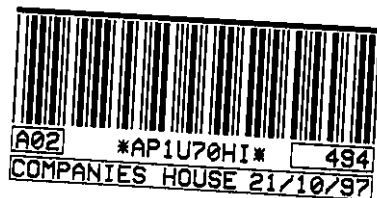


ORION AIRWAYS LIMITED

COMPANY REGISTRATION NUMBER: 1400743

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

31 DECEMBER 1996



ORION AIRWAYS LIMITED

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of the Company for the year ended 31 December 1996.

PRINCIPAL ACTIVITY

The Company's principal activity is the ownership of leasehold property.

DIVIDENDS AND TRANSFER TO RESERVES

No dividends were paid or proposed in the year. The profit of £322,000 (1995: £1,493,000) has been transferred to reserves.

DIRECTORS

The directors of the Company during the year were as follows:-

M Frith
P Brett
RJ Manley
RD Burnell

None of the directors had a beneficial interest in any shares of the Company or of any other group undertaking.

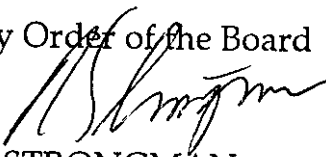
FIXED ASSETS

Details of the movement in fixed assets in the year are shown in Note 6 to the accounts.

AUDITORS

Pursuant to Section 386 of the Companies Act 1985, the Company has passed an Elective Resolution to dispense with the obligation to appoint auditors annually. The auditors, Price Waterhouse, have indicated their willingness to continue in office.

By Order of the Board



R STRONGMAN
Company Secretary

12 March 1997

London Luton Airport
Luton
Bedfordshire
LU2 9ND

ORION AIRWAYS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the auditors' statement of responsibilities set out on page 3, is made with a view to distinguishing the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required, in accordance with accounting principles generally accepted in the United Kingdom, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit of the Company for that period.

The directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Company, and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

ORION AIRWAYS LIMITED

AUDITORS' REPORT TO THE MEMBERS OF ORION AIRWAYS LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 1996 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors

Southwark Towers
32 London Bridge Street
London SE1 9SY

12 March 1997

ORION AIRWAYS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£000s	£000s
ADMINISTRATIVE EXPENSES		(24)	(25)
		-----	-----
(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST	2	(24)	(25)
NET INTEREST	4	514	443
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		490	418
TAXATION	5	(168)	1,075
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12	322	1,493
		-----	-----

All profit and loss items relate to continuing operations.

The Company has no recognised gains or losses attributable to the shareholders other than its profit for the year disclosed above.

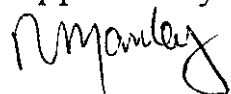
The notes on pages 6 to 11 form part of these accounts.

ORION AIRWAYS LIMITED

BALANCE SHEET AT 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£000s	£000s
FIXED ASSETS			
Tangible assets	6	1,153	1,177
Investments	7	391	363
		-----	-----
		1,544	1,540
		-----	-----
CURRENT ASSETS			
Debtors	8	10,195	10,247
Cash at bank and in hand		4	4
		-----	-----
		10,199	10,251
CREDITORS - Amounts falling due within one year	9	(1,159)	(1,529)
		-----	-----
NET CURRENT ASSETS		9,040	8,722
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		10,584	10,262
		-----	-----
CREDITORS - Amounts falling due after more than one year	10	(800)	(800)
		-----	-----
NET ASSETS		9,784	9,462
		-----	-----
CAPITAL AND RESERVES			
Called up Share Capital - Equity	11	100	100
Profit and Loss Account	12	9,684	9,362
		-----	-----
SHAREHOLDER'S FUNDS		9,784	9,462
		-----	-----

Approved by the Board on 12 March 1997.



R.J. MANLEY

The notes on pages 6 to 11 form part of these accounts.

ORION AIRWAYS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996

1) ACCOUNTING POLICIES

1) Basis of accounting

These accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

2) Deferred taxation

Deferred taxation is provided at current rates on taxation liabilities arising from timing differences to the extent that those liabilities are expected to reverse in the foreseeable future.

3) Fixed assets

- a. Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on the cost less estimated residual value of fixed assets in equal annual instalments over the estimated useful lives of the assets. The rate of depreciation is as follows:

Long-term leasehold properties	1.5% per annum
--------------------------------	----------------

- b. Investments:

Fixed asset investments are stated at cost less any provision for permanent diminution in value.

4) Cash Flow Statement

In accordance with paragraph 8(c) of Financial Reporting Standard No. 1, the cash flow statement has not been included within these accounts as the parent company, Thomson Travel Group Limited, has included the group cash flow statement in its accounts.

