JOURNEY

GROUP PLC

Annual Report and Accounts 2010

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Dear Shareholders.

INTRODUCTION

2010 was a transformational year for the Group in which significant progress was made in line with the confidence I expressed in my last annual statement. This has been achieved against a background of continuing global economic uncertainty and difficult conditions that still prevail in the Group's principal market place, the international airline industry. The Group's activities have been streamlined and successfully re-positioned for growth and, for the first time in recent years, the Group has a solid financial position with very little net debt. The Los Angeles Division delivered a strong performance and is strategically well placed to expand its activities.

The key highlights of the year were:

- Restructuring and strategic re-positioning of the Group now complete and positioned for growth.
- Adjusting for the transfer of businesses to the Alpha-Airfayre Limited joint venture, on a like for like basis, EBITDA before exchange differences was unchanged at £0.6 million.
- In its second full year of operation, the Los Angeles Division EBITDA rose to £1.4 million from £0.7 million in the prior year after an intergroup charge of £0.2 million for royalties not charged in the prior year.
- The Group's investment in the Alpha-Airfayre Limited joint venture was sold for £3.5 million bringing the total cash realised from the disposal of Air Fayre Limited's operations to £8.5 million.
- Net debt reduced to £0.2 million.
- Re-financing achieved with a new £4.5 million three year facility of which £3.0 million was subsequently repaid. Intention to refinance the remainder to reduce funding costs and provide the basis for debt capacity in the USA.

Market conditions in the international airline industry improved in 2010 over 2009. The demand for scheduled air traffic increased by 8.2 per cent. for passengers and by 20.6 per cent. for freight to levels that modestly exceeded pre-recession levels of early 2008. Load factors for both passengers and freight also improved as demand growth exceeded capacity increases. Regionally, performance varied with Middle Eastern and Asia-Pacific carriers performing the strongest and European carriers showing markedly lower growth. Airline profit margins, however, remained low resulting in continuing pricing pressure on the Group's services. The industry outlook for 2011 is mixed.

STRATEGIC REVIEW

During the last 18 months a process of strategic review and re-positioning has been undertaken to focus the Group on its business segments offering the greatest potential for growth, to build strategies for growth within these areas and ensure that the Group has sufficient operational and financial resources to deliver on these strategies.

An initial consequence was the decision made in the previous year to dispose of the activities of Air Fayre Limited, International Catering Limited and Elev8 Retail Limited to the Alpha-Airfayre Limited joint venture. This step was taken to enhance the position of the combined business in the very competitive London Heathrow market and to release cash to reduce borrowings. During the current year it was determined that the London Heathrow market would continue to suffer fierce competition and that the joint venture would be unlikely to deliver an acceptable financial performance and value to the Group. During 2010 the Group's share of the net loss of the joint venture increased to £0.6 million. Accordingly, a further decision was made to dispose of the investment in the joint venture. The Group's investment was sold for consideration of £3.5 million, which enabled net debt to be reduced significantly. This disposal brought the total cash realised from these businesses to £8.5 million. An exceptional loss on disposal was incurred of £1.1 million.

Your Group now comprises four businesses organised into three Divisions all serving the international airline industry as their principal market place, as follows:

- Los Angeles Division – Air Fayre CA Inc provides in-flight catering services primarily to United Airlines in Los Angeles and has established a strong reputation for reliability and food quality. Air Fayre CA's facility has significant capacity for organic growth and new customer opportunities have been identified at LAX international airport and in three nearby regional airports. The Division has also established and is pursuing prospects for new facilities that, if converted, would lead to step change growth in the medium term. The catering business model has been developed to a format that is easily transferrable to new facilities.
- Products Division – This comprises Watermark Limited, which provides in-flight cabin products, and MNH Sustainable Cabin Services Limited, which provides recycling services for in-flight cabin products. Watermark is a leader in its field and enjoys a reputation for innovation. The recovering international airline market provides a platform for recovery, but additionally new revenue opportunities have been identified within the hotels and cruise ship markets. MNH's recycling services are increasingly in demand as airlines look to reduce their waste profile and achieve the economies that recycling can bring, particularly through a bundled procurement and recycling programme in conjunction with Watermark.
- Services Division – Media on the Move Limited provides in-flight media mainly to the international airlines. New opportunities are being pursued within on-board retailing of media products and within specialist marketing services by leveraging off Media's distribution network and publisher relationships.

BORROWING FACILITIES

In order to ensure the required finance is available to take advantage of the opportunities available to the Group, a key part of our strategy has been to secure term loan facilities. Accordingly, against a difficult lending environment, and as announced on 3 September 2010, the Group entered a £4.5 million three year term loan with Taurouge II SARL, which replaced the expiring on-demand bank facilities provided by Barclays Bank. This refinancing resulted in the termination of the substantial monthly facility fees being charged by Barclays Bank and which have been treated as exceptional items in these results. Under the new facility, warrants have been issued over 35,185,825 new ordinary shares, representing approximately 10 per cent. of the Group's fully diluted share capital, exercisable at 1 pence per share on or before 2 September 2020.

The longer term nature of the new facility provides the Group with a stable capital base. However, following the disposal of the Group's interest in the Alpha-Airfayre Limited joint venture, £3.0 million of the Taurouge II SARL facility became repayable, leaving £1.5 million outstanding that is repayable on 2 September 2013. In view of the high interest rate under the facility and consistent with the Group's plans to be in a position to fund growth in the Los Angeles Division, it is the Company's intention to refinance the remaining £1.5 million as early as circumstances permit in 2011. A replacement term facility is being sought with a lower funding cost that will leave the operations of the Los Angeles Division unencumbered and so provide the basis for significant debt capacity as growth opportunities are secured.

RESULTS

The results for the year were as follows:

Year to 31 December	**2010** £m	2009 £m
Revenue	**37.2**	74.5
EBITDA before exchange differences	**0.6**	1.2
Exchange differences	**0.1**	-
EBITDA before exceptional items and share based payments	**0.7**	1.2
Depreciation and amortisation	**(0.9)**	(2.1)
Operating loss before exceptional items and share based payments	**(0.2)**	(0.9)
Share of joint venture's net loss	**(0.6)**	(0.4)
Share based payments	**(0.1)**	(0.3)
Exceptional items	**(2.7)**	(2.5)
Net interest payable	**(0.4)**	(0.6)
Loss before taxation	**(4.0)**	(4.7)
Basic loss per share (pence)	**1.4**	1.6

The results demonstrate an underlying improvement in the Group's performance. The disposal of the activities in November 2009 of Air Fayre Limited, International Catering Limited and Elev8 Retail Limited to the Alpha-Airfayre Limited joint venture, the subsequent disposal of the Group's interest in the joint venture in November 2010, one-off costs in the Products Division and the steps taken to re-finance the Group's activities on to a conservative footing led to a significant reduction in turnover, lower EBITDA and material exceptional costs. However, excluding the one-off impact of these items, the Group made significant progress reflecting the strong performance in the Los Angeles Division.

Due to the disposals to the Alpha-Airfayre Limited joint venture, turnover fell from £74.5 million to £37.2 million and EBITDA before exceptional items and share based payments fell to £0.7 million from £1.2 million. However, adjusting for these disposals, on a like for like basis, EBITDA before exceptional items and share based payments was unchanged. The improved performance was reflected in a significantly reduced operating loss before exceptional items and share based payments of £0.2 million compared with the loss of £0.9 million in the previous year.

Exceptional items remained high, amounting to £2.7 million. They mainly comprised banking costs of £1.6 million, a loss on disposal of joint venture of £1.1 million and reorganisation costs of £0.3 million that primarily related to the Products Division, offset by the recovery of PAYE and National Insurance of £0.2 million. Included within banking costs was a non-cash, fair value charge of £0.8 million relating to the warrants issued to Taurouge II SARL in connection with the early settlement of Tranche A of the £4.5 million three year term loan entered on 3 September 2010. The remainder of the banking costs comprised £0.4 million relating to the substantial monthly facility fees charged by Barclays Bank and £0.4 million relating to the costs incurred in connection with the Taurouge II SARL facility.

The Group's share of the net loss of the Alpha-Airfayre Limited joint venture amounted to £0.6 million compared with £0.4 million last year. Net interest payable fell by £0.2 million to £0.4 million. There was a net loss before taxation of £4.0 million compared with a loss of £4.7 million in the previous year. The basic loss per share was 1.4 pence compared with a loss of 1.6 pence in the previous year.

Net debt fell to £0.2 million from £0.5 million, although the prior year included the temporary benefit of £1.4 million owing to the Alpha-Airfayre Limited joint venture under transitional arrangements. Adjusting for this amount the underlying reduction in net debt would have been £1.7 million.

LOS ANGELES DIVISION

Year to 31 December	2010 £m	Restated 2009 £m
Revenue	**15.1**	15.1
EBITDA before exceptional items and share based payments	**1.4**	0.7
Operating profit before exceptional items	**0.7**	0.1

The Los Angeles Division produced a strong performance with EBITDA doubling even after an intergroup charge of £0.2 million for royalties in relation to use of the Air Fayre business model not charged in the prior year. The facility saw organic growth with the number of flights served increasing to 26,500, or an average of 73 per day, compared with 25,568 flights, or an average of 70 per day, in the prior year without, in either year, a single safety incident. The number of meals served increased to 1,878,097 from 1,672,500 last year. Some 59 million airline passengers passed through Los Angeles international airport in 2010, a 4.5 per cent. increase over 2009. Turnover, nevertheless, was unchanged as revenue growth was offset by a change in the food supply arrangements towards free issue from United Airlines and away from third party purchases that are charged to United Airlines.

The facility met or exceeded all of its performance goals of reliability (on time performance) and quality of food as perceived by passenger ratings. In recognition of the high standard of service delivered to United Airlines and as part of the United Annual 2010 Caterer Recognition Program, the facility was awarded Best Domestic UP Meal Score Hub Kitchen, Best International UP Meal Score Hub Kitchen and Best Reliability Hub Kitchen. This was a notable achievement for a catering facility in its second year of operation.

It was a defining year for the Los Angeles Division as it established itself as a premier service provider to United Airlines and within the industry generally. The Division has attracted interest from a number of airlines operating at LAX international airport and from the three nearby regional airports and, accordingly, with its significant capacity for organic growth along with its refrigerated truck fleet we are optimistic of increasing the revenue base during 2011. Looking further ahead, opportunities have been identified to establish new facilities in other US cities and these prospects will be progressed over the coming year.

PRODUCTS DIVISION

Year to 31 December	2010 £m	Restated 2009 £m
Revenue	**19.5**	20.4
EBITDA before exchange differences	**(0.7)**	0.0
Exchange differences	**-**	(0.1)
EBITDA before exceptional items and share based payments	**(0.7)**	(0.1)
Operating loss before exceptional items	**(0.8)**	(0.3)

The Products Division had a challenging year with revenue declining and EBITDA before exchange differences falling into a loss. Flight cancellations due to the BA crew strike and the ash cloud had a negative effect on revenues, although EBITDA was driven into a loss primarily because of the one-off impact of significantly higher air freight costs to mitigate a supply disruption to a UK customer and significantly increased cotton prices impacting gross margins on linen products. Overheads were lower due to the impact of the restructuring implemented over the last few years, but gross margins continued to be under pressure from airline cost reduction programmes. A geographically broader supply base is being developed to mitigate this challenge.

Watermark's underlying business continued to strengthen with growth opportunities being exploited in the Australasian region and in the USA. In Australasia, contract wins with new customers Jetstar and Virgin Blue will have a positive impact in 2011, whilst an expanded relationship with Qantas and Air New Zealand will also bring further benefits. In 2011 we anticipate new business opportunities will emerge, particularly in Australasia, the Middle East, where we see significant potential, and in the America's, although biased towards the second half of the year. In the broader travel sector, new revenue opportunities have been identified within the hotels and cruise ship markets and steps are being taken to develop within them. After a number of difficult years, Watermark is now well positioned for recovery and to take advantage of its growth opportunities.

MNH Sustainable Cabin Services continued to strengthen its relationships with its key customers. During the year an additional team member was recruited in Australia to further expand the partnership with Qantas and an innovative new contract model was agreed with Virgin Atlantic by bundling recycled and newly procured product into a single offering. During 2011, MNH will continue to focus on the opportunities to further expand its unique model.

SERVICES DIVISION

Year to 31 December	**2010** **£m**	Restated 2009 £m
Revenue	**2.8**	39.0
EBITDA before exchange differences	**0.5**	0.7
Exchange differences	**-**	0.2
EBITDA before exceptional items and share based payments	**0.5**	0.9
Operating profit / (loss) before exceptional items	**0.5**	(0.2)

Following the transfer of the activities of Air Fayre Limited, International Catering Limited and Elev8 Retail Limited to the Alpha-Airfayre Limited joint venture, the remaining business within the Services Division is Media on the Move Limited. The reduction in turnover arose substantially from these business transfers. EBITDA before exchange differences was lower for the same reason, although was offset by the release of accruals following settlement of the remaining affairs of these companies. EBITDA also fell due to a product marketing contract coming to an end, but benefitted from an intergroup royalty charge to the Los Angeles Division for the use of the Air Fayre business model.

Media on the Move Limited experienced a tougher year than expected due to difficult market conditions. Its turnover rose modestly to £2.6 million from £2.5 million. New business wins included Sky Teams at Heathrow, Cross Country Rail and Thomson Fly Retail. In 2011, Media's focus will be on building its on-board media retailing activities and developing specialist marketing services that leverage off Media's distribution network and publisher relationships.

CENTRAL COSTS

Central costs fell to £0.7 million from £0.8 million at the operating level before exceptional items. As noted in the Group financial statements, the basis on which central costs have been allocated has been amended in order to charge those costs relating to management of the Group's businesses to the Group's three Divisions and, accordingly, the comparative figures have been re-stated on a consistent basis.

BOARD

Following completion of the Group's strategic re-positioning and with its financial base now secure, Danny Bernstein and David Jennings have decided to retire from the Board at the coming Annual General Meeting. Danny has been a Non-executive Director for seven years and during that time the Group has benefitted from his considerable airline industry knowledge. He has served on the Audit and Remuneration Committees as well as having acted for a period of time as Chairman of the Board. David has been a Non-executive Director for three and a half years and has served on the Audit and Remuneration Committees. During the past three difficult years for the Group, David's experience and advice in the areas of business and financial management have contributed significantly to the Group's recovery. On behalf of the Board I would like to thank them both for their contributions and wish them well for the future.

OUTLOOK

With the strategic review and re-positioning completed and its strong financial base, the Group is now well positioned for the future. Despite challenging overall market conditions, current trading is good. The Los Angeles Division has some significant growth opportunities, whilst the Products Division can look forward to both recovery as well as growth. We anticipate that 2011 will be the year in which we will build the foundations for growth in 2012 and beyond. As a result, your Board is confident of the future prospects of the Group.

Stephen Yapp
Executive Chairman
30 March 2011

Stephen Yapp

Executive Chairman, Age 53

Stephen Yapp has been Executive Chairman since 4 June 2007. During this period he has also held the positions of Executive Chairman of Redstone plc from September 2009 to September 2010 and non-executive director of Imagesound plc from December 2007 to December 2009. Previous to that he was Chief Executive of the DCS Group plc between 2001 and 2006 and held the position of Finance Director at SBG between 1997 and 2000. Stephen has been a director of a number of private and public companies during the course of his career. He is also a Fellow Chartered Management Accountant and holds an MBA.

David Young

Managing Director – Products Division, Age 47

David Young became a member of the Board on 19 February 2009, after joining as Managing Director for the Products Division in January 2008. David's previous roles include General Manager, Inflight Services for Qantas and Vice-President, Inflight for Air New Zealand. David is a Chartered Accountant and holds a Masters in Commercial Law. David is also the current Chairman of the International Travel Catering Association.

Joseph Golio

President – Los Angeles Division, Age 55

Joseph Golio joined in June 2008 and was instrumental in the start-up of Air Fayre CA Inc's Los Angeles facility. He became President of Air Fayre CA Inc shortly after joining and became a member of the Board on 22 December 2009. As an industry veteran, Joseph has held a number of key roles within the airline catering industry. He began his career with Dobbs International in 1978 and progressed to become Vice-President and Managing Director in 1998, responsible for thirty nine kitchens serving United Airlines. During 2000 to 2001 Joseph was Senior Vice-President of North America West Operations for Gate Gourmet. In 2001 he became Executive Vice-President & Chief Operating Officer for exhibition group Exhibit Group / Giltspur. Joseph has a B.Sc. in Business Administration and Economics from Wagner College.

Carl Fry

Chief Financial Officer, Age 59

Carl Fry joined in January 2008 as Interim Chief Financial Officer. He became a member of the Board on 22 December 2009 and has significant experience of serving on boards of both publicly listed and private companies. Until 2007 Carl was Group Finance Director of former private-equity owned Telecity Group, which he joined following its merger with Redbus Interhouse plc in January 2006. He became Group Finance Director of Redbus in 2000 and was Group Finance Director of Creston plc from 1995 to 2000. Carl is a Fellow of the Institute of Chartered Accountants in England and Wales and holds a first class honours degree in Mathematics from Southampton University.

Graham Bird † ‡

Non-executive Director, Age 41

Graham Bird joined the Board on 4 January 2007. His previous roles include Corporate Development Director for Paypoint plc, Fund Manager for SVG Investment Managers Limited, Director, Corporate Finance at JP Morgan Cazenove and Head of Corporate Finance for Cazenove in South Africa. He is currently Executive Chairman of PayByPhone, a division of Paypoint plc. After training with Deloitte, he qualified as a Chartered Accountant in 1997.

