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Financial statements for
the year ended 31 December 2011

bbar Restaurant Limited

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COMPANY INFORMATION

Directors

J J Raggett
V O'Hana

Secretary

S Royce

Company registration number

04434749

Registered office

35 Charles Street
London
W1J 5EB

Auditors

Mazars LLP
The Atrium
Park Street West
Luton
Bedfordshire
LU1 3BE

DIRECTORS' REPORT**YEAR ENDED 31 DECEMBER 2011**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of restaurateurs

PRINCIPAL RISKS AND UNCERTAINTIES

The most significant risks and uncertainties relate to factors that are common to the restaurant industry and beyond the company's control, such as the global economic downturn, changes in travel patterns or in the structure of the travel industry and the increase in acts of terrorism

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

There has been an increase in revenue of 4.0% in the year (2010: decreased by 5.9%)

The overall loss decreased by £38,844 primarily as a result of tighter cost control and a reduced impairment charge in the year

In summary the key performance indicator that we use to monitor business performance is EBITDA (Earnings before interest, taxation, depreciation and amortisation)

The company is currently in a net liability position with total liabilities exceeding total assets by £2,893,133 (2010 £2,694,942) and continues to be reliant on the support of its ultimate parent

The level of cash held in the business fell by £5,317 primarily due to the loss in the year

We hope to improve on overall results in 2012

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £198,191 (2010 loss of £237,035) The directors do not recommend the payment of a dividend (2010 £nil)

FINANCIAL INSTRUMENTS

Details of the company's financial risk management objectives and policies are included in note 15 to the accounts

CREDITOR PAYMENT POLICY

The company's current policy concerning the payment of trade creditors is

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contract, and
- pay in accordance with the company's contractual and other legal obligations

DIRECTORS

The directors who served the company during the year, and to the date of this report, were as follows

J J Raggett
V O'Hana

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2011

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

It is proposed that Mazars LLP will continue in office in accordance with the Companies Act 2006 Section 487(2)

Signed by order of the directors



J J Raggett
Director

Date 29 March 2012

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2011**

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

UK company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for the period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

bbar Restaurant Limited**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
bbar Restaurant Limited****YEAR ENDED 31 DECEMBER 2011**

We have audited the financial statements of bbar Restaurant Limited (company number 4434749) for the year ended 31 December 2011 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, as applied in accordance with the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

bbar Restaurant Limited

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
bbar Restaurant Limited (continued)**

YEAR ENDED 31 DECEMBER 2011

Matters on which we are required to report by exception

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

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



Samantha Russell (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

The Atrium
Park Street West
Luton
Bedfordshire
LU1 3BE

Date 29 March 2012

STATEMENT OF COMPREHENSIVE INCOME**AT 31 DECEMBER 2011**

	Note	2011 £	2010 £
Revenue	2	765,308	736,063
Cost of sales		(881,277)	(892,454)
Gross loss		(115,969)	(156,391)
Administrative expenses		(180,308)	(182,561)
Loss from operations	4	(296,277)	(338,952)
Finance income	6	22	30
Finance costs	7	(18,000)	(17,695)
Net financing expense		(17,978)	(17,665)
Loss before tax		(314,255)	(356,617)
Taxation	8	116,064	119,582
Loss for the year		(198,191)	(237,035)
Total comprehensive income for the year		(198,191)	(237,035)

All results relate to continuing operations

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	2010 £
Non-current assets			
Property, plant and equipment	9	-	-
Current assets			
Inventories	10	24,332	17,775
Trade and other receivables	11	19,943	32,858
Cash and cash equivalents	12	43,621	48,938
		87,896	99,571
Total assets		87,896	99,571
Non-current liabilities			
Amounts due to related parties	13	2,957,962	2,737,141
Current liabilities			
Other payables	14	23,067	57,372
Total liabilities		2,981,029	2,794,513
Equity			
Share capital	18	1	1
Retained deficit		(2,893,134)	(2,694,943)
Total equity		(2,893,133)	(2,694,942)
Total liabilities and equity		87,896	99,571

