordance with its obligations under or in connection with the relevant certified licensable transaction and, in addition, by providing living accommodation and funds to meet incidental expenses occasioned to consumers by the failure of an ATOL holder;
 - (d) to or for the benefit of any Fulfilment Partner who arranges for the provision of any of the services listed in clauses 6(2)(a), (b) and (c) in order to put such Fulfilment Partner in funds either to provide the relevant services itself or to pay the service providers for the provision of the relevant services (whether before or after the Fulfilment Partner has incurred such costs);
 - (e) to or for the benefit of any Fulfilment Partner in order to pay for any fees charged by or to the Fulfilment Partner for the provision of its arranging services to the Air Travel Trust;
 - (f) to Flight-Plus arrangers which have made the flight accommodation element of a Flight-Plus available as Agent for another ATOL holder and that other ATOL holder has become a Failed ATOL holder, by way of a contribution to the cost incurred by such Flight-Plus arranger in making

- suitable alternative arrangements for the relevant consumers and/or refunding and/or compensating the relevant consumers as required by the terms of that Flight-Plus arranger's ATOL (pursuant to the ATOL Regulations);
- (g) to third parties in settlement of any claim or class of claim pursued by any such third party against the Air Travel Trust, any Trustee (in his or her capacity as such) or otherwise in relation to the Trust Fund or this Deed, such settlements to be made at the sole discretion of the Trustees;
 - (h) to suppliers of services, including (without limitation) professional services and aviation services in respect of contingency plans for a Potential Failed ATOL holder, whether or not that ATOL holder in fact subsequently fails and whether or not in consequence of making that payment a person may also benefit who is not a consumer having a certified licensable transaction;
 - (i) to meet the cost of ancillary services or professional fees relating to the purposes of this Trust, including (without limitation) the administrative needs and promotion of the ATOL protection provided by the Air Travel Trust, the promotion of the ATOL protection provided by the ATOL Certificate and/or the education of consumers and/or the public about the ATOL protection provided by the Air Travel Trust, including but not limited to any retainer fees charged by external call centres and social media providers (and subsequent fees charged for call handling) whether or not those services are in fact ultimately required to be delivered by the Trustees;
 - (j) in meeting any expenses incurred in relation to making payments out of the Trust Fund and/or setting up and administering a scheme for the exercise of the powers in (a) to (i) above whether those expenses were incurred by the Trustees or by any agent acting on their behalf; and
 - (k) in meeting any administration fee charged in accordance with clause 10(17) hereof.

7. IN relation to the powers set out in clause 6(2) (other than clauses 6(2)(g), (i) and (j)) hereof:

- (1) the powers may only be exercised if:
 - (a) a Failed ATOL holder held an ATOL at the time of booking by or on behalf of a consumer 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 consumer to the air travel organiser under or in contemplation of entering into a certified licensable transaction; or
 - (b) the CAA has certified in an Expenditure Report that expenses have been reasonably incurred in respect of a Potential Failed ATOL holder;
- (2) although the Trustees are entitled to apply all or any part of the Trust Fund for the purposes set out in clause 6(2), where a bond or other security has been provided by or on behalf of the Failed ATOL holder in accordance with any regulations made under Section 71 of the Act, then the ultimate burden in respect of payments made under clause 6(2) shall be borne by the money received pursuant to such bond or security; and
- (3) for the avoidance of doubt it is hereby declared that the Trustees may exercise any of the said powers in respect of claims arising from or in connection with any defaults occurring before 5 January 2004.

8. IN default of and subject to any exercise of the power in clause 6(2) hereof and to the extent that the trusts hereby declared shall not validly take effect and subject to clause 16 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.

9. _____

- (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;
- (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 9, the Trustees shall be entitled to make such payment or payments from the Trust Fund and nothing in clause 7(2) hereof shall affect this entitlement.