David Jennings † ‡

Non-executive Director, Age 60

David Jennings was appointed as a Non-executive Director on 1 October 2007. David has held key positions in a wide range of companies in the UK, Europe and North America for some 25 years. David qualified as a Chartered Accountant in South Africa, and is also a Certified Management Consultant.

Danny Bernstein † ‡

Non-executive Director & Senior Independent Director, Age 68

Danny Bernstein joined the Board in May 2004 as a Non-executive Director. Since then he has held the roles of Interim Chairman and Chairman. He is the Deputy Chairman of The Royal Free Hampstead NHS Trust and a Director of the Airline Group Limited. Between 1991 and 2009 he was firstly Managing Director and subsequently Chairman of Monarch Airlines Group and between 2003 and 2009 he was Chairman of The British Air Transport Association (BATA). He initially trained as a Chartered Accountant, qualifying in 1969 and he is a Fellow of The Royal Aeronautical Society.

Dimitri Goulandris

Non-executive Director, Age 44

Dimitri Goulandris joined the Board on 19 January 2009 as a Non-executive Director. He is Managing Partner of Cycladic Capital LLP, set up in November 2002 to focus on making public and private investments in small and medium sized companies predominantly in Europe. Previously Dimitri set up and ran the European operations of the private equity firm, Whitney & Company, and spent eight years at Morgan Stanley in the private equity group, structuring derivative products and executing mergers and acquisitions both in New York and in London. Dimitri has an MBA from the Harvard Business School and a Masters in Electrical and Information Sciences from Cambridge University. Dimitri sits on the boards of Teleplan International NV, MonuRent Limited, Gemini Equipment and Rentals, Knightsbridge Schools Limited and Knightsbridge Schools International Limited. He also sits on the Council of the Institute of Contemporary Arts.

† Member of the audit committee ‡ Member of the remuneration committee

Group's businesses

The Group's operations are organised into three divisions, Products, Services and Los Angeles. The Products and Services Divisions are based at the Group's headquarters, The Encompass Centre near Heathrow. The Los Angeles Division is based at its facility in Los Angeles, USA.

The Los Angeles Division provides in-flight catering for United Airlines through a contract that had an initial term in 2008 of seven years. The business model is a logistics operation under which the provision of catered products is outsourced to local specialist suppliers, then assembled in the Division's facilities and delivered to the aircraft.

The Products Division operates globally through companies incorporated in the United Kingdom, Hong Kong, Australia and the USA. Its principal activities are the provision of in-cabin travel supplies and recycling services primarily for the international airline industry. Goods are sourced predominantly from China and customer contract lengths typically range from one to three years.

The Services Division operates in the United Kingdom and is principally a logistics business involved in the distribution of newspapers and magazines primarily to the international airline industry.

During the year the Group held a 49% interest in Alpha-Airfayre Limited, a joint venture with Alpha Flight UK Limited focusing on in-flight catering at Heathrow. On 26 November 2010, the Group disposed of its investment.

Business objectives

The Group's primary business objective is to increase shareholder value. Whilst the operations of each Division are developed independently, their primary client base is the international airline industry, which presents cross selling opportunities. These opportunities are developed at a senior management level, where the customer relationships are held. The markets in which the Group operates are competitive.

Business key performance indicators

The Board considers that the following key performance indicators ("KPIs") are the most effective measures of progress towards achieving the Group's primary business objective.

	Long term target	**2010**	2009
Revenue	–	**£37.2m**	£74.5m
Gross profit margin percentage	20%	**23%**	20%
Operating profit / (loss) margin percentage*	7.5%	**(0.6%)**	(1.6%)

*calculated before exceptional items.

Financial performance

Revenue fell by 50% to £37,236,000, although excluding the former activities of Air Fayre Limited, Elev8 Retail Limited and International Catering Limited, which were transferred to Alpha-Airfayre Limited on 20 November 2009, revenue fell by 4%. There was an operating loss before exceptional items of £212,000 compared with a loss of £1,171,000 for the previous year. Exceptional items totalled £2,765,000 giving an operating loss of £2,977,000 against a loss of £3,720,000 for the prior year. The share of the joint venture's net loss amounted to £582,000 compared with a loss of £407,000 for the previous year. Net finance costs fell to £426,000 from £588,000. There was a loss after tax attributable to equity shareholders of £3,989,000 against a loss for the previous year of £4,644,000.

Revenue

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Los Angeles Division	**15,137**	15,161
Products Division	**19,457**	20,409
Services Division	**2,793**	38,967
Eliminations	**(151)**	-
Group	**37,236**	74,537

Revenue fell by 50%, which was made up of a 93% reduction in the Services Division and a 5% reduction in the Products Division. Revenue of the Los Angeles Division was in line with the previous year. The 93% reduction in the Services Division was mainly caused by lower sales of £35,786,000 arising from the transfer of the business activities of Air Fayre Limited, Elev8 Retail Limited and International Catering Limited in November 2009 to the Alpha-Airfayre Limited joint venture. The reduction in the Products Division was mainly due to lower demand from airlines in response to difficult operating conditions. The Los Angeles Division saw organic growth, with the number of flights served increasing. However, its revenue growth was offset by a change in food supply arrangements towards free issue from United Airlines and away from third party purchases that are charged to United Airlines.

Gross profit margin percentage

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Group	**22.6%**	20.3%

The Group achieved its target KPI of 20%. The increase in the gross profit margin percentage over the previous year was primarily due to a combination of an increased gross profit margin percentage in the Los Angeles Division and a favourable change in mix arising from the disposal of the business activities of Air Fayre Limited, Elev8 Retail Limited and International Catering Limited.

Operating loss before exceptional items

	12 months to 31 December 2010 £'000	Restated 12 months to 31 December 2009 £'000
Los Angeles Division	**740**	99
Products Division	**(770)**	(308)
Services Division	**478**	(136)
Unallocated corporate costs	**(660)**	(826)
Group	**(212)**	(1,171)
Group operating loss margin percentage	**(0.6%)**	(1.6%)

The basis on which corporate costs have been allocated has been amended in order to charge those costs relating to management of the Group's businesses to the Group's three Divisions and, accordingly, the comparative figures have been re-stated on a consistent basis. The segmental results for 2009 of the Products Division, the Services Division and the Los Angeles Division have been reduced, respectively, by £253,000, £432,000 and £168,000 and unallocated corporate costs have been reduced by £853,000.

The Group incurred an operating loss before exceptional items of £212,000 compared with an operating loss of £1,171,000 for the prior year. Net exchange gains contributed £100,000 compared with a net loss of £34,000 for the prior year, accounting for £134,000 of the reduction in operating loss.

The Los Angeles Division's increase in operating profit arose mainly due to an increase in the number of flights served and improved pricing offset by higher performance related payments of £204,000 and an intergroup charge for royalties for use of the Air Fayre business model not charged in the prior year of £151,000.

The Products Division's increased operating loss was mainly the result of lower gross profits driven by abnormal air freight costs that arose to meet customer delivery commitments following disrupted delivery by a supplier, significantly increased cotton prices impacting gross margins on linen products and higher provisions for slow moving stock. The Division's reduced turnover also contributed to the increased operating loss, but offsetting this there were exchange gains of £14,000 compared with losses in the prior year of £140,000 and overheads fell due to the restructuring measures taken during the year and the full year effect of the major restructuring and reorganisation implemented in the prior year.

The improvement in the Services Division's operating profit mainly arose from the disposal of the business activities of Air Fayre Limited, Elev8 Retail Limited and International Catering Limited in November 2009 to the Alpha-Airfayre Limited joint venture, the release of accruals following settlement of the remaining affairs of these businesses and an intergroup royalty charge to the Los Angeles Division for the use of the Air Fayre business model, offset by a product marketing contract coming to an end and reduced exchange gains of £31,000 compared with £238,000 in the prior year. The continuing media distribution activities contributed an operating profit of £48,000 compared with a profit of £74,000 in the prior year.

Unallocated corporate costs fell mainly due to exchange gains of £55,000 compared with losses of £132,000 in the prior year, share based payments expense lower by £137,000 and higher performance related payments of £192,000.

The operating loss margin percentage improved slightly to 0.6% negative from 1.6% negative, but fell short of the target KPI of 7.5%.

Share of joint venture's net loss

The Group's 49% share of the net loss of the Alpha-Airfayre Limited joint venture amounted to £582,000 compared with a loss of £407,000 in the prior year. The investment in the joint venture was sold on 26 November 2010 and, accordingly, the current year loss was for an 11 months period, whereas the prior period loss was for approximately one and a half months since inception of the joint venture.

Exceptional items

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Disposal of investment in joint venture	**1,124**	-
Banking costs	**1,594**	1,022
Reorganisation costs	**301**	745
Recovery of PAYE and National Insurance	**(211)**	-
Adjustment to executive incentive share plan award	**(43)**	-
Los Angeles start-up costs	**-**	575
Settlement of contract	**-**	94
Provision for onerous contract	**-**	41
Abortive disposal costs	**-**	36
Loss on disposal of subsidiary	**-**	36
Total exceptional items	**2,765**	2,549

The exceptional items incurred during the year and prior year were as follows:

Disposal of investment in joint venture

The loss comprises the provision taken in the interim results of £1,232,000 to reduce the carrying value of the investment to its recoverable value offset by a profit on disposal of £108,000. The investment in the Alpha-Airfayre Limited joint venture was sold on 26 November 2010 for a cash consideration of £3,500,000.

Banking costs

During the current year these costs comprised the following:

- Facility fees of £368,000 in respect of the former multi-option bank facility that were significantly in excess of reasonably normal levels plus related legal fees.
- Facility fees, structuring fees, legal fees and accountants' fees amounting to £380,000 and the fair value of warrants of £846,000 issued in connection with the £4,500,000 Taurouge II SARL facility completed on 3 September 2010. The warrants were issued to the lender and were over 35,185,825 ordinary shares (see Note 15 to the Group financial statements). The warrants have been accounted for in accordance with IAS 39 with their fair value charged to the income statement in the period in which the associated debt was repaid. The warrants are considered to form part of the cost of the refinancing and, accordingly, the charge to the income statement relating to their initial recognition is included within exceptional items consistent with the presentation of the cash refinancing costs. The amortisation period of the cash costs of £380,000 has been accelerated to reflect the expected life of the facility (see Note 2xxi to the Group financial statements).

During the prior year these costs comprised the following:

- Facility fees, legal fees, accountants' fees, fees in respect of banking advice and the fair value of warrants in connection with the replacement on 27 August 2009 of the Company's existing bank facilities, which were due to expire on 31 August 2009, with a new multi-option facility of £5,820,500 and a bank guarantee facility of £290,000. The warrants were issued to the lender and were over 14,528,624 ordinary shares. The warrants were accounted for in accordance with IAS 39 with their fair value of £240,000 charged to the income statement in the period.

- Fees in respect of a waiver of bank covenants.
- Facility fees, legal fees and accountants' fees in respect of the release by the lender of charges over the assets of Air Fayre Limited, International Catering Limited and Elev8 Retail Limited enabling the disposal to proceed of their operating activities and certain net assets to the Alpha-Airfayre Limited joint venture.
- Legal fees in connection with the security taken by the lender over the Company's investment in its US operations.

Reorganisation costs

During both 2010 and 2009, reorganisation costs primarily comprised redundancy costs and consultants fees in relation to restructuring.

Recovery of PAYE and National Insurance

This income relates to the recovery of PAYE and National Insurance over-paid in previous years.

Adjustment to executive incentive share plan award

This income is a fair value credit to adjust the matching award under the executive incentive share plan to reduce the number of shares issuable by 700,160 to 2,012,400 (see Note 19 to the Group financial statements). This credit has been included in exceptional items as the fair value charge being adjusted was previously charged as an exceptional item.

Los Angeles start-up costs

These costs related to the costs of the start-up of the Group's in-flight catering operation based in Los Angeles, USA. They comprised the excess running costs incurred in the third to fifth months of operations and compensation paid to United Airlines in respect of excess costs they incurred at start-up.

Settlement of contract

This comprised the cost of settlement of a contractual dispute with a customer in relation to a rebate.

Provision for onerous contract

This comprises a provision in relation to onerous contractual obligations in respect of office equipment.

Abortive disposal costs

This relates to the costs incurred in respect of the abortive disposal of a subsidiary company.

Loss on disposal of subsidiary

The loss arose on the disposal of the operating activities and certain net assets of Air Fayre Limited, International Catering Limited and Elev8 Retail Limited to the Alpha-Airfayre Limited joint venture.

Details of exceptional items are set out in Note 4 to the Group financial statements.

Finance costs

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Bank loans and overdrafts	272	255
Finance charges payable under finance leases	132	184
Other interest and finance costs payable	36	174
Total finance costs	440	613
Bank interest	(14)	(25)
Net finance costs	426	588

The increase in bank loans and overdrafts interest mainly arose from the higher interest rate relating to the £4,500,000 three year Taurouge II SARL facility completed on 3 September 2010. The reduction in finance charges payable under finance leases arose primarily from lower obligations under finance leases. The reduction in other interest and finance costs arose from the elimination during the year of interest bearing supplier finance.

Taxation

There was a tax expense for the year of £4,000 compared with a tax credit of £71,000 for the previous year. The analysis of the tax expense / credit for the year is set out in Note 5 to the Group financial statements.

Loss per share

	12 months to 31 December 2010 Pence	12 months to 31 December 2009 Pence
Basic loss per share	1.4	1.6
Diluted loss per share	1.4	1.6
Adjusted basic loss per share	0.4	0.7
Adjusted diluted loss per share	0.4	0.7

The improvement in basic and diluted loss per share reflects the lower loss after tax attributable to equity shareholders. The improvement in adjusted basic and diluted loss per share reflects the reduced loss before exceptional items attributable to equity shareholders. Details of the calculations are set out in Note 6 to the Group financial statements.

Cash flow

There was a net cash outflow from operating activities for the year of £2,837,000 compared with an outflow of £344,000 for the prior year. The increased cash outflow from operating activities included the effect of the reversal during early 2010 of the benefit in the prior year of the reduced working capital of £1,398,000 that arose under certain transitional arrangements relating to the Alpha-Airfayre Limited joint venture. Net cash inflow from investing activities was £3,342,000 compared with a cash inflow of £4,742,000 for the prior year. The inflow included £3,500,000 arising on the disposal of the investment in the Alpha-Airfayre Limited joint venture, whereas in the prior year it included £5,000,000 arising from the joint venture transaction. There was a net cash inflow from financing activities of £1,077,000 compared with an outflow of £5,901,000 in the prior year. The net cash inflow related to the remaining debt raised from Taurouge II SARL of £1,500,000 less the repayment of bank debt and finance lease repayments. The cash outflow during the previous year was due to repayment of bank debt and finance lease repayments. The overall result was a net increase in cash and cash equivalents of £1,582,000 compared with a decrease of £1,503,000 in the prior year.

Capital management

The Group's capital management objectives are to ensure the Group is appropriately funded to continue as a going concern and to provide an adequate return to shareholders commensurate with risk. The Group defines capital as being total shareholders equity. The Group's capital structure is periodically reviewed and, if appropriate, adjustments are made to it in the light of changes in economic conditions, financial performance and changes in Group structure. The gearing ratio (based on net debt to equity) is monitored with the intention of ensuring such ratio remains, in the opinion of the Board, at an appropriate level in relation to risk. The Group monitors its current and forecast financial performance for the purposes of financial covenants compliance.

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Cash and short-term deposits	**(2,302)**	(1,691)
Bank loans and overdrafts	**1,512**	838
Finance leases	**979**	1,402
Net debt	**189**	549
Total equity	**10,107**	13,173
Gearing	**2%**	4%

On 3 September 2010 the Group refinanced its £3,250,000 borrowing facilities with Barclays Bank plc with a £4,500,000 three year facility with Taurouge II SARL. The facility carries an interest rate of 12% per annum. On 26 November 2010, £3,000,000 was repaid following the disposal of the Group's 49% interest in the Alpha-Airfayre Limited joint venture. Under the terms of the facility, warrants over 35,185,825 ordinary shares at an exercise price of 1 pence per share were issued to Taurouge II SARL. The fair value of the warrants of £846,000 has been charged as an exceptional item (see above and Note 4 to the Group financial statements). In view of the high interest rate under the facility and consistent with the Group's plans to be in a position to fund growth in the Los Angeles Division, it is the Company's intention to refinance the remaining £1,500,000 as early as circumstances permit in 2011. A replacement term facility is being sought with a lower funding cost that will leave the operations of the Los Angeles Division unencumbered and so provide the basis for significant debt capacity as growth opportunities are secured. The Company has replaced Barclays Bank plc with National Westminster Bank plc as its principal banker.

Derivatives and financial instruments

The objectives of the Group's treasury policy are to manage financial risk, secure cost-effective funding and minimise the adverse effects of fluctuations in the financial markets on the value of financial assets and liabilities on reported profitability and on cash flows. The Group does not trade in financial instruments.

The Group currently finances its activities with a combination of equity capital, term loan, finance leases and cash. Details of foreign currency risk are set out in Notes 22 and 23 to the Group financial statements. The Group's financial risk management objectives and policies are set out in Note 22 to the Group financial statements.

Significant judgements and estimates

In preparing the financial statements the Directors have made judgements and estimates in applying accounting policies. Details of the most significant areas where judgements and estimates have been made are set out in Note 2xxi to the Group financial statements.