These financial statements were approved by the directors and authorised for issue on 29 March 2012 and are signed on their behalf by


J.J. Raggett
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Share capital £	Retained deficit £	Total £
At 1 January 2010	1	(2,457,908)	(2,457,907)
Total comprehensive income for the year	-	(237,035)	(237,035)
At 1 January 2011	1	(2,694,943)	(2,694,942)
Total comprehensive income for the year	-	(198,191)	(198,191)
At 31 December 2011	1	(2,893,134)	(2,893,133)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £	2010 £
Cash flows from operating activities			
Loss before taxation		(314,255)	(356,617)
<i>Adjustments for</i>			
Impairment of property, plant and equipment	9	2,093	29,915
Finance income	6	(22)	(30)
Finance costs	7	18,000	17,695
Taxation	8	116,064	119,582
		<u> </u>	<u> </u>
Loss from operations before changes in working capital		(178,120)	(189,455)
(Increase)/decrease in inventories		(6,557)	4,054
Decrease in trade and other receivables		12,915	22,060
(Decrease)/increase in other payables		(34,305)	29,835
		<u> </u>	<u> </u>
Cash used in operations		(206,007)	(133,506)
Interest paid		(18,000)	(17,695)
		<u> </u>	<u> </u>
Net cash used in operating activities		<u>(224,067)</u>	<u>(151,201)</u>
 Cash flows used in investing activities			
Interest received		22	30
Purchase of property, plant and equipment	9	(2,093)	(29,915)
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(2,071)</u>	<u>(29,885)</u>
 Cash flows from/(used in) financing activities			
Increase/(decrease) in amounts due to related parties		220,821	(138)
		<u> </u>	<u> </u>
Net cash from/(used in) financing activities		<u>220,821</u>	<u>(138)</u>
 Net decrease in cash and cash equivalents		(5,317)	(181,224)
Cash and cash equivalents at 1 January		48,938	230,162
		<u> </u>	<u> </u>
Cash and cash equivalents at 31 December	12	<u>43,621</u>	<u>48,938</u>

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 DECEMBER 2011**

1. ACCOUNTING POLICIES**General information**

Bbar Restaurant Limited is a company incorporated and domiciled in the United Kingdom

The address of the registered office in the United Kingdom is stated on the company information page and the nature of the company's operations and principal activities are stated in the Directors' Report. The financial statements have been presented in Pounds Sterling as this is the currency of the primary economic environment that the company operates in.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared under historical cost convention.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Revenue recognition

Revenue is recognised from the sale of services when the amount can be measured reliably and is stated after trade discounts and other sales taxes, and is net of VAT.

Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	- 10% straight line
Equipment	- 20% straight line

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 DECEMBER 2011**

1. ACCOUNTING POLICIES (continued)**Impairment of fixed assets**

Fixed assets are impaired when directors believe that the carrying amount of an asset exceeds the recoverable amount. An impairment loss is recognised immediately in the state of comprehensive income.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Financial instruments

Financial assets and financial liabilities are recognised on the company statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets

The company's financial assets include cash and cash equivalents and trade and other receivables. All financial assets are initially recognised at fair value plus transaction costs, when the company becomes party to the contractual provisions of the instrument.

Interest and other cash flows resulting from holding financial assets are recognised in the statement of comprehensive income using the effective interest method.

Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Provision for impairment of trade, related party receivables and other receivables is made when objective evidence is received that the company will not be able to collect all amounts due to it in accordance with the original terms of the receivable. The amount of the impairment is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Any change in their value through impairment or reversal of impairment is recognised in the statement of comprehensive income.

A financial asset is derecognised if the contractual rights to receive the cash flows of the asset have been transferred or the company retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the company transfers substantially all the risks and rewards of ownership of the asset.

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the statement of comprehensive income when liabilities are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 DECEMBER 2011**

1. ACCOUNTING POLICIES (continued)**Financial instruments (continued)*****Financial liabilities***

The company's financial liabilities include related party loans, trade and other payables and liabilities at fair value through profit and loss. Financial liabilities are recognised when the company becomes a party to the contractual agreement of the instrument. All interest related charges are recognised as an expense in finance costs in the statement of comprehensive income using the effective interest method.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement payments.