ORION AIRWAYS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

2) LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after charging:

	<u>1996</u>	<u>1995</u>
	£000s	£000s
Depreciation on tangible fixed assets	24	25

Auditors' remuneration and other operating expenses are borne by the Company's immediate parent undertaking.

3) DIRECTORS' EMOLUMENTS AND EMPLOYEES

The directors are paid by other group undertakings and no part of their remuneration is regarded as being in relation to their services to this Company.

The Company has no employees, other than the directors (1995: Nil).

4) NET INTEREST

	<u>1996</u>	<u>1995</u>
	£000s	£000s
Interest payable on:		
Other loans repayable after 5 years	93	92
	-----	-----
Interest payable and similar charges	93	92
Less interest receivable from:		
Group undertakings	(607)	(535)
	-----	-----
Net Interest (Receivable)	(514)	(443)
	-----	-----

ORION AIRWAYS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

5) TAXATION

	<u>1996</u>	<u>1995</u>
	£000s	£000s
The charge/(credit) for taxation based on the profit for the year at 33% (1995: 33%) comprises:		
<u>Current Year</u>		
Group Relief	170	148
Corporation Tax	-	-
<u>Adjustments relating to prior years</u>		
Group Relief	(2)	(1,223)
	-----	-----
	168	(1,075)
	-----	-----

6) TANGIBLE ASSETS

	Long Term Leasehold Property
	£000s
Cost	
As at 31 December 1995 and as at 31 December 1996	1,650

Depreciation	
As at 31 December 1995	473
Charge for the period	24

As at 31 December 1996	497

Net Book Value	
As at 31 December 1996	1,153

As at 31 December 1995	1,177

ORION AIRWAYS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

7) FIXED ASSET INVESTMENTS

	<u>1996</u>	<u>1995</u>
	£000s	£000s
Life assurance endowment policies	391	363
	-----	-----
	391	363
	-----	-----

8) DEBTORS

	<u>1996</u>	<u>1995</u>
	£000s	£000s
Prepayments & Deferred Revenue	6	-
Amounts owed by group undertakings	10,189	10,247
	-----	-----
	10,195	10,247
	-----	-----

9) CREDITORS - Amounts falling due within one year:

	<u>1996</u>	<u>1995</u>
	£000s	£000s
Amounts owed to group undertakings	316	666
UK Corporation Tax	837	857
Other Creditors	6	6
	-----	-----
	1,159	1,529
	-----	-----

ORION AIRWAYS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

10) CREDITORS - Amounts falling due after more than one year:

	<u>1996</u>	<u>1995</u>
	£000s	£000s
Secured mortgage loan	800	800
	-----	-----

The mortgage loan of £800,000 is secured upon the leasehold property of the Company and is repayable in 2003. Interest is payable at the rate of 11.5% per annum.

11) CALLED UP SHARE CAPITAL

	<u>1996</u>	<u>1995</u>
	£000s	£000s
Authorised 1,000,000 Ordinary Shares of £1 each	1,000	1,000
	-----	-----
Issued, allotted and fully paid 100,000 Ordinary Shares of £1 each	100	100
	-----	-----

12) PROFIT AND LOSS ACCOUNT

	£000s
Balance at 1 January 1996	9,362
Retained profit for the financial year	322

Balance at 31 December 1996	9,684

ORION AIRWAYS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

13) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<u>1996</u>	<u>1995</u>
	£000s	£000s
Profit for the financial year attributable to shareholders	322	1,493
Shareholders funds at start of year	9,462	7,969
Shareholders funds at end of year	----- 9,784 -----	----- 9,462 -----

14) COMPANY STATUS

The Company is a close company within the meaning of Section 414 of the Income and Corporation Tax Act 1988.

Within the meaning of the Companies Act 1985, Thomson Investments Limited ("TIL") is regarded by the directors of the Company as being the Company's ultimate parent undertaking. Within the meaning of the said Act, The Thomson Corporation ("TTC") is the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Thomson Travel Group Limited ("TTGL") is the parent undertaking of the smallest group of undertakings for which group accounts are drawn up and of which the Company is a member.

TIL and TTC are incorporated under the laws of the Province of Ontario, Canada. TTGL is registered in England & Wales.

Copies of the TTC annual reports are available from: First Floor, The Quadrangle, 180 Wardour Street, London, W1A 4YG.

Copies of the TTGL annual report are available from: Britannia House, Airport Way, London Luton Airport, Luton, Bedfordshire LU2 9ND.

Transactions with other companies within the group are not disclosed as the Company has taken advantage of the exemption available under Financial Reporting Standard No.8 "Related party disclosures", as the consolidated accounts of Thomson Travel Group Limited in which the Company is included are available at the address noted above.