Principal risks and uncertainties

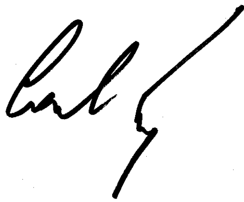
The Group's financial and operational performance is subject to a number of risks. The Board seeks to ensure that appropriate processes are put in place to manage, monitor and mitigate these risks. The Board considers the principal risks faced by the Group to be as follows:

Risk	Mitigation
Loss of major customers	
The Group has a small number of major customers. As contracts reach their expiry they are normally put out to tender in accordance with industry practice. Accordingly, there is a risk of loss of major clients that could result in a reduction in revenue.	The Group endeavours to provide an excellent service to customers at competitive pricing. In the event of the loss of a major customer, steps would be taken to reduce the Group's cost base.
Customer failure	
The Group has a small number of major customers and, accordingly, is exposed to potentially significant bad debts should a major customer become insolvent.	The Group operates a credit control policy to reduce the risk of customer failure, although the Group does not have credit insurance in place.
Competition	
The Group's competitors may offer superior products or services to the market or lower prices, which could reduce the attractiveness of the Group's products and services and result in a reduction in revenue.	The Group endeavours to provide an excellent service to customers at competitive pricing. In the event of a significant reduction in revenue, steps would be taken to reduce the Group's cost base.
Unforeseen events	
The Group's business model is based on passenger numbers and number of flights. Unforeseen events that result in reduced flight numbers and numbers of passengers flying such as economic downturn, war, terrorist acts, natural disasters or disease would result in a reduction in revenue. Also, unforeseen events could significantly adversely impact the business models of customers resulting in demands for lower prices that the Group may find difficult to resist.	These events would be outside the control of the Group. In the event of their occurrence, steps would be taken to reduce the Group's cost base.
Competition from suppliers	
In its Products Division the Group faces competition from suppliers seeking to contract directly with the Division's customers.	The Products Division seeks to provide superior service by offering a range of products to customers at competitive prices. In the event of a material reduction in revenues, steps would be taken to reduce the Division's cost base.

Risk	Mitigation
Exchange rate risk	
The Group is exposed to foreign exchange risk in the following ways: • Translation risk of year end financial statements of overseas operations. • Transactional exposures arising from purchases and sales in currencies other than the functional currencies of operating entities. • Exposure arising from intercompany balances being denominated in currencies other than the functional currency of the entity concerned.	Where possible the Group seeks to reduce its exposure by natural hedging. The Group may also enter into derivative transactions, principally forward exchange rate contracts to hedge exchange rate risks.
Limited number of suppliers	
The Group operates with a limited number of key suppliers. The failure of a key supplier or disruption in supply could restrict the ability of the Group to serve its customers and result in a loss of revenue or higher costs.	The Group is aware of alternative sources of supply and would take immediate steps should a key supplier fail or cause material disruption in supply.
Cost increases from suppliers	
The Products Division sources a large proportion of its products from China and is potentially subject to significant price increases from its Chinese suppliers.	The Products Division seeks to contract with its customers such that material price increases charged by suppliers can be passed on to customers.
Attraction and retention of Directors and key employees.	
The success of the Group depends on the abilities and experience of the Directors and key employees. The loss of Directors and key employees or the inability to recruit replacements or further Directors or key employees could have a significant adverse effect on the day to day running of the Group and on the development of the Group's business.	The Group seeks to reward Directors and key employees at appropriate levels, including the provision of equity incentive schemes, designed to attract and retain Directors and key employees of appropriate calibre.
Operational risks	
As with all business activity the Group faces a variety of operational risks, including those arising from the potential breakdown in the control and effective management of the operating businesses and the physical destruction of the Group's premises.	The Group has a management structure and a system of internal control designed to provide reasonable assurance that these operational risks are mitigated. Insurance is carried against appropriate risks.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position, are set out in the Executive Chairman's Letter to Shareholders on pages 1 to 6 and in the Financial and Operating Review on pages 9 to 18. The Directors have reviewed the Group's budgets and forecasts for the coming 12 months, which have been prepared with appropriate regard to the current macroeconomic environment and the conditions in the principal markets served by the Group. As a result, at the time of approving the financial statements, the Directors consider that the Group and the Company have sufficient financial resources to continue in operational existence for the foreseeable future and, therefore, that it is appropriate to adopt the going concern basis in preparing these financial statements.



Carl Fry
Chief Financial Officer
30 March 2011

The Directors present their Annual Report on the affairs of the Group, together with the financial statements and auditor's report for the year ended 31 December 2010. The information given in the Directors' Report includes the information given in the Directors' Biographies, the Financial and Operating Review, Corporate Governance and the Statement of Directors' Responsibilities.

Activities and results

The Group's principal activities comprise the provision of catering, travel supplies and cabin management services to the international airline and travel industry. The Executive Chairman's Letter to Shareholders on pages 1 to 6 and the Financial and Operating Review on pages 9 to 18 report on the principal activities of the Group, its financial and operating performance during the year and the future development of the business. These statements are incorporated into this report by reference to them.

Dividends

No interim dividend for the financial year ended 31 December 2010 was paid and, in view of the current financial position of the Group, no final dividend is proposed.

Directors

The Company's current Directors are listed on pages 7 and 8, together with their biographical details. The Directors who served at any time during the year and since the year end were as follows:

Director
Danny Bernstein
Graham Bird
Carl Fry
Joseph Golio
Dimitri Goulandris
David Jennings
Stephen Yapp
David Young

Danny Bernstein and David Jennings will be retiring at the conclusion of the forthcoming Annual General Meeting, but will not be offering themselves for re-election.

Directors' indemnities

In accordance with the Articles of Association, the Directors are granted an indemnity from the Company to the extent permitted by law in respect of liabilities incurred as a result of their office. The Company maintains insurance against certain liabilities which could arise from a negligent act or a breach of duty by its Directors and officers in the discharge of their duties.

Employment policies

The Group's employment policies are designed to create an employment environment that attracts, retains and motivates the best people. The Group recognises that this can only be achieved through an active policy of equal opportunity from selection and recruitment, through training and development, appraisal and promotion.

The Group's policy is to ensure a working environment that is free from all types of discrimination and where all employees receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. Employees with disabilities, or who become disabled during their employment, are encouraged to develop their skills to their full potential and, under the equal opportunities policies operated by the Group, every effort is made to meet their individual needs. The Group welcomes applications from disabled people and will judge their application solely on their ability to perform the role applied for.

The Group seeks to make all employees aware of its policies, business development and progress, including financial performance. Employees are encouraged to provide feedback through their performance reviews, during briefing meetings and directly to the audit committee if required. All views expressed by employees are reviewed and acted upon in confidence.

Success for the Group is dependent upon the quality and performance of its employees. To encourage and motivate employees to contribute to the Group's performance, substantially all employees are eligible for annual bonuses that are subject to performance targets. Consideration is given to appropriate share incentive arrangements for senior management and the Executive Directors.

Health, safety and the environment

The Group is committed to the health, safety and welfare of its employees, clients and others. Accordingly, it is the Group's policy to manage its activities so as to avoid causing any unnecessary or unacceptable risk to health and safety and the environment. The Group recognises that safe operations depend not only on technically sound plant and equipment, but also on competent people and an active health, safety and environmental culture. It ensures that its employees, contractors and others are informed, engaged in and committed to the health, safety and environmental improvement process.

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of transactions. Payment terms vary, reflecting local practice throughout the world, and it is the Group's policy to abide by the terms of payment, provided suppliers perform in accordance with the agreed terms.

The parent company, Journey Group plc, has no trade creditors. The average age of invoices outstanding was 48 days (2009: 45 days) in the Products Division, 56 days (2009: 54 days) in the Services Division and 34 days (2009: 71 days) in the Los Angeles Division.

Share capital

Details of the Company's share capital are set out in Note 15 to the Group financial statements.

The authority given to the Directors to allot shares or grant rights to subscribe for, or to convert securities into, shares of up to a maximum of approximately 33.3 per cent. of the Company's issued ordinary share capital and the authority given to the Directors to allot equity securities for cash equivalent to approximately 5 per cent. of the Company's issued ordinary share capital otherwise than to existing shareholders on a pro rata basis, and to modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights issue or other pre-emptive offer or issue, expire at the Annual General Meeting. The Company's authority to purchase its own shares of up to a maximum of approximately 10 per cent. of the Company's issued ordinary share capital expires on the earlier of 29 June 2011 and the Annual General Meeting. No purchases have been made under this authority as at the date of this report.

The Directors recommend that both the authority to allot shares or grant rights to subscribe for, or to convert securities into, shares and the authority to allot equity securities for cash equivalent to approximately 5 per cent. of the Company's issued ordinary share capital otherwise than to existing shareholders on a pro rata basis be renewed so as to expire at the conclusion of the Annual General Meeting to be held in 2012. The Directors further recommend that the authority to purchase its own shares be renewed to expire on the earlier of the day before the anniversary of passing the resolution and the Annual General Meeting to be held in 2012.

Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditor for the forthcoming year will be proposed at the Annual General Meeting in accordance with section 489 of the Companies Act 2006.

By order of the Board

The Encompass Centre
International Avenue
Heston
Middlesex
TW5 9NJ

Carl Fry
Company Secretary
30 March 2011

Introduction

The Company is listed on the AIM market of the London Stock Exchange. Although the rules of AIM do not require the Company to comply with the Quoted Companies Alliance's Corporate Governance Guidelines ("the Guidelines"), the Company supports the principles set out in the Guidelines and seeks to comply wherever practical, given both the size and resources available to the Company. Details are given below of how the Company applies those parts of the Guidelines which it believes to be appropriate.

The Board

The Company is led and controlled by the Board. The Board currently comprises four Executive Directors and four Non-executive Directors. The names, functions and biographical details of the Directors are set out on pages 7 and 8. As set out in the Directors' Report on page 19, two of the Company's Non-executive Directors will be retiring at the forthcoming Annual General Meeting and will not be offering themselves for re-election. The Board will be giving consideration to its composition and that of the audit and remuneration committees over the coming year.

Stephen Yapp is the Executive Chairman, which incorporates the role of Chief Executive. The Company considers the combined role to be appropriate given the Group's size and divisional nature. Stephen Yapp is supported by Executive Directors and Non-executive Directors who bring a wide range of skills and experience to the Board. Accordingly, the Board considers its current structure to be appropriate to its needs. Of the four Non-executive Directors, Danny Bernstein, David Jennings and Graham Bird are judged to be independent. Dimitri Goulandris, as the representative of one of the Company's largest shareholders, is judged not to be independent. In the prior year, Graham Bird was judged not to be independent due to being the representative of one of the Company's largest shareholders, but he no longer represents that shareholder.

The Board is responsible for approving Group policy and strategy. The Executive Chairman is responsible for the effectiveness of the Board and ensuring communication with shareholders. The Executive Chairman is also accountable for the management of the Group, which he does through the structure of an Executive Committee. A full board meeting is held at least every quarter and has a schedule of matters specifically reserved to it for decision. Management supplies the Board with appropriate and timely information about the Group's activities and developments and the Directors are free to seek any further information they consider necessary. There are two committees of the Board, being the audit and remuneration committees. Membership of these committees, and their principal terms of reference are set out below.

Audit committee

Membership: David Jennings (Chairman), Danny Bernstein and Graham Bird.

The principal terms of reference of the audit committee are as follows:

- Overseeing preparation of the Group's financial statements.
- Monitoring the adequacy of financial controls and risk management processes.
- The selection, compensation, independence and performance of the Group's external auditors.

The terms of reference of the audit committee are available on the Company's website: www.journeygroup.plc.uk. The audit committee meets at least twice during the year, which includes dealing with the interim and annual results. The Company does not have an internal audit function. The audit committee has considered the need for one and decided that it is not justified at present.

Grant Thornton UK LLP, as the Company's external auditor undertakes non-audit related work. Such work may include taxation-related services, regulatory matters, work of an assurance nature related to fund raisings, acquisitions and mergers and other related services. The audit committee reviews the nature and extent of non-audit services supplied by the external auditor to ensure that their objectivity and independence is maintained.

In discharging its duties during the year the audit committee has had regard for the challenges arising from the current economic conditions. In particular, consideration has been given to the key risks faced by the Group and the reliance placed on estimates, assumptions and forecasts in the Group financial statements.

Remuneration committee

Membership: Graham Bird (Chairman), David Jennings and Danny Bernstein.

The principal terms of reference of the remuneration committee are as follows:

- Setting remuneration for Executive Directors, including share based incentives, pensions and other benefits.
- Monitoring the level and structure of remuneration for senior management below board level.
- Approving initial grants and subsequent exercise of all share based incentives.

The terms of reference of the remuneration committee are available on the Company's website: www.journeygroup.plc.uk. The remuneration committee meets as required.

During the year and subsequently, the remuneration committee considered a new share incentive scheme for the Company's existing four Executive Directors. The scheme was approved by the Board on 30 March 2011. A summary of the scheme is set out in Note 18.

Board appointments

The Board handles appointments itself as due to its size it does not consider a nominations committee to be necessary. The Board keeps under review the skills, knowledge and experience of its Directors with a view to ensuring that it remains appropriate for the Company's needs.

Relations with shareholders

The Board seeks and encourages engagement with all shareholders, including two-way communications with institutional investors, analysts and private investors. Meetings are held with institutional shareholders and analysts as appropriate. The Board considers the Annual Report and the Annual General Meeting to be important methods of communicating with shareholders and encourages shareholders to participate by submitting questions in advance of the Annual General Meeting.

Maintenance of a sound system of internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, risk of failure to achieve the business objectives and, as such, can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group's system of internal control includes the following:

- Preparation and approval of annual budgets and updated forecasts;
- Preparation and regular reviews of monthly management accounts;
- Regular reviews by the Executive Committee of business performance;
- Clearly defined organisational structures and appropriate delegated authorities for executives throughout the Group; and
- Policies, standards and procedures relating to key business activities.

There is a process for identifying, evaluating and managing the significant risks faced by the Group. The size of the Group is such that the establishment of a separate risk committee is not appropriate and so management reports directly to the Board. A system of business risk identification, assessment and evaluation is in place within the management process throughout the Group. Strategic risks are reviewed by the Board.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and have elected to prepare financial statements for the parent company in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- There is no relevant audit information of which the Company's auditors are unaware; and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website www.journeygroup.plc.uk. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF JOURNEY GROUP PLC

We have audited the Group financial statements of Journey Group plc for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity 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.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 24, the directors are responsible for the preparation of the Group 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 Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion

In our opinion the Group financial statements:

- give a true and fair view, of the state of the Group's affairs as at 31 December 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs

As explained in Note 2i to the Group financial statements the Group, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

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

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:

- 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.

Other matter

We have reported separately on the parent company financial statements of Journey Group plc for the year ended 31 December 2010.

Norman Armstrong
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
30 March 2011

CONSOLIDATED INCOME STATEMENT

for the 12 months to 31 December 2010

	Note	Before exceptional items £'000	Exceptional items £'000	Total £'000
Revenue	3	**37,236**	**-**	**37,236**
Cost of sales	4	(28,827)	-	(28,827)
Gross profit		8,409	-	8,409
Operating and administrative costs (excluding exceptional items)	4	(8,621)	-	(8,621)
Exceptional items:				
Disposal of investment in joint venture	4	-	(1,124)	(1,124)
Banking costs	4	-	(1,594)	(1,594)
Reorganisation costs	4	-	(301)	(301)
Recovery of PAYE and National Insurance	4	-	211	211
Adjustment to executive incentive share plan award	4	-	43	43
Total operating and administrative costs		(8,621)	(2,765)	(11,386)
Operating loss	3	**(212)**	**(2,765)**	**(2,977)**
Operating loss before share based payments		(119)	(2,808)	(2,927)
Share based payments		(93)	43	(50)
Share of joint venture's net loss	11	(582)	-	(582)
Finance costs	4	(440)	-	(440)
Finance income	4	14	-	14
		(1,008)	-	(1,008)
Loss before tax attributable to equity shareholders		**(1,220)**	**(2,765)**	**(3,985)**
Income tax expense	5	(4)	-	(4)
Loss after tax attributable to equity shareholders		**(1,224)**	**(2,765)**	**(3,989)**
Loss per share (pence)				
Basic	6			**1.4p**
Diluted	6			**1.4p**

CONSOLIDATED INCOME STATEMENT

for the 12 months to 31 December 2009

	Note	Before exceptional items £'000	Exceptional items £'000	Total £'000
Revenue	**3**	**74,537**	**-**	**74,537**
Cost of sales	**4**	(59,435)	-	(59,435)
Gross profit		15,102	-	15,102
Operating and administrative costs (excluding exceptional items)	**4**	(16,273)	-	(16,273)
Exceptional items:				
Banking costs	**4**	-	(1,022)	(1,022)
Reorganisation costs	**4**		(745)	(745)
Los Angeles start-up costs	**4**	-	(575)	(575)
Settlement of contract	**4**	-	(94)	(94)
Provision for onerous contract	**4**	-	(41)	(41)
Abortive disposal costs	**4**	-	(36)	(36)
Loss on disposal of subsidiary	**4**	-	(36)	(36)
Total operating and administrative costs		(16,273)	(2,549)	(18,822)
Operating loss	**3**	**(1,171)**	**(2,549)**	**(3,720)**
Operating loss before share based payments		(926)	(2,549)	(3,475)
Share based payments		(245)	-	(245)
Share of joint venture's net loss	**11**	(407)	-	(407)
Finance costs	**4**	(613)	-	(613)
Finance income	**4**	25	-	25
		(995)	-	(995)
Loss before tax attributable to equity shareholders		**(2,166)**	**(2,549)**	**(4,715)**
Income tax credit	**5**	71	-	71
Loss after tax attributable to equity shareholders		**(2,095)**	**(2,549)**	**(4,644)**
Loss per share (pence)				
Basic	**6**			**1.6p**
Diluted	**6**			**1.6p**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 12 months to 31 December 2010

	31 December 2010 £'000	31 December 2009 £'000
Loss for the year	**(3,989)**	(4,644)
Other comprehensive income / (loss)		
Exchange differences on translating foreign operations	**27**	(125)
Other comprehensive income / (loss), net of tax	**27**	(125)
Total comprehensive loss for the year attributable to the equity shareholders of the parent company	**(3,962)**	(4,769)