Classification as equity or financial liability

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities.

Going concern

The company's financial statements are prepared in accordance with IFRS applicable to the going concern assumption, which contemplates the realisation of assets and liquidation of liabilities in the normal course of business. However, as shown in the accompanying financial statements, the company's total liabilities exceed its total assets by £2,893,133 at 31 December 2011. This factor creates an uncertainty about the company's ability to continue as a going concern. The company's ultimate parent has represented that it will continue to provide ongoing financial support to enable the company to meet its financial obligations and that the company will not be required to pay obligations owed to any group entities while its liabilities exceed its assets. The ability of the company to continue as a going concern is dependent on this ongoing financial support. The directors conclude that with this ongoing financial support, the company is a going concern. Accordingly, the financial statements do not include any adjustments that might be necessary if the company is unable to continue as a going concern.

New standards, interpretations and amendments effective from 1 January 2011

None of the new standards, interpretations and amendments, effective for the first time from 1 January 2011, as stated below, have had a material effect on the financial statements.

IFRS 1 First time adoption of International Financial Reporting Standards – Effective for annual periods beginning on or after 1 January 2011

IFRS 7 Financial Instrument disclosures - Amendments enhancing disclosures about transfers of financial assets – Effective for annual periods beginning on or after 1 July 2011

IAS 24 Related Party Disclosures - revised definition of related parties – Effective for annual periods beginning on or after 1 January 2011

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES (continued)**New standards and interpretations not yet applied (potentially relevant to the company)**

None of the new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2012 and which have not been adopted early, are expected to have a material effect on the company's future financial statements

IFRS 9 Financial instruments – Classification and measurement – *Effective for annual periods beginning on or after 1 January 2015*

IFRS 13 Fair value measurement – *Effective for annual periods beginning on or after 1 January 2013*

IAS 12 Income Taxes – Amendments to recovery of underlying assets – *Effective for annual periods beginning on or after 1 January 2012*

IAS 32 Financial Instruments – Amended guidance on the off-setting of financial assets and financial liabilities – *Effective for annual periods beginning on or after 1 January 2014*

Critical accounting judgements and sources of estimate uncertainty

The company's significant accounting policies are outlined in note 1 to the company financial statements. None of these significant accounting policies require the directors to make difficult, subjective or complex judgements or estimates

2. REVENUE

The revenue and loss before tax are attributable to the one principal activity of the company. An analysis of revenue is given below

	2011	2010
	£	£
United Kingdom	765,308	736,063

3. OPERATING SEGMENTS

The directors have identified that the company has one operating segment within the business, being that of restaurateurs

4. LOSS FROM OPERATIONS

Included in the loss for the year are the following	2011	2010
	£	£
Impairment of property, plant and equipment	2,093	29,915
Auditors' remuneration - as auditors	5,717	5,550
- other services	1,150	500
Operating lease costs		
Land and buildings	100,000	100,000

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

5. STAFF NUMBERS AND COSTS

The average number of persons employed by the company during the financial year amounted to

	2011 Number	2010 Number
Other staff – service	17	17

The aggregate payroll costs of the above were

	2011 £	2010 £
Wages and salaries	338,316	293,458
Social security costs	27,095	28,885
	365,411	322,343

No salaries or wages have been paid to the directors in the current or prior year

6. FINANCE INCOME

	2011 £	2010 £
Bank interest receivable	22	30

7. FINANCE INCOME

	2011 £	2010 £
Interest on loans from related parties (note 17)	18,000	17,695

8. TAXATION

(a) Analysis of credit in the year

	2011 £	2010 £
Current tax		
Adjustment in respect of prior years	116,064	119,582
Total tax in the statement of comprehensive income	116,064	119,582

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

8. TAXATION (continued)

(b) Factors affecting current tax credit

The tax assessed on the loss for the year varies from the effective rate of corporation tax in the UK of 26.5% (2010 28%)