10. WITHOUT prejudice to the generality of clause 9 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 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 or an ATOL holder;
- (6) power to make such rules and regulations and policy statements dealing with the management, administration, payment, application or distribution of the Trust Fund or any part thereof and with 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 or policy statements;
- (7) power to appoint, engage or retain such persons including without limitation, solicitors, accountants, brokers or any other agents as the Trustees may think fit or convenient to transact any business required to be done (including the receipt and payment of money) and any act in connection with such management, administration as is referred to in sub-clause (9) of this clause 10, payment, application or distribution and (pursuant to the general power for that purpose conferred by sub-clause (6) of this clause 10) 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 even if the Trustees could transact that business by their own employees or personally;
- (8) power to make payment for the purpose of seeking professional advice in respect of the circumstances of potential as well as actual failures of ATOL holders; whether or not in consequence of making that payment a person may also benefit who is not a consumer having a certified licensable transaction;
- (9) in addition to all statutory powers of delegation, power to delegate all or any of the trusts powers and duties, and discretions vested in the Trustees hereunder for any period or periods (which may be renewed from time to time) or such terms as the Trustees think fit to any person or persons, and may grant powers of sub-delegation, 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 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 6(2) hereof, references in clause 6(2) to the opinion of the Trustees shall be construed as also being a reference to the opinion of a delegatee or delegates where relevant;
- (10) power to enter into any arrangement or transaction or to make any payment with a view to keeping the business of a Failed ATOL holder in operation for such period as the Trustees think fit with a view to providing or assisting in the provision of the carriage which the Failed ATOL holder was to provide or was to arrange to be provided in accordance with its obligations under any certified licensable transaction and/or with a view to minimising potential losses, liabilities and expenses of the types referred to in clause 6(2) hereof;
- (11) 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 10) to make, amend, revoke and replace policies and/or contracts 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;
- (12) power to delegate from time to time to any such persons all or any of the powers and duties of the Trustees hereunder;
- (13) power to insure the Trust Fund against claims for payments arising as a result of the inability of one or more ATOL holders to meet their financial commitments or for sharing with insurers the burden of payment of such claims;
- (14) power to issue or grant any mortgage, charge lien or other security over all of any part of the property or assets of the Air Travel Trust (whether present or future) including without limitation the Trust Fund, and

- also by such means to secure and guarantee the performance by the Trustees of any obligation undertaken by them;
- (15) power to undertake interest rate and currency swaps, options, swap option contracts or other financial instruments including hedging agreements and derivatives of any kind;
 - (16) 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 or the Trustees or the Air Travel Trust by any air travel organiser; and
 - (17) power to charge beneficiaries an administration fee in relation to the making of payments to them hereunder and to set-off such administration fee from the relevant payment to a beneficiary.

11. 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 11:

- (1) upon a Trustee retiring from or otherwise vacating any office or employment of the CAA referred to in subsection (a) or (b) of the definition of Trustees and subject to the provisions of that clause the Trustee who until retirement or otherwise held the relevant Office of the CAA shall automatically cease to be a Trustee hereof and the CAA Chair and CAA CEO shall jointly appoint another Trustee provided that in the event of a delay in the appointment the remaining Trustees can act notwithstanding a vacancy in their number;
- (2) upon a Trustee being appointed pursuant to clause 11(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;
- (3) the Secretary of State may by deed appoint up to a maximum of 3 trustees in addition to the persons referred to in the definition of Trustees;
- (4) upon a person becoming a Trustee in accordance with the provisions hereof, the other 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; and
 - (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;
- (5) a person shall immediately cease to be a Trustee in any of the following circumstances:
 - (a) such person is, or is deemed for the purposes of any applicable law to be, unable to pay its debts as they fall due or insolvent;
 - (b) such person admits its inability to pay its debts as they fall due;
 - (c) such person suspends making payments on any of its debts or announces an intention to do so;
 - (d) such person commits an act of bankruptcy;
 - (e) by reason of actual or anticipated financial difficulties, such person begins negotiations with any creditor for the rescheduling or restructuring of any of its indebtedness;
 - (f) any of such person's indebtedness is subject to a moratorium;
 - (g) a certificate is issued for the summary administration of such person's estate;
 - (h) such person enters into any composition, scheme, individual voluntary arrangement or other arrangement with its creditors or has an interim order made in relation to him or her;
 - (i) a bankruptcy order is made or such person is otherwise adjudicated bankrupt (which includes any order made in relation to the Air Travel Trust under Part 64.2 of the Civil Procedure Rules);
 - (j) a receiver, receiver and manager, judicial manager, trustee in bankruptcy, nominee, supervisor, official manager or similar person is appointed in respect of it or any of its assets;
 - (k) any step is taken which could result in any of the events referred to in sub-paragraphs (g) to (l) above or a statutory demand is served on such person with respect to any of the matters referred to in sub-paragraphs (g) to (l) above which is not discharged within fourteen days; or
 - (l) any other analogous step or procedure is taken in any jurisdiction.