CONSOLIDATED BALANCE SHEET
as at 31 December 2010

	Note	31 December 2010 £'000	31 December 2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	5,124	5,606
Goodwill	9	6,106	6,106
Intangible assets	9	22	78
Investment in joint venture	11	-	5,193
		11,252	16,983
Current assets			
Inventories	12	1,807	1,121
Trade and other receivables	13	5,010	7,639
Prepayments	13	259	690
Current income tax		84	149
Cash and short-term deposits	14	2,302	1,691
		9,462	11,290
Total assets		20,714	28,273
Equity and liabilities			
Equity attributable to equity shareholders of the parent			
Issued share capital	15	2,906	2,906
Share premium account	15	36,352	36,352
Shares to be issued	15	100	100
Capital redemption reserve	15	24	24
Merger reserve	15	1,521	1,521
Foreign currency translation reserve	15	(1,001)	(1,028)
Retained earnings	15	(29,795)	(26,702)
Total equity		10,107	13,173
Non-current liabilities			
Interest bearing loans and borrowings	16	1,960	949
		1,960	949
Current liabilities			
Trade and other payables	17	8,116	12,860
Interest bearing loans and borrowings	16	531	1,291
		8,647	14,151
Total liabilities		10,607	15,100
Total equity and liabilities		20,714	28,273

The accounts on pages 27 to 67 were approved by the Board on 30 March 2011 and signed on its behalf by

Stephen Yapp
Executive Chairman

CONSOLIDATED CASH FLOW STATEMENT

for the 12 months to 31 December 2010

	Note	31 December 2010 £'000	31 December 2009 £'000
Net cash flows from operating activities			
Loss after tax		**(3,989)**	(4,644)
Income tax expense / (credit)		**4**	(71)
Depreciation and amortisation		**868**	2,103
Share of joint venture's net loss		**582**	407
Loss / (gain) on disposal		**1,111**	(193)
Share based payments expense		**50**	245
Fair value charges relating to warrants		**846**	240
Finance income		**(14)**	(25)
Finance costs		**440**	613
(Increase) / decrease in inventories		**(686)**	2,163
Decrease in trade and other receivables		**3,060**	3,106
Decrease in trade and other payables		**(4,744)**	(3,752)
Cash flows (used in) / generated from operations		**(2,472)**	192
Interest received		**14**	25
Interest paid		**(440)**	(596)
Income taxes received		**61**	35
Net cash flows used in operating activities		**(2,837)**	(344)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		**20**	13
Cash arising from joint venture transaction		**3,500**	5,000
Purchase of property, plant and equipment		**(156)**	(269)
Purchase of intangible assets		**(22)**	(2)
Net cash flows generated from investing activities		**3,342**	4,742
Cash flows from financing activities			
Proceeds from borrowings		**4,500**	-
Payment of bank loan and finance lease obligations		**(3,423)**	(5,901)
Net cash flows generated from / (used in) financing activities		**1,077**	(5,901)
Net increase / (decrease) in cash and cash equivalents	**24**	**1,582**	(1,503)
Net foreign exchange difference		**(145)**	594
Cash and cash equivalents at beginning of year		**853**	1,762
Cash and cash equivalents at end of year	**24**	**2,290**	853

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 12 months to 31 December 2010

	Issued share capital	Share premium account	Shares to be issued	Capital redemption reserve	Merger reserve	Foreign currency translation reserve	Retained earnings	Total equity*
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2010	**2,906**	**36,352**	**100**	**24**	**1,521**	**(1,028)**	**(26,702)**	**13,173**
Fair value charges relating to warrants	-	-	-	-	-	-	846	846
Cost of share based payments	-	-	-	-	-	-	50	50
Transactions with owners	-	-	-	-	-	-	896	896
Loss for the year	-	-	-	-	-	-	(3,989)	(3,989)
Other comprehensive income:								
Exchange differences on translating foreign operations	-	-	-	-	-	27	-	27
Total comprehensive loss	-	-	-	-	-	27	(3,989)	(3,962)
At 31 December 2010	**2,906**	**36,352**	**100**	**24**	**1,521**	**(1,001)**	**(29,795)**	**10,107**

* Total equity is all attributable to shareholders of the parent.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 12 months to 31 December 2009

	Issued share capital	Share premium account	Shares to be issued	Capital redemption reserve	Merger reserve	Foreign currency translation reserve	Retained earnings	Total equity*
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2009	**2,906**	**36,352**	**100**	**24**	**1,521**	**(903)**	**(22,543)**	**17,457**
Fair value charges relating to warrants	-	-	-	-	-	-	240	240
Cost of share based payments	-	-	-	-	-	-	245	245
Transactions with owners	-	-	-	-	-	-	485	485
Loss for the year	-	-	-	-	-	-	(4,644)	(4,644)
Other comprehensive loss:								
Exchange differences on translating foreign operations	-	-	-	-	-	(125)	-	(125)
Total comprehensive loss	-	-	-	-	-	(125)	(4,644)	(4,769)
At 31 December 2009	**2,906**	**36,352**	**100**	**24**	**1,521**	**(1,028)**	**(26,702)**	**13,173**

* Total equity is all attributable to shareholders of the parent.

1. CORPORATE INFORMATION

The consolidated financial statements of Journey Group plc (the "Group") for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Directors on 30 March 2011 and the balance sheet was signed on the Board's behalf by Stephen Yapp. Journey Group plc is a public limited company incorporated and domiciled in England & Wales. The Company's shares are publicly traded on the AIM market of the London Stock Exchange. The principal activities of the Group are described in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

i. Basis of preparation and statement of compliance

Journey Group plc has prepared its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Group has also complied with IFRSs as issued by the IASB. The financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in sterling and are rounded to the nearest thousand (£'000) except where otherwise indicated.

The basis on which corporate costs have been allocated has changed as set out in Note 3. As such this led to a restatement of the segmental reporting note for 2009. However, the Directors consider that it is not necessary to present the 31 December 2008 consolidated balance sheet as it is the same as previously presented.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position, are set out in the Executive Chairman's Letter to Shareholders on pages 1 to 6 and in the Financial and Operating Review on pages 9 to 18. The Directors have reviewed the Group's budgets and forecasts for the coming 12 months, which have been prepared with appropriate regard to the current macroeconomic environment and the conditions in the principal markets served by the Group. As a result, at the time of approving these financial statements, the Directors consider that the Group has sufficient financial resources to continue in operational existence for the foreseeable future and, therefore, that it is appropriate to adopt the going concern basis in preparing these financial statements.

ii. Consolidation

Subsidiaries

The Group financial statements consolidate the financial statements of Journey Group plc and the entities it controls (its subsidiaries) drawn up to 31 December each year. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Acquisitions of subsidiaries are dealt with by the purchase method. On acquisition, assets and liabilities of subsidiaries are measured at their fair values at the date of acquisition with any excess of the cost of acquisition over this value being capitalised as goodwill, after separating out identifiable intangible assets.

Subsidiaries continued

For business combinations occurring since 1 January 2010, the requirements of IFRS 3R have been applied. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount is recognised in profit or loss immediately. Prior to 1 January 2010, business combinations were accounted under the previous version of IFRS 3.

Joint venture

A joint venture is an entity over which the Group has joint control under contractual agreement and which is not a subsidiary. The Group's investment in joint venture is accounted for under the equity method of accounting. Under this method the investment in joint venture is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture less any impairment in value. The consolidated income statement reflects the share of the results of the joint venture. Where there has been a change recognised directly in the joint venture's equity the Group recognises its share in the consolidated statement of comprehensive income.

iii. Goodwill and intangible fixed assets

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to the related cash generating units monitored by management at business entity level or combination of business entity level as appropriate. Where the higher of the recoverable amount of the cash generating unit and its value in use is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement. The carrying amount of goodwill allocated to a cash generating unit is taken into account when determining the gain or loss on disposal of the unit or of an operation within it.

Intangible assets acquired separately are capitalised at cost and where acquired from a business combination are capitalised at the fair value at the date of acquisition. The useful lives of these intangible assets are assessed to be either finite or indefinite. Where the life of an intangible asset is identified as being finite the cost of the asset is amortised over its useful economic life. If the life is considered to be indefinite the asset is subject to annual impairment reviews. Where amortisation is charged on assets with finite lives, this expense is recognised in the income statement through the 'operating and administrative costs' line item. Computer software costs are accounted for as an intangible fixed asset and are amortised over their estimated useful economic life of not more than 5 years. The amortisation charge is included within operating and administrative costs in the income statement.

iv. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Journey Group plc is organised and managed through the Products Division, the Services Division and the Los Angeles Division. The following criteria must also be met before revenue is recognised:

Sale of travel supplies, catering and media services
The Products Division sells travel supplies mainly to airlines. Shipments are normally made in bulk quantities to the airline for subsequent draw-down for individual flights. Depending on the terms of the contract, revenue is recognised either at the point of shipment or delivery to the customer, whichever indicates the risks and rewards of ownership have been transferred.

The Services Division supplies time critical goods, including food, newspapers and magazines and the Los Angeles Division supplies food, which is time critical. Supply is generally made directly to the aircraft in the quantities specified by the airline, often with very short lead times. The provision of such supplies to the airline is termed a "service" within the Group. The provision of newspapers and magazines is termed "media services" within the Group. Revenue is recognised when the goods are delivered to the aircraft.

Marketing, design and consultancy services
The Products Division and the Services Division also derive revenue from marketing, design and consultancy services. This revenue is recognised by reference to the stage of completion of the transaction at the balance sheet date.

Supply chain management
The Services Division is also engaged in supply chain management. This revenue is recognised on a time basis, as the right to the revenues are earned.

Interest income
Revenue is recognised as interest accrues using the effective interest method - that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

v. Foreign currency
The presentation currency of the Group is sterling.

Transactions in foreign currencies are initially recorded in the functional currency of each subsidiary at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement. Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The functional currency of the overseas subsidiaries may differ from the presentation currency of the Group. At the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the year, which are considered materially to approximate to actual rates. The exchange differences arising on the retranslation are taken to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

vi. Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided on all plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful economic life at the following annual rates:

Plant and machinery – 10% to 25%
Fixtures and fittings – 10% to 25%
Office equipment – 25%
Motor vehicles – 20% to 25%
Leasehold improvements – Over the term of the lease

vi. Property, plant and equipment continued

The carrying value of plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and the carrying value of the assets exceeds their estimated recoverable amount, which is the higher of the value in use and net selling price, the assets are written down to their recoverable amount.

vii. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes estimates of the asset's recoverable amount. The recoverable amount of the asset or cash generating unit is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. Impairment losses on goodwill are not reversed.

viii. Leases

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the estimated useful life of the asset since full ownership of the asset is obtained at the end of the arrangement.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

ix. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Raw materials, consumables and finished goods are accounted for on a first-in first-out basis.

x. Financial assets other than derivatives

Financial assets other than derivatives currently comprise trade and other receivables, cash and cash equivalents.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Included within loans and receivables are trade and other receivables, which generally have 15 to 30 day terms. Trade and other receivables are recognised and carried at the lower of their original invoiced value, where this equates to the fair value, and their recoverable amount. Where the time value of money is material, receivables are carried at amortised cost.

Provision is made when there is objective evidence that the Group will not be able to recover balances in full.

Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less and where there is an insignificant risk of changes in value.

In the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank loans maturing in less than 3 months and bank overdrafts.

xi. Financial liabilities other than derivatives
Financial liabilities, other than derivatives, currently comprise loans and trade and other payables.

Loans
Loans are recognised initially at fair value net of transaction costs and are carried subsequently at amortised cost with finance charges calculated under the effective interest rate method.

Trade and other payables
Trade and other payables are not interest bearing and are stated at their nominal value.

xii. De-recognition of financial assets or liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

xiii. Share based payments
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate pricing model. In valuing equity-settled transactions at the grant date, no account is taken of any non-market vesting conditions.

At each subsequent balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions which will determine the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

xiii. Share based payments continued

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award, at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement. The Group has no cash settled share based payments. The Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2005.

xiv. Derivative financial instruments
The Group has derivative financial instruments in the form of put and call options within the Joint Venture agreement in respect of the shares held in Alpha-Airfayre Limited. Such derivative financial instruments fall to be recorded in the balance sheet at fair value on initial recognition with subsequent changes in fair value being recognised in the income statement. However, these options are not considered to have a fair value that is material either at the recognition date or subsequently and before the balance sheet date the investment in the joint venture had been sold.

xv. Warrants
The warrants issued in conjunction with the Taurouge II SARL debt facility are accounted for in accordance with the requirements of IAS 32 and 39. The warrant instrument is separately recognised since it is considered to be separated from the debt instrument. On initial recognition the warrants are measured at fair value and recorded within equity in the balance sheet.

xvi. Provisions
A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset, but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

xvii. Borrowing costs
Interest and borrowing costs are accounted for on the accruals basis under the effective interest method and are recognised through the income statement in full.

xviii. Income taxes
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- in respect of deferred income tax assets which are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity or other comprehensive income if it relates to items that are credited or charged to equity or other comprehensive income. Otherwise income tax is recognised in the income statement.

xix. Pension scheme contributions

The Group operates a group personal pension plan for eligible employees. The Group contributes a percentage of an employee's salary into their individual fund set up under the scheme. Contributions made into the scheme are recognised in the income statement during the period in which they arise.

xx. Exceptional items

The Group presents as exceptional items, on the face of the income statement, those material items of income and expense which, because of their nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance during the period, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

xxi. Significant judgements and estimates

In preparing the financial statements the Directors are required to make judgements and estimates in applying accounting policies. The most significant areas where judgements and estimates have been applied are as follows:

Judgements

- The Directors consider the expected life of the Taurouge II SARL facility to be shorter than its contractual term. £3,000,000 of the facility was repaid on 26 November 2010 and at the balance sheet date it was the Company's intention to refinance the remaining £1,500,000 of the facility given its high interest rate as early as circumstances permit in 2011 (see Note 4 and the Financial and Operating Review on page 12). As such the amortisation period has been accelerated for the costs related to the facility to reflect its expected life.

- Cash and short-term deposits include a cash deposit of £400,000 that at 31 December 2010 was restricted. The deposit is held as collateral for the obligations of the Company to Taurouge II SARL under the three year facility entered on 3 September 2010 (see Financial and Operating Review on page 15), although with the consent of Taurouge II SARL it may be applied in funding the Group's operations. The Directors consider the amount should be classified within cash and short-term deposits as at the balance sheet date it was the Company's intention to refinance the remaining £1,500,000 of the facility given its high interest rate as early as circumstances permit in 2011.

xxi. Significant judgements and estimates continued

- As set out in Note 18, on 30 March 2011 the Board approved a new share incentive scheme in which each of the Company's four Executive Directors participate. Whilst this scheme was under consideration during 2010 and provides for retrospective vesting covering periods prior to 31 December 2010, the Directors do not consider that a fair value charge is required under IFRS 2 as during the period to 31 December 2010 there was, in their opinion, an insufficient probability that the scheme would be implemented in substantially the form under consideration. As such they consider that the prospective members of the scheme did not deliver services during that period in expectation of any award under the scheme. The scheme replaced a cash bonus scheme for the Executive Directors that would have paid out in the event of a change in control or the disposal of a significant proportion of the Group's business and assets.
- In the Directors' opinion, taking into account the terms of the Taurouge II SARL facility, the warrants issued over 35,185,825 ordinary shares constitute an early settlement premium in relation to Tranche A of the facility of £3,000,000. As such, the fair value of the warrants of £846,000 has been charged to the income statement in the period in which Tranche A of the facility was repaid.

Estimates

- In conducting the annual impairment test of goodwill, various significant assumptions have been made in arriving at the recoverable amounts of cash generating units (see Note 10).
- On initial recognition the Group measured the warrants issued to the Taurouge II SARL in accordance with IAS 39 by reference to their fair value at the date on which they were granted. Judgement was required in determining the most appropriate valuation model and assumptions were necessary in arriving at the inputs into such model (see Notes 4 and 15).

xxii. New accounting standards and interpretations

The Directors do not anticipate that any of the standards and interpretations issued by the IASB and IFRIC that have an effective date after the date of these financial statements will have a material impact on the Group's financial statements in the period of initial application. The Group will apply relevant new standards from their effective date.

3. SEGMENTAL REPORTING

The Group is organised on a worldwide basis into three primary business segments, the Products Division, the Services Division and the Los Angeles Division. These reportable segments are the three strategic divisions for which monthly financial information is provided to the chief operating decision maker.

The Products Division provides a broad range of travel supplies predominately to the international travel industry on a global basis. The Services Division was a supplier of catering to the international travel industry within the United Kingdom until the transfer of those operations to the joint venture with Alpha Flight UK Limited on 20 November 2009 and is a supplier of media services to the international travel industry in the United Kingdom. The Services Division was also engaged in supply chain management, but since 31 December 2009 this revenue stream ceased. Both the Products and Services Divisions provide marketing, design and consultancy services. The Los Angeles Division is a supplier of catering to the domestic and international travel industry within the United States of America.

Segment revenues, expenses and results include transfers and transactions between business segments and between geographical segments. Such transactions are accounted for at competitive market prices which would be charged to unaffiliated clients for similar goods. All inter-segment transactions are eliminated on consolidation. Geographical segment revenues are based on the country of domicile; information is not available to produce geographical segment revenues based on sales by destination. In relation to the year ended 31 December 2010, the basis on which corporate costs have been allocated has been amended in order to charge those costs relating to management of the Group's businesses to the Group's three business segments. Accordingly, the comparative figures have been restated on a consistent basis. The segmental results of the Products Division, the Services Division and the Los Angeles Division have been reduced, respectively, by £253,000, £432,000 and £168,000 and unallocated corporate costs have been reduced by £853,000.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, prepayments, inventories, goodwill and property, plant and equipment, net of allowances and provisions. Where allocation of assets across segments is not possible, they are classified as unallocated corporate assets. Geographical segment non-current assets comprise fixed assets, investment in joint venture and goodwill and are based on the location of the assets and operations.