	2011 £	2010 £
Loss before taxation	(314,255)	(356,617)
Loss on ordinary activities at 26.5% (2010 28%)	(83,278)	(99,853)
Income not taxable for tax purposes	(574)	-
Expenses not deductible for tax purposes	369	3,145
Depreciation in excess of capital allowances claimed	547	5,760
Unrelieved tax losses arising in the period	82,936	90,948
Adjustment in respect of prior years	(116,064)	(119,582)
Total current tax (note 8(a))	(116,064)	(119,582)

(c) Factors that may affect future tax charges

No provision has been made for the deferred tax asset of £372,719 calculated at 25% (2010 £348,212 calculated at 28%) arising from depreciation of equipment, fixtures and fittings in excess of taxation allowances available and available losses

The claim for taxation allowances and the recoverability of the deferred tax asset is dependent on the availability of sufficient future taxable profits of the company against which unused taxation allowances and losses can be utilised. In such circumstances the company recognises that, at the statement of financial position date, it may not be appropriate to provide for the deferred tax asset.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

9. PROPERTY, PLANT AND EQUIPMENT	Fixtures & fittings £	Equipment £	Total £
Cost			
At 1 January 2010	1,415,880	21,856	1,437,736
Additions	29,915	-	29,916
At 1 January 2011	1,445,795	21,856	1,467,651
Additions	2,093	-	2,093
At 31 December 2011	1,447,888	21,856	1,469,744
Depreciation and impairment			
At 1 January 2010	1,415,880	21,856	1,437,736
Impairment	29,915	-	29,915
At 1 January 2011	1,445,795	21,856	1,467,651
Impairment	2,093	-	2,093
At 31 December 2011	1,447,888	21,856	1,469,744
Net book value			
At 1 January 2010, 31 December 2010 and 31 December 2011	-	-	-
Impairment provision included in depreciation and impairment			
At 1 January 2010	816,313	18,732	835,045
Charge for the year	29,915	-	29,915
At 31 December 2010	846,228	18,732	864,960
Charge for the year	2,093	-	2,093
At 31 December 2011	848,321	18,732	867,053
10. INVENTORIES		2011	2010
		£	£
Goods for resale		24,332	17,775

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

11. TRADE AND OTHER RECEIVABLES	2011 £	2010 £
Trade receivables	-	15,469
Prepayments and accrued income	19,943	17,389
	<u>19,943</u>	<u>32,858</u>

All trade receivables are neither past due nor impaired

12. CASH AND CASH EQUIVALENTS	2011 £	2010 £
Cash and cash equivalents	2,163	2,671
Call accounts	41,458	46,267
	<u>43,621</u>	<u>48,938</u>

Cash at bank and in hand bears interest at an effective rate of 0.00% (2010: 0.00%)

Call account bears interest at an effective rate of 0.03% (2010: 0.03%) and is available on demand

13. AMOUNTS DUE TO RELATED PARTIES	2011 £	2010 £
Group companies		
The Travel Corporation Limited (note 15)	353,086	336,377
Other group companies (note 17)	2,604,876	2,400,764
	<u>2,957,962</u>	<u>2,737,141</u>

The loan with The Travel Corporation Limited bears interest at 2% above the bank base rate (see note 15)

14. OTHER PAYABLES	2011 £	2010 £
PAYE and social security	7,087	11,080
Other payables	641	24,058
Accruals	15,339	22,234
	<u>23,067</u>	<u>57,372</u>

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 DECEMBER 2011**

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company holds or issues financial instruments in order to achieve three main objectives, as follows

- a) to finance its operations,
- b) to manage its exposure to interest risk from its operations and from its sources of finance, and
- c) for trading purposes

In addition, various financial instruments (e.g. trade receivables, trade payables, accruals and prepayments) arise directly from the company's operations

Transactions in financial instruments result in the company assuming or transferring to another party one or more of the financial risks described below

Credit risk

The company has no significant concentrations of credit risk. Amounts shown in the statement of financial position best represent the maximum credit risk exposure in the event of other parties failing to perform their obligations under financial instruments

The company monitors credit risk closely and considers that its current policies of credit checks meet its objectives of managing exposure to credit risk

The ultimate parent entity confirms that group liabilities will not be demanded whilst the company's liabilities exceed its assets. The loan with The Travel Corporation Limited was due for repayment on 1 January 2012. This loan was re-financed on the same date at the same rate of interest. It is not due for repayment until 2027. Repayments of related party balances are not expected within five years.