12. ANY act or decision by two or more of the Trustees shall have the same force and effect as if it were the act or decision of all of them, provided that:

- (a) all Trustees have been notified and not raised any objection; or
- (b) the act or decision is one in respect of which all the Trustees have agreed that at least two or more of them have the authority of the others to act.

13. 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.

- 14.** **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 anything done or caused by them to be done in the exercise or purported exercise of the powers vested in them herein or by reason of 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 failure to comply with any duty of care applicable to him 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.
- 15.** **NO** decision of or exercise of a power by the Trustees shall be invalidated or questioned on the ground that the Trustees or any of them had a direct or indirect interest in such decision or in the exercise of the power, including membership of, or employment by, the CAA.
- 16.** **WITHOUT** prejudice to all indemnities conferred upon the Trustees generally by law the Trust Fund will indemnify the Trustees and each of them and their respective personal representatives against all actions, claims, demands, costs and expenses arising or incurred by them as a result of anything done by them in the exercise or purported exercise of the powers vested in them herein.
- 17.** **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 17 and any report made by the auditors on the statement or on the accounts. In this clause 17 "period of account" means the period beginning on the date hereof or, if later, the date on which the latest variation hereof was made and ending on the subsequent 31st March, and thereafter each subsequent period of twelve months beginning on 1st April and ending on the 31st March.
- 18.** **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.
- 19.** **THE** Secretary of State may, but shall not be obliged to, give the Trustees guidance on their exercise of their powers under this Deed and the Trustees shall have regard to that guidance, but shall not be obliged to follow it. The Trustees shall comply with any obligations they have agreed to in relation to government spending controls.

Appendix 2 – Details of ATOL Holder Failures April 2019 – March 2020

| ATOL Holder Name | Date of Failure | Licenced Passengers | Security Provided | Number of Passengers Repatriated | Cost of Repatriation & Overseas Costs | Expected Number of Consumers to Refund | Estimated Cost of Refunds | Total Estimated Expenditure | Estimated Call on Air Travel Trust |
|------------------------------|-----------------|---------------------|-------------------|----------------------------------|---------------------------------------|--|---------------------------|-----------------------------|------------------------------------|
| The Holiday Place plc | 29/05/2019 | 32,000 | 0 | 0 | 84,473 | 6,418 | 3,414,088 | 3,576,006 | 3,576,006 |
| Superbreak Mini-Holidays Ltd | 01/08/2019 | 52,000 | 4,500,000 | 0 | 36,590 | 8,220 | 2,590,538 | 1,527,428 | 0 |
| Thomas Cook Group | 23/09/2019 | 2,546,339 | 18,378,278 | 68,304 | 81,500,000 | 835,000 | 373,000,000 | 462,803,965 | 444,425,687 |
| Fairlight Jones Ltd | 07/10/2019 | 1,500 | 101,130 | 2 | 38,175 | 105 | 121,166 | 162,443 | 61,313 |
| Old Havana Ltd | 25/11/2019 | 500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Can Be Done Ltd | 12/03/2020 | 500 | 0 | 0 | 0 | 23 | 17,304 | 18,510 | 18,510 |
| Chaka Travel Ltd | 13/03/2020 | 650 | 0 | 0 | 0 | 203 | 373,455 | 378,478 | 378,478 |
| Westeast Travel Ltd | 13/03/2020 | 1,560 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | 22,979,408 | 68,306 | 81,659,238 | 849,969 | 379,516,551 | 468,466,830 | 448,459,994 |