Segment liabilities include all operating liabilities and consist principally of finance leases, accounts payable, social security and other taxes, and accrued liabilities. Where allocation of liabilities across segments is not possible, such liabilities are classified as unallocated corporate liabilities.

Segment assets and liabilities do not include receivable or payable balances in respect of income taxes.

Exceptional items relate to significant non-recurring expenditure of an unusual nature.

The Group has one customer who accounted for revenues of £14.8 million, which amounts to more than 10 per cent. of Group revenues. These revenues arise entirely in the Los Angeles Division.

3. SEGMENTAL REPORTING continued

Segmental information by business segment for 12 months to 31 December 2010

	Products Division £'000	Services Division £'000	Los Angeles Division £'000	Eliminations £'000	Total £'000
Revenue					
Travel supplies, catering and media services	19,457	2,726	15,137	(151)	37,169
Marketing, design and consultancy	-	67	-	-	67
Total revenue	**19,457**	**2,793**	**15,137**	**(151)**	**37,236**
Result					
Segment result before exceptional items	(770)	478	740	-	448
Exceptional costs:					
Reorganisation costs	(245)	(55)	-	(1)	(301)
Segment result	**(1,015)**	**423**	**740**	**(1)**	**147**
Unallocated corporate costs					(660)
Exceptional costs:					
Disposal of investment in joint venture					(1,124)
Banking costs					(1,594)
Recovery of PAYE and National Insurance					211
Adjustment to executive incentive share plan award					43
Operating loss					**(2,977)**
Share of joint venture's net loss					(582)
Finance costs					(440)
Finance income					14
Income tax expense					(4)
Loss after tax					**(3,989)**
Segment assets	6,754	3,015	6,125	(2,259)	13,635
Unallocated corporate assets					6,995
					20,630
Current income tax					84
Consolidated assets					**20,714**
Segment liabilities	(7,076)	(1,343)	(4,245)	4,329	**(8,335)**
Unallocated corporate liabilities					(2,272)
Consolidated liabilities					**(10,607)**
Capital expenditure including intangible assets	**44**	**4**	**94**	**36**	**178**
Depreciation and amortisation	**102**	**1**	**649**	**116**	**868**
Other non-cash expenses / (income)	**-**	**(32)**	**-**	**15**	**(17)**

Segmental information by business segment for 12 months to 31 December 2009 (restated)

	Products Division £'000	Services Division £'000	Los Angeles Division £'000	Eliminations £'000	Total £'000
Revenue					
Travel supplies, catering and media services	20,409	38,266	15,161	-	73,836
Supply chain management	-	501	-	-	501
Marketing, design and consultancy	-	200	-	-	200
Total revenue	**20,409**	**38,967**	**15,161**	**-**	**74,537**
Result					
Segment result before exceptional items	(308)	(136)	99	-	(345)
Exceptional costs:					
Reorganisation costs	(443)	(302)	-	-	(745)
Los Angeles start-up costs	-	-	(575)	-	(575)
Settlement of contract	(94)	-	-	-	(94)
Segment result	**(845)**	**(438)**	**(476)**	**-**	**(1,759)**
Unallocated corporate costs					(826)
Exceptional costs:					
Banking costs					(1,022)
Abortive disposal costs					(36)
Provision for onerous contract					(41)
Loss on disposal of subsidiary					(36)
Operating loss					**(3,720)**
Share of joint venture's net loss					(407)
Finance costs					(613)
Finance income					25
Income tax credit					71
Loss after tax					**(4,644)**
Segment assets	5,178	5,717	6,622	(2,130)	15,387
Unallocated corporate assets					12,737
					28,124
Current income tax					149
Consolidated assets					**28,273**
Segment liabilities	(4,703)	(7,621)	(10,235)	11,007	(11,552)
Unallocated corporate liabilities					(3,548)
Consolidated liabilities					**(15,100)**
Capital expenditure including intangible assets	**80**	**122**	**21**	**48**	**271**
Depreciation and amortisation	**138**	**1,037**	**633**	**295**	**2,103**
Other non-cash expenses / (income)	**4**	**(154)**	**-**	**195**	**45**

3. SEGMENTAL REPORTING continued

Segmental information by geographical region for 12 months to 31 December 2010

	Revenue £'000	Non-current assets £'000
United Kingdom	12,072	6,254
United States of America	15,584	4,959
Other	9,580	39
	37,236	**11,252**

Segmental information by geographical region for 12 months to 31 December 2009

	Revenue £'000	Non-current assets £'000
United Kingdom	52,926	11,564
United States of America	16,254	5,337
Other	5,357	82
	74,537	**16,983**

4. REVENUE AND EXPENSES

Cost of sales and operating and administrative costs

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Included in cost of sales and operating and administrative costs		
Cost of inventories recognised as an expense	**23,075**	45,870
Share based payment expense	**93**	245
Depreciation of property, plant and equipment	**790**	1,876
Amortisation of intangible assets	**78**	177
Net foreign exchange (gains) / losses	**(100)**	34
Operating lease rentals payable	**732**	2,372
Fees paid to the Company's auditors:		
For the audit of the Company's annual financial statements	**42**	50
For other services:		
The audit of the Company's subsidiaries pursuant to legislation	**92**	165
Other services pursuant to legislation	**4**	5
Tax services	**25**	70

Exceptional items

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Disposal of investment in joint venture	**1,124**	-
Banking costs	**1,594**	1,022
Reorganisation costs	**301**	745
Recovery of PAYE and National Insurance	**(211)**	-
Adjustment to executive incentive share plan award	**(43)**	-
Los Angeles start-up costs	**-**	575
Settlement of contract	**-**	94
Provision for onerous contract	**-**	41
Abortive disposal costs	**-**	36
Loss on disposal of subsidiary	**-**	36
Total exceptional items	**2,765**	2,549

Disposal of investment in joint venture

The loss comprises the provision taken in the interim results of £1,232,000 to reduce the carrying value of the investment to its recoverable value offset by a profit on disposal of £108,000. The investment in the Alpha-Airfayre Limited joint venture was sold on 26 November 2010 for a cash consideration of £3,500,000 (see Note 11).

Banking costs

During the current year these costs comprised the following:

- Facility fees of £368,000 in respect of the former multi-option bank facility that were significantly in excess of reasonably normal levels plus related legal fees.
- Facility fees, structuring fees, legal fees and accountants' fees amounting to £380,000 and the fair value of warrants of £846,000 issued in connection with the £4,500,000 Taurouge II SARL facility completed on 3 September 2010. The warrants were issued to the lender and were over 35,185,825 ordinary shares (see Note 15). The warrants have been accounted for in accordance with IAS 39 with their fair value charged to the income statement in the period in which the associated debt was repaid. The warrants are considered to form part of the cost of the refinancing and, accordingly, the charge to the income statement relating to their initial recognition is included within exceptional items consistent with the presentation of the cash refinancing costs. The amortisation period of the cash costs of £380,000 has been accelerated to reflect the expected life of the facility (see Note 2xxi).

During the prior year these costs comprised the following:

- Facility fees, legal fees, accountants' fees, fees in respect of banking advice and the fair value of warrants in connection with the replacement on 27 August 2009 of the Company's existing bank facilities, which were due to expire on 31 August 2009, with a new multi-option facility of £5,820,500 and a bank guarantee facility of £290,000. The warrants were issued to the lender and were over 14,528,624 ordinary shares. The warrants were accounted for in accordance with IAS 39 with their fair value of £240,000 charged to the income statement in the period.
- Fees in respect of a waiver of bank covenants.
- Facility fees, legal fees and accountants' fees in respect of the release by the lender of charges over the assets of Air Fayre Limited, International Catering Limited and Elev8 Retail Limited enabling the disposal to proceed of their operating activities and certain net assets to the Alpha-Airfayre Limited joint venture.
- Legal fees in connection with the security taken by the lender over the Company's investment in its US operations.

4. REVENUE AND EXPENSES continued

Reorganisation costs
During both 2010 and 2009, reorganisation costs primarily comprised redundancy costs and consultants fees in relation to restructuring.

Recovery of PAYE and National Insurance
This income relates to the recovery of PAYE and National Insurance over-paid in previous years.

Adjustment to executive incentive share plan award
This income is a fair value credit to adjust the matching award under the executive incentive share plan to reduce the number of shares issuable by 700,160 to 2,012,400 (see Note 19). This credit has been included in exceptional items as the fair value charge being adjusted was previously charged as an exceptional item.

Los Angeles start-up costs
These costs related to the costs of the start-up of the Group's in-flight catering operation based in Los Angeles, USA. They comprised the excess running costs incurred in the third to fifth months of operations and compensation paid to United Airlines in respect of excess costs they incurred at start-up.

Settlement of contract
This comprised the cost of settlement of a contractual dispute with a customer in relation to a rebate.

Provision for onerous contract
This comprises a provision in relation to onerous contractual obligations in respect of office equipment.

Abortive disposal costs
This relates to the costs incurred in respect of the abortive disposal of a subsidiary company.

Loss on disposal of subsidiary
The loss arose on the disposal of the operating activities and certain net assets of Air Fayre Limited, International Catering Limited and Elev8 Retail Limited to the Alpha-Airfayre Limited joint venture.

Finance (costs) / income

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Finance costs		
Bank loans and overdrafts	**(272)**	(255)
Finance charges payable under finance leases	**(132)**	(184)
Other interest and finance costs payable	**(36)**	(174)
Total finance costs	**(440)**	(613)
Finance income		
Bank interest	**14**	25
Total finance income	**14**	25

5. INCOME TAX

The components of income tax expense / (credit) were as follows:

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Current income tax:		
Overseas taxation	**19**	(50)
Over accrual in previous years	**(15)**	(21)
Total income tax expense / (credit)	**4**	(71)

The reconciliation of the income tax credit applicable to the loss before tax at the statutory income tax rate to income tax expense / (credit) at the Group's effective income tax rate is as follows:

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Loss before tax	**(3,985)**	(4,715)
At Journey Group plc corporation tax rate of **28%** (2009: 28%)	**(1,116)**	(1,320)
Over accrual in previous years	**(15)**	(21)
Other expenses not deductible for taxation purposes	**801**	172
Unutilised current year losses carried forward	**394**	1,072
Utilisation of brought forward tax losses	**-**	(249)
Movement in unprovided deferred tax	**(60)**	232
Tax on overseas earnings at other rates	**-**	43
Total income tax expense / (credit)	**4**	(71)

The Group has estimated UK tax losses of £8.3m (2009: £6.6m) that are available indefinitely for offset against future taxable profits arising from the same trades of the companies in which the losses arose. The Group has also estimated non-trade UK tax losses of £3.8m (2009: £3.2m) that are available indefinitely for offset against future non-trading gains. Deferred tax assets have not been recognised in respect of these losses as there is insufficient certainty of future taxable profits against which to utilise them.

6. LOSS PER SHARE

The loss per share is calculated by dividing the loss after tax attributable to equity shareholders (numerator) by the weighted average number of ordinary shares in issue during the year (denominator).

The diluted loss per share is calculated using the same numerator with the denominator adjusted for the dilutive effects of share options and warrants. As the Group has made a loss in the current year and previous year, no adjustment is made to the denominator for the impact of share options and warrants because the potential shares are anti-dilutive.

Adjusted loss per share, both basic and dilutive, use the denominator described in the appropriate paragraphs above. For both adjusted basic loss per share and adjusted diluted loss per share, the numerator is adjusted to remove the post tax impact of exceptional items from the calculations.

The weighted average number of shares in issue during the year was 290,572,553 (2009: 290,572,553). The following represents loss data used to calculate basic, diluted and adjusted loss per share:

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Loss table		
Loss after tax attributable to equity shareholders	**(3,989)**	(4,644)
Exceptional items (post tax)	**2,765**	2,549
Adjusted net loss after tax attributable to equity shareholders	**(1,224)**	(2,095)

	Loss per share 12 months to 31 December 2010 Pence	Loss per share 12 months to 31 December 2009 Pence
Loss per share table		
Basic loss per share	**1.4**	1.6
Diluted loss per share	**1.4**	1.6
Adjusted basic loss per share	**0.4**	0.7
Adjusted diluted loss per share	**0.4**	0.7

7. DIVIDENDS PAID AND PROPOSED

At 31 December 2010, there were no unrecognised dividends (2009: £nil). No interim or final dividends have been declared in respect of the year ended 31 December 2010.

8. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £'000	Fixtures and fittings £'000	Office equipment £'000	Motor Vehicles £'000	Total £'000
At 1 January 2009, net of accumulated depreciation	**7,169**	**8,131**	**279**	**12**	**15,591**
Additions at cost	164	32	73	-	269
Disposals	(3)	-	(2)	(1)	(6)
Transfer to joint venture	(3,582)	(4,000)	(21)	-	(7,603)
Depreciation charge	(992)	(767)	(162)	(5)	(1,926)
Exchange adjustment	(327)	(385)	(7)	-	(719)
At 31 December 2009, net of accumulated depreciation	**2,429**	**3,011**	**160**	**6**	**5,606**
Additions at cost	47	59	25	25	156
Disposals	-	-	-	(20)	(20)
Depreciation charge	(316)	(407)	(61)	(6)	(790)
Exchange adjustment	95	72	5	-	172
At 31 December 2010, net of accumulated depreciation	**2,255**	**2,735**	**129**	**5**	**5,124**
At 1 January 2009					
Cost	10,291	10,072	1,036	23	21,422
Accumulated depreciation	(3,122)	(1,941)	(757)	(11)	(5,831)
Net carrying amount	**7,169**	**8,131**	**279**	**12**	**15,591**
At 1 January 2010					
Cost	2,934	3,763	592	16	7,305
Accumulated depreciation	(505)	(752)	(432)	(10)	(1,699)
Net carrying amount	**2,429**	**3,011**	**160**	**6**	**5,606**
At 31 December 2010					
Cost	3,071	3,917	293	9	7,290
Accumulated depreciation	(816)	(1,182)	(164)	(4)	(2,166)
Net carrying amount	**2,255**	**2,735**	**129**	**5**	**5,124**

Included in plant and machinery are assets subject to finance leases with a net book value as 31 December 2010 of £1,699,000 (2009: £1,857,000). Depreciation charged during the year relating to these assets was £218,000 (2009: £210,000). Leased assets are pledged as security for the related finance lease liabilities.

Part of these assets form security under the terms of unlimited debentures.

9. GOODWILL AND INTANGIBLE ASSETS

	Software products £'000	Purchased goodwill £'000
At 1 January 2009, net of amortisation and impairment	**260**	**10,010**
Additions at cost	2	-
Disposals	(7)	(3,904)
Amortisation charge	(177)	-
At 31 December 2009, net of amortisation and impairment	**78**	**6,106**
Additions at cost	22	-
Amortisation charge	(78)	-
At 31 December 2010, net of amortisation and impairment	**22**	**6,106**
At 1 January 2009		
Cost	1,230	30,610
Accumulated amortisation	(970)	-
Impairment charge	-	(20,600)
Net carrying amount	**260**	**10,010**
At 1 January 2010		
Cost	1,220	26,706
Accumulated amortisation	(1,142)	-
Impairment charge	-	(20,600)
Net carrying amount	**78**	**6,106**
At 31 December 2010		
Cost	45	26,706
Accumulated amortisation	(23)	-
Impairment charge	-	(20,600)
Net carrying amount	**22**	**6,106**

Intangible software products primarily relate to the licence, set up and implementation costs of a Group-wide fully integrated computerised Enterprise Resource and Planning system. Part of these assets form security under the terms of unlimited debentures.

Purchased goodwill is not amortised and is tested annually for impairment. The disposal during 2009 relates to the disposal of the operating activities and certain net assets of Air Fayre Limited, International Catering Limited and Elev8 Retail Limited to the Alpha-Airfayre Limited joint venture.

10. IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations has been allocated to cash generating units within the following business segments for impairment testing as follows:

Business segment	Cash generating unit
Products Division:	MNH Sustainable Cabin Services Limited
	Watermark (comprising Watermark Limited, Watermark Americas Inc and Watermark Asia Limited)
Services Division:	Media On The Move Limited

The recoverable amounts of these cash generating units have been determined based on a value-in-use calculation using cash flow projections based on forecasts that cover a three-year period and are approved by management. The cash flow projections include assumptions that fixed period contracts will either be rolled over on termination or replaced with equivalent new business.

The discount rate applied to cash flow projections is 14.5 per cent. (2009: 14.5 per cent.), which has been selected by management to reflect the weighted average cost of capital and the risk factors associated with future operating plans. Cash flows beyond this period are assumed to increase at an inflation rate of 2.5 per cent. per annum (2009: 2.5 per cent.) with real growth of 2.5 per cent. per annum (2009: 2.5 per cent.). The inflation rate and real growth rate have been selected as management's long-term expectations of those variables.

The carrying amount of goodwill was as follows:

Products Division:	MNH Sustainable Cabin Services Limited £'000	Watermark £'000	Total £'000
At 1 January 2010 and 31 December 2010	1,442	2,518	3,960

Services Division:	Media On The Move Limited £'000	Total £'000
At 1 January 2010 and 31 December 2010	2,146	2,146

Group:	Total £'000
At 1 January 2010 and 31 December 2010	6,106

The Group holds no other intangible assets with indefinite useful economic lives.

10. IMPAIRMENT TESTING OF GOODWILL continued

The most significant assumptions used in calculating the value in use are the discount rate, the inflation rate, the long-term growth rate and the three-year projected cash flows.