Liquidity risk

The company at all times maintains adequate committed credit facilities in order to meet all its commitments as and when they fall due. Long term borrowing, where it exists, is funded from within the Travel Corporation group. The Travel Corporation Limited has guaranteed to provide any future funding requirements of the company to enable it to meet its liabilities as they fall due.

At 31 December 2011, the contractual cashflow on the loan with The Travel Corporation Limited equalled the carrying value.

Interest rate risk

The company is exclusively funded by group borrowings.

Foreign exchange risk

The company operates exclusively within the UK and is not directly exposed to foreign exchange risk. Hedging instruments are therefore not used.

Fair value

The directors are of the opinion that the carrying value of financial instruments approximates fair value.

Trade and other receivables are valued at amortised cost. Impairment losses are estimated at year end by reviewing amounts outstanding and assessing the likelihood of recoverability. Group debts are all guaranteed by The Travel Corporation Limited and are therefore carried at book value as opposed to expected recoverable amount.

Interest rate sensitivity analysis

Interest rate sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the statement of financial position date. Based on the above assumptions if interest rates had been 0.5% higher/lower and all other variables were held constant, the directors have concluded that there would not be a material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

16. COMMITMENTS UNDER OPERATING LEASES

Capital risk management

The company aims to manage its overall capital so as to ensure the company continues to operate as a going concern, whilst providing an adequate return to shareholders

The company's capital structure represents the equity attributable to the shareholders of the company together with borrowings and cash and cash equivalents

The company has entered into operating leases in respect of properties and equipment. The total of future minimum lease payments under non-cancellable operating leases are as follows

	2011 £	2010 £
Not later than year		
Land and buildings	100,000	100,000
Later than one year and not later than five years		
Land and buildings	400,000	-
Later than five years		
Land and buildings	100,000	-

17. RELATED PARTY TRANSACTIONS

During the year the company received services from other members of the group as follows

		2011 £	2010 £
Red Carnation (U K) Limited	Management charges and recharges	122,019	116,009
Rubens Travcorp Limited	Rent	100,000	100,000
The Travel Corporation Limited	Loan interest	18,000	17,975

Amounts owing to other members of the group, which are unsecured and payable outside one year were

	2011 £	2010 £
Ultimate parent company	353,086	336,377
Other group companies (see below)	2,604,876	2,400,764
	2,957,962	2,737,141

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

17. RELATED PARTY TRANSACTIONS (continued)

The company had balances outstanding on interest free loans from the following group companies

	2011 £	2010 £
Rubens Travcorp Limited	400,000	300,000
Red Carnation (U K) Limited	2,203,751	2,100,764
Trafalgar Management Services Limited	1,125	-
	<u>2,604,876</u>	<u>2,400,764</u>

Details of the company's immediate parent and of the ultimate controlling party are included at note 19

18. SHARE CAPITAL

	2011		2010	
	Number	£	Number	£
Allotted, called up and fully paid				
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Equity shares				
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

19. CONTROLLING PARTY AND PARENT COMPANIES

The company's ultimate parent undertaking is The Travel Corporation Limited, a company incorporated in the British Virgin Islands. The Travel Corporation Limited is considered to be the company's controlling party.

The largest group in which the results of the company are consolidated is that headed by The Travel Corporation Limited. The financial statements of this company are not available to the public. The smallest group in which they are consolidated is that headed by Chesterfield (Mayfair) Limited, its immediate parent company, a company registered in England and Wales.

Copies of the consolidated financial statements of Chesterfield (Mayfair) Limited are available to the public from the Registrar of Companies.