An increase in the Group's discount rate or a reduction in the inflation rate or in the real growth rate by 1 per cent. would reduce the value in use within the cash generating units as follows:

	Discount rate £'000	Inflation rate £'000	Real growth rate £'000
MNH Sustainable Cabin Services Limited	343	289	289
Watermark	548	470	470
Media On The Move Limited	264	223	223

A 5 per cent. reduction in the three-year projected cash flows would reduce the value in use within the cash generating units as follows:

	£'000
MNH Sustainable Cabin Services Limited	342
Watermark	281
Media On The Move Limited	248

11. INVESTMENT IN JOINT VENTURE

	£'000
Net carrying amount at 1 January 2009	**-**
Additions at valuation	5,600
Share of losses for the year after taxation	(407)
Net carrying amount at 1 January 2010	**5,193**
Share of losses for the year after taxation	(582)
Impairment	(1,232)
Disposal	(3,379)
Net carrying amount at 31 December 2010	**-**

The investment in joint venture comprises a 49 per cent. interest in Alpha-Airfayre Limited, which was established to combine primarily the Heathrow in-flight catering operations of the Group and Alpha Flight UK Limited.

During the year an impairment provision of £1,232,000 was taken to reduce the carrying value of the investment to its recoverable value and, on 26 November 2010, the investment was disposed of for a cash consideration of £3,500,000. After deducting the net carrying value at the date of disposal of £3,379,000 and the legal fees of £13,000 incurred in relation to the disposal, there was a gain of £108,000. The impairment provision of £1,232,000 less the gain on disposal of £108,000, a net of £1,124,000 has been charged as an exceptional item (see Note 4).

The Group's share of tangible fixed assets, current assets, current liabilities, income and expense was as follows:

	31 December 2010 £'000	31 December 2009 £'000
Tangible fixed assets	-	5,677
Current assets	-	6,477
Current liabilities	-	(10,293)
Share of net assets	-	1,861
Revenue	35,721	4,252
Operating costs	(36,329)	(4,724)
Finance charges	(295)	(5)
Taxation	321	70
Share of losses for the year after taxation	(582)	(407)

12. INVENTORIES

	31 December 2010 £'000	31 December 2009 £'000
Goods for resale	1,807	1,121

Part of these assets form security under the terms of unlimited debentures.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2010 £'000	31 December 2009 £'000
Trade receivables	4,625	7,306
Less provision for impairment of trade receivables	(211)	(125)
Trade receivables – net	4,414	7,181
Sales tax recoverable	12	20
Other receivables	584	438
Total trade and other receivables	5,010	7,639
Prepayments	259	690

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS continued

As of 31 December 2010, trade receivables of £121,000 (2009: £1,407,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of trade receivables is as follows:

	31 December 2010 £'000	31 December 2009 £'000
Up to 3 months	**4,346**	6,939
3 to 6 months	**33**	242
Over 6 months	**35**	-
	4,414	7,181

As of 31 December 2010, trade receivables of £211,000 (2009: £125,000) were impaired. The ageing of these trade receivables was:

	31 December 2010 £'000	31 December 2009 £'000
Up to 3 months	**-**	91
3 to 6 months	**-**	7
Over 6 months	**211**	27
	211	125

The movement on the provision for impairment of trade receivables was:

	31 December 2010 £'000	31 December 2009 £'000
At 1 January 2010	**125**	134
Provision for impairment	**134**	98
Trade receivables written off	**(60)**	(10)
Unused amounts reversed	**12**	(97)
At 31 December 2010	**211**	125

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security. Trade and other receivables are non-interest bearing and are generally on 15 to 30 day terms.

Part of these assets form security under the terms of unlimited debentures.

14. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits include a cash deposit of £400,000 that at 31 December 2010 was restricted. The deposit is held as collateral for the obligations of the Company to Taurouge II SARL under the three year facility entered on 3 September 2010 (see Financial and Operating Review on page 15), although with the consent of Taurouge II SARL it may be applied in funding the Group's operations. The amount has been classified within cash and short-term deposits as at the balance sheet date it was the Company's intention to refinance the remaining £1,500,000 of the facility given its high interest rate as early as circumstances permit in 2011 (see Note 2xxi).

15. SHARE CAPITAL AND RESERVES

Share capital

Authorised	31 December 2010 Number	31 December 2009 Number
Authorised share capital of ordinary shares of 1p each	**450,000,000**	450,000,000

Allotted, issued and fully paid	Number	£'000
At 1 January 2009	290,572,553	2,906
At 31 December 2009	290,572,553	2,906
At 31 December 2010	**290,572,553**	**2,906**

During the year warrants over 35,185,825 ordinary shares at an exercise price of 1 pence per share were issued to Taurouge II SARL in connection with the provision of a £4,500,000 three year term loan facility on 3 September 2010. The warrants have a subscription period of ten years. The fair value of the warrants of £846,000, amounting to 2.4 pence per warrant, has been charged as an exceptional item (see Note 4). Fair value has been determined using a Black Scholes Merton pricing model using the following principal assumptions:

Dividend yield (%)	0.00
Expected volatility (%)	70.00
Risk-free interest rate (%)	3.06
Expected life of the warrants (years)	10.00
Subscription price (pence)	1.00
Share price at issue date (pence)	2.75

The Group operates share option schemes under which options to subscribe for the Company's ordinary shares have been granted to certain employees. Details of the share option schemes are shown in Note 19.

Share premium account

The share premium account records the excess consideration received above the nominal value of issued share capital. There has been no movement on this reserve during the year or previous year.

Shares to be issued

Shares to be issued represent the fair value of the warrants issued in connection with the conversion of convertible bonds into ordinary shares. There has been no movement on this reserve during the year or previous year.

Capital redemption reserve

There has been no movement on this reserve during the year or previous year.

Merger reserve

This reserve represents the excess consideration received above the nominal value of share capital issued for the acquisition of subsidiary undertakings. There has been no movement on this reserve during the year or previous year.

Foreign currency translation reserve

This reserve records foreign exchange differences arising on the translation of the financial statements of foreign subsidiaries. The movement in the reserve is shown in the consolidated statement of changes in equity on page 32.

Retained earnings

Retained earnings records the profits generated by the Group after tax, dividends and transactions recognised directly within reserves. The movement in the reserve is shown in the consolidated statement of changes in equity on page 32.

16. INTEREST BEARING LOANS AND BORROWINGS

	Effective interest rate %		31 December 2010	31 December 2009
	2010	2009	**£'000**	£'000
Current				
Obligations under finance leases (see Note 20)	10.3%	10.3%	**519**	453
Bank overdraft	2.0%	Barclays base rate + 4.33%	**12**	838
			531	1,291
Non-current				
Obligations under finance leases (see Note 20)	10.3%	10.3%	**460**	949
Loan	12.0%	-	**1,500**	-
			1,960	949

Finance leases
The obligations under finance leases are secured by the related assets.

Bank overdraft
The bank overdraft was secured by a debenture.

Loan
The loan is secured by a debenture. Notwithstanding the contractual maturity of the loan, it is the Company's intention is to refinance the remaining £1,500,000 given its high interest rate as early as circumstances permit in 2011.

17. TRADE AND OTHER PAYABLES

	31 December 2010	31 December 2009
	£'000	£'000
Current		
Trade payables	**5,025**	9,319
Social security and other taxes	**102**	595
Other payables	**505**	589
Accruals and deferred income	**2,484**	2,357
	8,116	12,860

18. EMPLOYEE COSTS AND DIRECTORS' EMOLUMENTS

Employee benefits expense and average monthly number of persons, including Directors, employed during the year were as follows:

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Wages and salaries		
Wages and salary costs	**4,430**	17,460
Social security costs	**366**	1,182
Pension costs	**152**	173
Share based payments expense	**93**	245
	5,041	19,060

	2010 Number	2009 Number
Average number of employees		
Sales and distribution	**45**	458
Management and administration	**74**	149
	119	607

Remuneration in respect of Directors was as follows:

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Emoluments		
Danny Bernstein	**25**	25
Graham Bird	**25**	25
Carl Fry	**262**	6
Joseph Golio	**292**	3
Dimitri Goulandris	**25**	25
David Jennings	**25**	25
Nicholas Scott	**-**	12
Stephen Yapp	**339**	399
David Young	**163**	134
	1,156	654
Pension contributions to money purchase pension schemes		
David Young	**15**	12
Termination payments		
Nicholas Scott	**-**	82
Total remuneration	**1,171**	748

18. EMPLOYEE COSTS AND DIRECTORS' EMOLUMENTS continued

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Emoluments	**339**	399

No Directors exercised share options in either period.

On 30 March 2011, the Board approved a new share incentive scheme (the "Scheme") in which each of the Company's existing four Executive Directors will participate. Awards under the Scheme will take the form of share options granted over ordinary shares of 1 pence each in the Company. Options will be exercisable at an aggregate price of £1.00. The number of shares an Executive Director may receive on the exercise of his option will be determined by reference to the number of shares which would when multiplied by the share price at that time (calculated using an average over the thirty preceding trading days) equals the value attributable to him under the rules of the Scheme. Alternatively, at the Company's discretion the value attributable to an Executive Director may be paid in cash.

The principle behind the Scheme is that the Executive Directors are rewarded for shareholder value creation based on total shareholder returns measured over a starting share price of 2.92 pence. The Executive Directors' aggregate share of the value creation starts at 7.5% of the value created if the share price is 4.5 pence and rises on a straight line basis to 20% of value created if the share price is 10.8 pence or higher. Value creation is calculated on fully diluted shares excluding the Company's existing share option schemes, where the exercise prices of options issued under those schemes are well in excess of the current share price, and the Executive share incentive plan, where there is a performance condition that the Company's share price must reach 27 pence before any shares vest. No value is attributed to the Executive Directors until the share price reaches 4.5 pence and no further value is attributed above a share price of 15 pence. The individual allocation of the executive Directors' aggregate share of the value creation is Stephen Yapp 40 per cent., Carl Fry 20 per cent., David Young 20 per cent. and Joe Golio 20 per cent.

The Scheme includes vesting conditions under which one third of the options vested on 30 June 2010 and the remainder vest on a straight line basis over the period to 31 December 2012 subject to continued employment. Executive Directors can exercise their options between 1 January 2013 and 31 December 2014. All options vest immediately on a change in control or on the disposal of a substantial proportion of the Group's business and assets, in which event all Executive Directors will be able to exercise their options. Vesting for Executive Directors who leave employment as a consequence of the disposal of the part of the Group in which they are employed will continue for 12 months from the date of leaving. Any such Executive Director can exercise their options during the period 1 January 2013 to 31 December 2014. Executive Directors who leave employment on or before 31 December 2012 must exercise their options by the later of 12 months from the date of leaving and 31 March 2013, but not before 1 January 2013. Executive Directors who leave employment after 31 December 2012 must exercise their options within 12 months from the date of leaving, but not later than 31 December 2014.

Whilst the Scheme was under consideration during 2010 and provides for retrospective vesting covering periods prior to 31 December 2010, the Directors do not consider that a fair value charge is required under IFRS 2 as during the period to 31 December 2010 there was, in their opinion, an insufficient probability that the Scheme would be implemented in substantially the form under consideration (see Note 2xxi). As such they consider that the prospective members of the scheme did not deliver services during that period in expectation of any award under the Scheme. The Scheme replaced a cash bonus scheme for the Executive Directors that would have paid out in the event of a change in control or the disposal of a substantial proportion of the Group's business and assets.

Further details of employee benefits and share options are presented in Note 19, including other share incentive schemes in which Directors participated during the year.

19. EMPLOYEE BENEFITS

Pensions

The Group operates a group personal pension scheme for eligible employees and contributes in respect of employees within the scheme at a rate of between 3% and 10% per annum. The scheme is separately administered. As at 31 December 2010 there were no prepaid or accrued pension contributions (2009: £nil).

Employee share option schemes

The Group operates an approved share option scheme and an unapproved share option scheme. Share options can be granted to qualifying employees with more than six months service at the date of grant.

i. Approved share option scheme

Options granted under the approved share option scheme are non-transferable and vest on the first day they can become exercisable which is typically between three and ten years from the date of grant. The overall life of the option is ten years. The vesting period is at least three years, during which time the employee must remain an employee of the Group. The exercise of the options is also dependent on non-market performance conditions. The options can only be exercised if during the vesting period earnings per share increase by at least 3% per annum above the Retail Price Index ("RPI").The options are settled in equity once exercised.

ii. Unapproved share option scheme

All unapproved shares options have an option life of seven years and expire after ten years. The unapproved share option scheme follows the same rules as the approved share option scheme for all share options granted after 1 October 2002. Share options granted before October 2002 were exercisable on grant as long as earnings per share over the previous three years had grown by at least 3% per annum above RPI. Additionally, some of the share options granted before October 2002 are not able to be exercised until the share price reaches at least 225 pence per share.

Executive incentive share plan

The Group operates an executive incentive share plan ("EIP") in which executive Directors are eligible to participate. Awards under the EIP take the form of options to acquire ordinary shares in the Company and vested on 4 June 2010, being approximately three years after the date of grant. The awards were subject to meeting a performance condition before any shares vested that required the Company's share price to reach a minimum of 27 pence at the end of the performance period. The performance condition was not met and, accordingly, none of the awards vested.

The EIP also provides for awards of matching shares to executive Directors who agreed to acquire ordinary shares in the Company by subscribing for and ultimately converting the convertible bonds issued by the Company in 2007. Those Directors who acquired bonds will receive one matching ordinary share for every ordinary share received on conversion of the bonds. Fifty percent of each award vested on 4 June 2008, the first anniversary of the issue of the bonds, and fifty percent vested on 4 June 2009, the second anniversary. These options may be exercised at any time up to 4 June 2011. During 2008 the bonds were converted into ordinary shares and the terms of conversion were amended under which the conversion price was reduced from 20 pence per share to 7.5 pence per share. Consequently, the number of shares issued on conversion of the bonds increased and the number of shares issuable to Executive Directors under the matching scheme was increased by the same proportion to 2,712,560. However, the number of shares issued to Executive Directors following the conversion of their bonds amounted to 2,012,400 and, accordingly, the number of shares issuable under the matching scheme should have been 2,012,400. An adjustment has been made to reduce the number of shares by 700,160. The fair value of the reduction of £43,000 has been taken to the income statement as an exceptional item (see Note 4).

19. EMPLOYEE BENEFITS continued

Retention incentive share plan

The Group operates a retention incentive share plan under which Stephen Yapp was awarded an option to acquire 1,000,000 ordinary shares. Fifty percent vested on 4 June 2008, the first anniversary of his appointment, and fifty percent vested on 4 June 2009, the second anniversary of his appointment.

The following table shows the number and weighted average exercise price (WAEP) of all unexercised share options at the year end:

	31 December 2010 Number	31 December 2010 WAEP (pence)	31 December 2009 Number	31 December 2009 WAEP (pence)
Outstanding at beginning of year	**8,984,331**	**11.2**	**9,873,607**	**19.5**
Adjustment	(700,160)	1.0	-	-
Lapsed during the year	(4,992,373)	11.6	(889,276)	103.7
Outstanding at end of year	**3,291,798**	**12.8**	**8,984,331**	**11.2**

Included within the outstanding balance at 31 December 2010 are options over 10,000 shares (2009: 10,000) that have not been recognised in accordance with IFRS 2 “Share based payments”, as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

No share options were exercised during the year (2009: nil).

The weighted average remaining life of share options outstanding at 31 December 2010 was 1 year and 5 months (2009: 2 years and 5 months).

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price (pence)	31 December 2010 Number	31 December 2009 Number
Approved share options				
03 April 2002	02 April 2012	86.5	10,000	10,000
01 October 2003	30 September 2013	123.5	20,000	65,748
08 April 2004	07 April 2014	178.5	45,047	65,047
22 April 2005	21 April 2015	144.0	49,351	56,851
22 October 2005	21 October 2015	126.0	10,000	14,250
			134,398	211,896
Unapproved share options				
29 January 2004	28 January 2011	178.0	65,000	260,709
01 April 2004	31 March 2011	178.0	15,000	20,000
31 March 2005	30 March 2012	144.0	15,000	50,000
28 July 2006	27 July 2013	61.0	50,000	75,000
			145,000	405,709
Executive and retention incentive plan awards				
29 June 2007	04 June 2011	1.0	3,012,400	8,366,726
Number of shares in respect of share options granted			**3,291,798**	8,984,331
WAEP of granted share options			**12.8p**	11.2p
Number of shares in respect of exercisable share options			**3,291,798**	4,330,165
WAEP of vested share options			**12.8p**	22.2p

The fair values of awards under the approved and unapproved employee share option schemes and the retention incentive share plan were estimated at the date of grant using the Black Scholes Merton model. The fair values of awards and matching awards under the EIP were estimated at the date of grant using the Simulation and Black Scholes Merton models, respectively. The Simulation model that was used to value the EIP awards takes into account the market performance condition governing the exercise of the options.

During the year, the Company's share price has ranged from 2.00 pence per share to 4.75 pence per share. At the year end the Company's share price was 4.32 pence per share.

20. COMMITMENTS AND CONTINGENCIES

Operating lease commitments - property

The Group has entered into commercial property leases which have non-cancellable outstanding lease terms of between 1 to 8 years. All leases include a clause to enable the revision of the rental charge payable.

	31 December 2010 £'000	31 December 2009 £'000
Within one year	**521**	554
After one year but not more than five years	**1,796**	1,843
More than five years	**1,152**	1,539
Total	**3,469**	3,936

Operating lease commitments - equipment

The Group has outstanding operating lease commitments on certain items of small machinery and equipment. These items have an average outstanding life of between one to two years. The future minimum rentals payable under non-cancellable operating leases are set out below.

	31 December 2010 £'000	31 December 2009 £'000
Within one year	**52**	68
After one year but not more than five years	**52**	126
Total	**104**	194

Finance lease commitments

The Group has finance leases for various items of plant, machinery and equipment. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments is set out below.

	31 December 2010		31 December 2009	
	Minimum payments £'000	**Present value of payments £'000**	Minimum payments £'000	Present value of payments £'000
Within one year	**596**	**519**	578	453
After one year but not more than five years	**480**	**460**	1,044	949
	1,076	**979**	1,622	1,402
Less amounts representing finance charges	**(97)**	**-**	(220)	-
Present value of minimum lease payments	**979**	**979**	1,402	1,402

Capital commitments

The Group had no capital commitments outstanding as at 31 December 2010 (2009: £nil).

21. RELATED PARTY DISCLOSURE

Terms and conditions of transactions with related parties

Sales and purchases between related parties were made at normal market prices. Outstanding balances with entities other than subsidiaries are unsecured, interest free with cash settlement expected between 30 to 60 days of the invoice date. Terms and conditions for transactions with subsidiary undertakings are the same. The Group has not benefited from or provided any guarantees for any related party receivable or payable.

Compensation of key management personnel (including directors)

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Short-term employee benefits	**1,912**	2,728
Termination payments including compensation for loss of office	**-**	82
Share based payments	**50**	245
	1,962	3,055

Transactions with Alpha-Airfayre Limited

During the year the Group held an interest in a joint venture under which it had a 49 per cent. interest in Alpha-Airfayre Limited. On 26 November 2010, the Group disposed of its interest in Alpha-Airfayre Limited (see Note 11). As part of the joint venture arrangements, there are services agreements under which the Group provides administrative services to Alpha-Airfayre Limited and Alpha-Airfayre Limited provides property services to the Group. In addition, under transitional arrangements the Group has, on behalf of Alpha-Airfayre Limited, continued for a period to invoice its former customers and to make purchases from its former suppliers. The following table sets out the balances with Alpha-Airfayre Limited included in the consolidated balance sheet at the year end and the sales and purchases with Alpha-Airfayre Limited whilst it was a related party. As the legal responsibility for the sales and purchases in respect of the transitional arrangements remains with Alpha-Airfayre Limited, the amounts below exclude the amounts of such sales and purchases, although the amounts below owing by or due to Alpha-Airfayre Limited at year end include any unpaid such amounts.

	12 months to 31 December 2010 £'000	12 months to 31 December 2009 £'000
Amount owing by Alpha-Airfayre Limited included in trade receivables	**-**	193
Amount owing to Alpha-Airfayre Limited included in trade payables	**-**	2,796
Services provided by Alpha-Airfayre Limited to the Group	**210**	32
Services provided by the Group to Alpha-Airfayre Limited	**312**	167

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments presently comprise a term loan, finance leases and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations. The Group may also enter into derivative transactions, principally forward exchange rate contracts to manage currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below. The Board does not consider the Group to have any exposure for the time being to market price risk arising from derivative transactions as during the year and the preceding year the Group did not enter into such transactions. The Board also considers the Group's direct exposure to commodity price risk to be minimal.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Interest rate risk
The Group's current borrowing facilities, which comprise a term loan and finance leases, are at fixed rates of interest. However, it is the Company's intention to refinance the outstanding £1,500,000 of the term loan given its high interest rate as early as circumstances permit in 2011.

The Directors monitor market interest rates. The Directors consider that a change in market interest rates of 1% to be reasonably possible at the year end and that the effect of such change on the loss and equity at that date would not be material.

Foreign currency risk
As a result of significant overseas operations in Asia and the United States, the Group's balance sheet can be affected significantly by movements in the US dollar exchange rate arising from the translation of the year end financial statements of these operations into the presentation currency of the Group. The Group looks to mitigate this risk by natural hedging within each overseas operation whereby the net foreign currency exposure relates to the net assets or liabilities of such operations. The resulting foreign currency translation differences are taken to equity. For the year ended 31 December 2010, foreign currency translation differences amounted to an income of £27,000 (2009 – cost of £125,000) as shown in the consolidated statement of changes in equity on page 32.

The Group has significant transactional currency exposures primarily in US dollars arising from sales and purchases by operating units being made in currencies other than their functional currencies. A significant element of this transactional exposure in US dollars is naturally hedged due to both sales and the related purchases being made in US dollars. Steps are also taken where possible to minimise net transactional currency exposures.

Additionally, the Group has intercompany balances denominated in currencies other than the functional currency of the entity concerned. Foreign currency exposures arise in relation to the translation of these loans into the functional currency of the entity concerned.

See Note 23 which sets out sensitivities in relation to the foregoing foreign currency risks.

Credit risk
The Group's policy is to trade only with recognised, creditworthy third parties and credit verification procedures are carried out in relation to all new customers with whom material transaction activity is expected. In addition, receivable balances are monitored both at operating unit and Group level with the objective of minimising the Group's exposure to bad debts.

The Group is also subject to credit risk in relation to cash and cash equivalents arising from potential default of the counterparty, with a maximum exposure equal to the carrying amount.

At the year end, the Group had one (2009 - two) customer where its exposure represented in excess of 10 per cent. of the trade receivables balance.

Liquidity risk
The Group's objective is to maintain a balance between continuing funding and flexibility through the use of term loans, finance leases and short-term borrowing facilities. The Directors continually monitor the Group's policy and liquidity profile. The Group's borrowing facilities currently comprise a term loan under which £1,500,000 remains outstanding and finance leases under which £979,000 remains outstanding (see Note 16).

23. FINANCIAL INSTRUMENTS

Financial assets and liabilities

Financial assets

	Loans and receivables 2010 £'000	Non-financial assets 2010 £'000	Total 2010 £'000
Trade and other receivables	**5,010**	**-**	**5,010**
Prepayments	**-**	**259**	**259**
Current income tax	**-**	**84**	**84**
Cash and short-term deposits	**2,302**	**-**	**2,302**
	7,312	**343**	**7,655**
	2009 £'000	2009 £'000	2009 £'000
Trade and other receivables	7,639	-	7,639
Prepayments	-	690	690
Current income tax	-	149	149
Cash and short-term deposits	1,691	-	1,691
	9,330	839	10,169

Financial liabilities

	Other financial liabilities at amortised cost 2010 £'000	Liabilities not within the scope of IAS 39 2010 £'000	Total 2010 £'000
Trade and other payables	**8,014**	**102**	**8,116**
Overdrafts	**12**	**-**	**12**
Loan	**1,500**	**-**	**1,500**
Obligations under finance leases – current portion	**-**	**519**	**519**
Obligations under finance leases – non-current portion	**-**	**460**	**460**
	9,526	**1,081**	**10,607**
	2009 £'000	2009 £'000	2009 £'000
Trade and other payables	12,265	595	12,860
Overdrafts	838	-	838
Obligations under finance leases – current portion	-	453	453
Obligations under finance leases – non-current portion	-	949	949
	13,103	1,997	15,100

23. FINANCIAL INSTRUMENTS continued

Maturity of financial liabilities

	0 to 60 days 2010 £'000	60 days to 12 months 2010 £'000	1 to 2 years 2010 £'000	2 to 5 years 2010 £'000
Trade and other payables	**6,975**	**1,128**	**13**	**-**
Loans	**41**	**151**	**180**	**1,620**
Obligations under finance leases	**99**	**497**	**480**	**-**
	7,118	**1,776**	**673**	**1,620**

	0 to 60 days 2009 £'000	60 days to 12 months 2009 £'000	1 to 2 years 2009 £'000	2 to 5 years 2009 £'000
Trade and other payables	9,678	2,550	25	12
Overdrafts	838	-	-	-
Obligations under finance leases	96	482	578	466
	10,612	3,032	603	478

Foreign currency risk

The following table sets out the foreign currency risk relating to balances denominated in USD in operating units where it is not the functional currency of those operating units.

Carrying value giving rise to currency risk	2010 £'000	2009 £'000
Year end exchange rate with GBP:	***1.5657***	*1.6149*
Trade and other receivables	**3,248**	2,247
Trade and other payables	**(3,060)**	(2,573)
Cash and short-term deposits	**445**	1,321
Intercompany loans	**(1,076)**	2,223

Profit / (loss) impact of a 10% increase in the year end exchange rate	2010 £'000	2009 £'000
Trade and other receivables	**(295)**	(204)
Trade and other payables	**278**	234
Cash and short-term deposits	**(40)**	(120)
Intercompany loans	**98**	(202)

Profit / (loss) impact of a 10% decrease in the year end exchange rate	**2010 £'000**	2009 £'000
Trade and other receivables	**361**	250
Trade and other payables	**(340)**	(286)
Cash and short-term deposits	**49**	147
Intercompany loans	**(120)**	247

The following table sets out the foreign currency risk relating to the translation of the year end financial statements of overseas operations with USD functional currencies into the presentation currency of the Group.

	2010 £'000	2009 £'000
Net assets / (liabilities) of overseas operations with USD functional currency	**2,458**	(2,994)
Intercompany debt to be converted into equity	**-**	4,954
Adjusted net assets	**2,458**	1,960
Year end exchange rate with GBP	***1.5657***	*1.6149*
Net increase in equity of a 10% increase in the year end exchange rate	**(223)**	(178)
Net decrease in equity of a 10% decrease in the year end exchange rate	**273**	218

Fair values

The fair values of financial assets and financial liabilities are not materially different to their carrying values in the financial statements.

24. ADDITIONAL CASH FLOW INFORMATION

	1 January 2010 £'000	**Cash flow £'000**	**Exchange differences £'000**	**Non-cash movements £'000**	**31 December 2010 £'000**
Cash and cash equivalents	**853**	**1,582**	**(145)**	**-**	**2,290**
Increase / (decrease) in cash	**853**	**1,582**	**(145)**	**-**	**2,290**
Finance leases	**(1,402)**	**423**	**-**	**-**	**(979)**
Loan	**-**	**(1,500)**	**-**	**-**	**(1,500)**
Net debt	**(549)**	**505**	**(145)**	**-**	**(189)**

	1 January 2009 £'000	Cash flow £'000	Exchange differences £'000	Non-cash movements £'000	31 December 2009 £'000
Cash and cash equivalents	1,762	(1,503)	594	-	853
Increase / (decrease) in cash	1,762	(1,503)	594	-	853
Finance leases	(2,217)	666	-	149	(1,402)
Bank loan	(5,235)	5,235	-	-	-
Net debt	(5,690)	4,398	594	149	(549)

Cash and cash equivalents comprise:

	1 January 2009 £'000	31 December 2009 £'000	31 December 2010 £'000
Cash and short term deposits	1,762	1,691	2,302
Bank overdraft	-	(838)	(12)
	1,762	853	2,290

REPORT OF THE INDEPENDENT AUDITOR ON THE COMPANY ACCOUNTS

We have audited the parent company financial statements of Journey Group plc for the year ended 31 December 2010 which comprise the parent company balance sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 24, the directors are responsible for the preparation of the parent company 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 parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

Opinion
In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Other matter
We have reported separately on the group financial statements of Journey Group plc for the year ended 31 December 2010.

Norman Armstrong
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
30 March 2011

COMPANY BALANCE SHEET

As at 31 December 2010

	Notes	31 December 2010 £'000	31 December 2009 £'000
Fixed assets			
Investments in subsidiaries	**4**	**17,108**	15,068
Current assets			
Debtors	**5**	**3,225**	7,818
Cash at bank	**6**	**401**	857
		3,626	8,675
Creditors: Amounts falling due within one year	**7**	**(2,618)**	(2,885)
Net current assets		**1,008**	5,790
Creditors: Amounts falling due after more than one year	**8**	**(1,500)**	-
Net assets		**16,616**	20,858
Capital and reserves			
Called up share capital	**9**	**2,906**	2,906
Share premium account	**10**	**36,352**	36,352
Shares to be issued	**10**	**100**	100
Capital redemption reserve	**10**	**24**	24
Merger reserve	**10**	**2,047**	2,047
Profit and loss account	**10**	**(24,813)**	(20,571)
Equity shareholders' funds	**11**	**16,616**	20,858

The financial statements on pages 69 to 77 were approved by the Board on 30 March 2011 and signed on its behalf by:

Stephen Yapp
Executive Chairman

1. ACCOUNTING POLICIES

The principal accounting policies of the Company are summarised below. They have all been applied consistently throughout the year and the preceding year.

i. Basis of preparation

The Company financial statements set out on pages 67 to 77 are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards ("UK GAAP").

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position, are set out in the Executive Chairman's Letter to Shareholders on pages 1 to 6 and in the Financial and Operating Review on pages 9 to 18. The Directors have reviewed the Group's and Company's budgets and forecasts for the coming 12 months, which have been prepared with appropriate regard to the current macroeconomic environment and the conditions in the principal markets served by the Group. As a result, at the time of approving the financial statements, the Directors consider that the Company has sufficient financial resources to continue in operational existence for the foreseeable future and, therefore, that it is appropriate to adopt the going concern basis in preparing these financial statements.

ii. Taxation

Current taxation, including UK corporation taxation and foreign taxation, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred taxation is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred taxation assets are recognised when it is more likely than not that they will be recovered. Deferred taxation is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

iii. Investments in subsidiaries

Fixed asset investments are stated at cost less provisions for impairment.

iv. Financial assets

Financial assets within the scope of FRS 26 are classified as financial assets held at fair value through profit or loss or loans and receivables, as appropriate. The Company determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Purchases and sales of financial assets are recognised on the trade date, being the date that the Company commits to purchase or sell the asset. The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either held at fair value through profit or loss or available for sale. Such assets are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Within this category of financial assets are trade and other receivables. Trade and other receivables, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and their recoverable amount.

Provision is made when there is objective evidence that the Company will not be able to recover balances in full.

Cash at bank

Cash at bank in the balance sheet comprises cash at banks and in hand and short-term deposits with an original maturity of three months or less and where there is an insignificant risk of changes in value.

v. Financial liabilities

Financial liabilities, other than derivatives, currently comprise loans, amounts owed to subsidiary undertakings and accruals.

Loans

Loans are recognised initially at fair value net of transaction costs and are carried subsequently at amortised cost with finance charges calculated under the effective interest rate method.

Amounts owed to subsidiary undertakings and accruals

Amounts owed to subsidiary undertakings and accruals are not interest bearing and are stated at their nominal value.

vi. De-recognition of financial assets or liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

vii. Foreign currency

The presentation currency of the Company is sterling.

Transactions in foreign currencies are initially recorded in the functional currency of the Company at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

viii. Impairment of investments in subsidiaries

The Company assesses at each reporting date whether there is an indication that an investment in a subsidiary company may be impaired. If any such indication exists, or when annual impairment testing for an investment in a subsidiary company is required, the Company makes an estimate of the investment's recoverable amount. An investment's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual investment. Where the carrying amount of an investment in a subsidiary company exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investment. Impairment losses of continuing operations are recognised in the profit and loss account.

ix. Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

x. Borrowing costs
Interest and borrowing costs are accounted for on the accruals basis under the effective interest method and are recognised through the profit and loss account in full. No interest or borrowing costs have been capitalised.

xi. Share based payments
The Company grants share options to employees of the Group. As the Company does not incur their employment costs it has not recognised any share based payment expense in its financial statements.

2. PROFIT ATTRIBUTABLE TO JOURNEY GROUP PLC

No profit and loss account for Journey Group plc has been presented as permitted by Section 408 of the Companies Act 2006.

The retained loss for the financial year dealt within the financial statements of the parent company, Journey Group plc, was £5,088,000 (2009: loss of £11,102,000) and is stated after taxation and payment of dividends amounting to £nil (2009: £nil).

Fees payable to the Company's auditors for the audit of the Company's financial statements amounted to £42,000 (2009: £50,000).

3. DIVIDENDS

At 31 December 2010, there were no unrecognised dividends (2009: £nil). No interim or final dividend has been declared in respect of the year ended 31 December 2010.

4. INVESTMENTS IN SUBSIDIARIES

	Subsidiary undertakings £'000
Cost	
At 1 January 2010	43,607
Additions	5,255
At 31 December 2010	**48,862**
Provision for impairment in value	
At 1 January 2010	(28,539)
Impairment charge	(3,215)
At 31 December 2010	**(31,754)**
Net book value	
31 December 2010	**17,108**
31 December 2009	15,068

The additions of £5,255,000 relate to an investment in Air Fayre USA Inc.

The impairment loss is measured by reference to value in use of the associated income generating units using a discount rate of 14.5 per cent. applied to the relevant cash flow.

These assets form security under the terms of unlimited debentures.

Name of subsidiary undertaking	Nature of business activities
Watermark Limited	Provision of travel supplies and marketing to the international travel sector
Watermark Americas Inc.	Provision of travel supplies and marketing to the international travel sector
Watermark Asia Limited	Provision of travel supplies and marketing to the international travel sector
Watermark Asia Pacific PTY Limited	Provision of travel supplies and marketing to the international travel sector
Watermark Asia Holdings Limited	Provision of staff and employees to Hong Kong based subsidiaries
MNH Sustainable Cabin Services Limited	Recycling and packing of airline cabin products
MNH Sustainable Cabin Services PTY Limited	Recycling and packing of airline cabin products
Media On The Move Limited	Provision of newspapers and magazines to the international travel sector
Air Fayre Limited	Provision of catering and logistics to the international travel sector
Air Fayre CA Inc.	Provision of catering and logistics to the international travel sector
Air Fayre USA Inc.	Holding company
International Catering Limited	Provision of catering and logistics to the international travel sector
Elev8 Retail Limited	Provision of buy on board retail solutions to the international travel sector
Encompass Supply Chain Management (Canada) Inc.	Provision of travel supplies and marketing to the international travel sector
Watermark Group Services (UK) Limited	Management company
Encompass Supply Chain Management Limited	Dormant
Glorient In-Flight Sales Limited	Dormant
Watermark Products Limited	Dormant
Update International Limited	Dormant
Update International Services Limited	Dormant
Bigger Than Life (UK) Limited	Dormant
Watermark Connect Limited	Dormant
Watermark Hong Kong Limited	Dormant

All subsidiaries are 100% owned directly by Journey Group plc except for the investments in the following subsidiary undertakings which are indirectly owned 100%:

Subsidiary name	Immediate parent undertaking
Watermark Asia Limited	Watermark Asia Holdings Limited
Glorient In-Flight-Sales Limited	Watermark Asia Holdings Limited
Update International Limited	Watermark Asia Holdings Limited
Elev8 Retail Limited	Air Fayre Limited
International Catering Limited	Air Fayre Limited
Air Fayre CA Inc.	Air Fayre USA Inc.
MNH Sustainable Cabin Services PTY Limited	MNH Sustainable Cabin Services Limited

4. INVESTMENTS IN SUBSIDIARIES continued

All subsidiaries are incorporated in England and Wales except for:

Name of subsidiary undertaking	Country of incorporation
Air Fayre USA Inc.	Delaware, USA
Air Fayre CA Inc.	California, USA
Watermark Americas Inc	Delaware, USA
Watermark Asia Limited	Hong Kong
Watermark Asia Holdings Limited	Hong Kong
Glorient In-Flight Sales Limited	Hong Kong
Update International Limited	Hong Kong
Watermark Hong Kong Limited	Hong Kong
Encompass Supply Chain Management (Canada) Inc	Canada
MNH Sustainable Cabin Services Pty Limited	Australia
Watermark Asia Pacific Pty Limited	Australia

5. DEBTORS

	31 December 2010 £'000	31 December 2009 £'000
Amounts owed from subsidiary undertakings	**3,225**	7,728
Other debtors	**-**	90
	3,225	7,818

These assets form security under the terms of unlimited debentures.

6. CASH AT BANK

Cash at bank includes a cash deposit of £400,000 that at 31 December 2010 was restricted. The deposit is held as collateral for the obligations of the Company to Taurouge II SARL under the three year facility entered on 3 September 2010 (see Financial and Operating Review on page 15), although with the consent of Taurouge II SARL it may be applied in funding the Company's operations. The amount has been classified within cash at bank as at the balance sheet date it was the Company's intention to refinance the remaining £1,500,000 of the facility given its high interest rate as early as circumstances permit in 2011.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2010 £'000	31 December 2009 £'000
Overdrafts	**-**	2,631
Amounts owed to subsidiary undertakings	**2,573**	120
Accruals	**45**	134
	2,618	2,885

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2010 £'000	31 December 2009 £'000
Loan	**1,500**	-

The loan bears interest at a rate of 12% per annum. The loan is secured by a debenture.

9. SHARE CAPITAL

Authorised	**31 December 2010 Number**	31 December 2009 Number
Authorised share capital of ordinary shares of 1p each	**450,000,000**	450,000,000

Allotted, issued and fully paid	**Number**	**£'000**
At 1 January 2009	290,572,553	2,906
At 31 December 2009	290,572,553	2,906
At 31 December 2010	**290,572,553**	**2,906**

During the year warrants over 35,185,825 ordinary shares at an exercise price of 1 pence per share were issued to Taurouge II SARL in connection with the provision of a £4,500,000 three year term loan facility on 3 September 2010.

The Company operates share option schemes where options to subscribe for the Company's ordinary shares have been granted to certain employees within the Group. The following table shows the number and weighted average exercise price (WAEP) of all unexercised share options at the year end:

	31 December 2010 Number	**31 December 2010 WAEP (pence)**	31 December 2009 Number	31 December 2009 WAEP (pence)
Outstanding at beginning of year	**8,984,331**	**11.2**	**9,873,607**	**19.5**
Adjustment	(700,160)	1.0	-	-
Lapsed during the year	(4,992,373)	11.6	(889,276)	103.7
Outstanding at end of year	**3,291,798**	**12.8**	**8,984,331**	**11.2**

Included within the outstanding balance at 31 December 2010 are options over 10,000 shares (2009: 10,000) that have not been recognised in accordance with FRS 20 "Share based payments", as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20.

No share options were exercised during the year (2009: nil).

The weighted average remaining life of share options outstanding at 31 December 2010 was 1 year and 5 months (2009: 2 years and 5 months).

9. SHARE CAPITAL continued

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price (pence)	31 December 2010 Number	31 December 2009 Number
Approved share options				
03 April 2002	02 April 2012	86.5	10,000	10,000
01 October 2003	30 September 2013	123.5	20,000	65,748
08 April 2004	07 April 2014	178.5	45,047	65,047
22 April 2005	21 April 2015	144.0	49,351	56,851
22 October 2005	21 October 2015	126.0	10,000	14,250
			134,398	211,896
Unapproved share options				
29 January 2004	28 January 2011	178.0	65,000	260,709
01 April 2004	31 March 2011	178.0	15,000	20,000
31 March 2005	30 March 2012	144.0	15,000	50,000
28 July 2006	27 July 2013	61.0	50,000	75,000
			145,000	405,709
Executive and retention incentive plan awards				
29 June 2007	04 June 2011	1.0	3,012,400	8,366,726
Number of shares in respect of share options granted			**3,291,798**	8,984,331
WAEP of granted share options			**12.8p**	11.2p
Number of shares in respect of exercisable share options			**3,291,798**	4,330,165
WAEP of vested share options			**12.8p**	22.2p

The fair values of awards under the approved and unapproved employee share option schemes and the retention incentive share plan were estimated at the date of grant using the Black Scholes Merton model. The fair values of awards and matching awards under the EIP were estimated at the date of grant using the Simulation and Black Scholes Merton models, respectively. The Simulation model that was used to value the EIP awards takes into account the market performance condition governing the exercise of the options.

During the year, the Company's share price has ranged from 2.00 pence per share to 4.75 pence per share. At the year end the Company's share price was 4.32 pence per share.

10. RESERVES

	Share Premium account £'000	Shares to be issued £'000	Capital redemption reserve £'000	Merger reserve £'000	Profit & loss account £'000
At 1 January 2010	36,352	100	24	2,047	(20,571)
Fair value charges relating to warrants	-	-	-	-	846
Loss for the financial year	-	-	-	-	(5,088)
At 31 December 2010	**36,352**	**100**	**24**	**2,047**	**(24,813)**

11. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	31 December 2010 £'000	31 December 2009 £'000
Loss for the financial year	**(5,088)**	(11,102)
Fair value charges relating to warrants	**846**	240
Net decrease in equity shareholders' funds	**(4,242)**	(10,862)
Opening equity shareholders' funds	**20,858**	31,720
Closing equity shareholders' funds	**16,616**	20,858

12. CONTINGENT LIABILITIES AND COMMITMENTS

The Company has guaranteed the bank borrowings of its subsidiary undertakings, which at 31 December 2010 was £12,000 (2009: £1,456,000).

The Company has guaranteed the commitments of a subsidiary undertaking in relation to finance leases under which the total amount outstanding excluding deferred interest at 31 December 2010 was £979,000 (2009: £1,551,000).

The Directors do not consider the fair value of the provision of the guarantees in respect of the bank borrowings of subsidiary companies or the finance leases of a subsidiary company to be material.

13. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption within FRS 8 not to disclose transactions with other Group companies which have been eliminated on consolidation.

14. DIRECTORS' EMOLUMENTS

The Directors received no remuneration or benefits directly from the Company. Directors are remunerated through the Company's subsidiary undertakings.

Registered office	The Encompass Centre, International Avenue, Heston, Middlesex,TW5 9NJ
Company registration number	1944667
Email address	info@journeygroup.plc.uk
Website	www.journeygroup.plc.uk
Registrars	Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0GA
Auditors	Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP
Bankers	National Westminster Bank plc, RBS House, Brooklands Close, Sunbury on Thames TW16 7DX
Nominated Advisor & Broker	Peel Hunt LLP, 111 Old Broad Street, London EC2N 1PH

Quick and easy share dealing service

If you want to sell your shares or purchase more, a service is available through Capita Share Dealing Services, where there is no need to pre-register or complete an application form. Go to www.capitadeal.com or call 0871 664 0445 between 8 a.m. and 4.30 p.m. Monday to Friday.

Shareholder enquiries

All administrative enquiries relating to shareholdings, such as queries concerning dividend payments, notification of change of address or the loss of a share certificate, should be made to our registrars by telephone on 0871 664 0300 (calls cost 10p per minute, including VAT plus network extras; lines open 8.30 a.m. to 5.30 p.m. from Monday to Friday) or in writing to the address given above. Capita also operate a web-based enquiry service; please visit www.capitaregistrars.com where you can view your shareholding and see a range of useful information.

Notice is hereby given that the Annual General Meeting of Journey Group plc (the "Company") will be held at The Encompass Centre, International Avenue, Heston, Middlesex TW5 9NJ at 11a.m. on 18 May 2011 to consider and, if thought fit, pass the following resolutions. Resolutions 1 to 4 are Ordinary Resolutions and, for these to be passed, more than 50 per cent. of the votes cast must be in favour. Resolutions 5 and 6 are Special Resolutions and, for these resolutions to be passed, 75 per cent. of votes cast must be in favour.

ORDINARY BUSINESS

1) To receive and adopt the audited accounts for the year ended 31 December 2010 together with the reports of the directors and auditors of the Company therein.

2) To reappoint Grant Thornton UK LLP as auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company.

3) To authorise the directors of the Company to fix the auditors' remuneration.

4) To generally and unconditionally authorise the directors to exercise all powers of the Company to allot shares and to grant rights to subscribe for or to convert any security into shares up to an aggregate nominal amount of £968,575.18 provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2012, except that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or such rights to be granted after such expiry and the directors may allot shares or grant such rights in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

SPECIAL RESOLUTIONS

5) That, subject to the passing of resolution 4, the directors be empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the general authority conferred on them pursuant to resolution 4 as if section 561 of the Act did not apply to any such allotment provided that such power shall be limited to:

   (a) the allotment of equity securities in connection with an offer of equity securities open for acceptance for a period fixed by the directors of the Company to the holders of ordinary shares on a fixed record date in proportion (or as nearly as practicable) to their respective holdings of ordinary shares (but subject to such exclusions or other arrangements as the directors of the Company may consider necessary or expedient to deal with any legal problems under or resulting from the application or apparent application of the laws of any territory or in connection with fractional entitlements or otherwise howsoever);

   (b) the allotment of equity securities, other than pursuant to sub-paragraph 5(a) of this resolution, up to an aggregate nominal amount of £145,286.28, being approximately 5 per cent. of the issued share capital of the Company,

Provided further that such power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2012 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

6) (a) Subject to paragraph (b) of this resolution, the Company be and is hereby granted general and unconditional authority (pursuant to section 701 of the Act) to make market purchases of its own shares on such terms and in such manner as the directors of the Company may from time to time determine.

(b) That the authority conferred by paragraph (a) of this resolution shall:

i. expire on the earlier of the day falling before the first anniversary of the date of passing of this resolution and the date of the Annual General Meeting of the Company for the year 2012, but the Company may, if it agrees to purchase ordinary shares under this authority before it expires, complete the purchase wholly or partly after this authority expires;

ii. be limited to a maximum of 29,057,255 ordinary shares; and

iii. not permit the payment per ordinary share of more than 5 per cent. above the average of the middle market quotations for an ordinary share derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which any purchase by the Company of ordinary shares is made.

(c) That the minimum price which may be paid for any ordinary share is 1 pence.

(d) That this authority shall only be capable of variation, revocation or renewal by the Company in general meeting.

On behalf of the Board

Carl Fry
Company Secretary
30 March 2011

Registered office:
The Encompass Centre
International Avenue
Heston
Middlesex
TW5 9NJ

Registered in England and Wales No. 1944667

Notes

1) A shareholder is entitled to appoint another person as that shareholder's proxy to exercise all or any of that shareholder's rights to attend and to speak and vote at the AGM. A shareholder may appoint more than one proxy in relation to the AGM, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy does not need to be a shareholder of the Company. A proxy is legally required to vote in accordance with any voting instructions given by his appointing shareholder.

2) A personalised form of proxy for use in connection with the AGM is enclosed with the document of which this notice forms part. If you do not have a personalised form of proxy and believe that you should, please contact the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Completion and return of a form of proxy will not prevent a shareholder from attending and voting at the AGM. Addresses (including electronic addresses) in this document are included strictly for the purposes specified and not for any other purpose.

3) To appoint a proxy or proxies shareholders must complete: (a) a form of proxy, sign it and return it, together with the power of attorney or any other authority under which it is signed, or a notarially certified copy of such authority, to the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or (b) a CREST Proxy Instruction (see note 7 below), in each case so that it is received no later than 11a.m. on 16 May 2011.

4) To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant 'Vote Withheld' box. A vote withheld is not a vote in law, which means that it will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

5) In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

6) In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the Company or an attorney for the Company.

7) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) of the meeting by using the procedures described in the CREST Manual (available via http://www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members and those CREST members who have appointed any voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by the latest time for receipt of proxy appointments set out in paragraph 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8) If you submit more than one valid proxy appointment, the appointment received last before the latest time of receipt of proxies will take precedence.

9) Only those shareholders included in the register of members of the Company at 6 p.m. on 16 May 2011 or, if the meeting is adjourned, in the register of members at 6 p.m. on the day which is two working days before the time for holding any adjourned meeting, will be entitled to attend and to vote at the AGM in respect of the number of shares registered in their names at that time. Changes to entries on the share register after the relevant deadline will be disregarded in determining the rights of any person to attend or vote at the AGM.

10) Copies of the directors' service contracts and letters of appointment are available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) until the end of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes before and during the Annual General Meeting.

11) As at 11a.m. on 29 March 2011 (being the last business day prior to the publication of this notice), the Company's issued share capital comprised 290,572,553 ordinary shares of 1 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company.

The notice of the Annual General Meeting of the Company to be held on 18 May 2011 is set out on pages 79 to 82. The following notes provide an explanation as to why the resolutions set out in the notice are to be put to shareholders.

Resolutions 1 to 4 are ordinary resolutions. These resolutions will be passed if more than 50% of the votes cast for or against are in favour.

Resolution 1 – Laying of accounts

The directors are required by the Companies Act 2006 to present to the shareholders of the Company at a general meeting the reports of the directors and auditors, and the audited accounts of the Company, for the year ended 31 December 2010.

Resolution 2 – Auditors' appointment

The Companies Act 2006 requires that auditors be appointed at each general meeting at which accounts are laid, to hold office until the next such meeting. This resolution seeks shareholder approval for the reappointment of Grant Thornton UK LLP. The Audit Committee keeps under review the independence and objectivity of the external auditors, further information on which can be found in the annual report and accounts on page 22. After considering relevant information the Audit Committee recommended to the board of directors that Grant Thornton UK LLP be reappointed.

Resolution 3 – Auditors' remuneration

This resolution gives the directors the authority to determine the remuneration of the auditors for the audit work to be carried out by them in the next financial year. The amount of the remuneration paid to the auditors for the next financial year will be disclosed in the next audited accounts of the Company.

Resolution 4 - Authority to the directors to allot shares

The Companies Act 2006 provides that the directors may only allot shares or grant rights to subscribe for or to convert any security into shares if authorised by shareholders to do so. Resolution 4 will, if passed, authorise the directors to allot shares up to a maximum nominal amount of £968,575.18, which represents an amount which is approximately equal to one-third of the issued ordinary share capital of the Company as at 29 March 2011, the latest practicable date prior to the publication of the notice. As at that date, the Company did not hold any treasury shares.

The authority will expire at the conclusion of the next Annual General Meeting of the Company. Passing this resolution will ensure that the directors continue to have the flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. There are no current plans to issue new shares except in connection with employee share schemes and warrants.

Resolutions 5 and 6 are special resolutions. These resolutions will be passed if not less than 75% of the votes cast for and against are in favour.

Resolution 5 – Disapplication of statutory pre-emption rights

The Companies Act 2006 requires that, if the Company issues new shares, or grants rights to subscribe for or to convert any security into shares, for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. It is proposed that the directors be authorised to issue shares for cash and / or sell shares from treasury (if any are so held) up to an aggregate nominal amount of £145,286.28 (up to 14,528,628 new ordinary shares of one pence each) (representing approximately 5% of the Company's issued share capital as at 29 March 2011, the latest practicable date prior to the publication of the notice) without offering them to shareholders first, and to modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights or other pre-emptive offer or issue. If passed, this authority will expire at the same time as the authority to allot shares given pursuant to Resolution 4.

Resolution 6 – Purchase of own shares by the Company

If passed, this resolution will grant the Company authority to buy its own shares in the market. The resolution limits the number of shares that may be purchased to 10% of the Company's issued share capital (excluding treasury shares) as at 29 March 2011, the latest practicable date prior to the publication of the notice. The price per ordinary share that the Company may pay is set at a minimum amount (excluding expenses) of one pence per ordinary share and a maximum amount (excluding expenses) of 5% over the average of the previous five days' middle market prices. This authority will only be exercised if market conditions make it advantageous to do so.

The directors' present intention is that shares purchased pursuant to this authority (to the extent statutory requirements are met and provided any treasury shares held do not exceed 10% of the Company's issued share capital) will be held in treasury for future cancellation, sale for cash, or transfer to an employee share scheme, although they may be cancelled immediately on repurchase in the light of circumstances at the time. The effect of any cancellation would be to reduce the number of shares in issue. For most purposes, while held in treasury, shares are treated as if they have been cancelled (for example, they carry no voting rights and do not rank for dividends).

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JOURNEY
GROUP PLC

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