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Company Registration No. 1976915

TROPICAL PLACES LIMITED

Report and Financial Statements

31 December 1996

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR





REPORT AND FINANCIAL STATEMENTS 1996

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C Smart Chairman
J Grieves-Cook
M Johnson

COMPANY SECRETARY

M Collins

REGISTERED OFFICE

Freshfield House
Lewes Road
Forest Row
East Sussex
RH18 5ES

BANKERS

Bank of Scotland
Hobs Centre
St. Albans House
59 Haymarket
London
SW1Y 4QX

SOLICITORS

Nicholson, Graham and Jones
19- 21 Moorgate
London
EC2R 6AU

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the fifteen months ended 31 December 1996. The comparative period is the year ended 30 September 1995.

ACTIVITIES

The principal activities of the company continue to be that of travel agents and tour operators.

RESULTS FOR THE PERIOD, DIVIDENDS AND TRANSFERS TO RESERVES

The loss before tax, as shown in the profit and loss account, amounted to £157,372 (1995 - profit of £247,059). The directors do not recommend payment of a dividend (1995 - £nil) and the retained loss for the financial period of £129,097 (1995 - profit of £186,338) has been transferred from reserves.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

On 11 September 1996 the company became part of The Viad Corporation, Inc. via its UK holding company Viad Service Companies Limited. As a result the company has reported losses during the period due to several one-off payments made in connection with the acquisition and adjustments due to changes in accounting policy to bring the company in line with the group.

The directors are confident that the company will benefit from considerable synergies as a member of the group and that Tropical Places Limited is now better placed to continue the growth in profitability of the preceding years and to take greater advantage of future market opportunities.

DIRECTORS

The present membership of the Board is set out on page 1. On 12 September 1996 Messrs C Smart and M Johnson were appointed as directors of the company and Mr D Evans resigned as a director.

None of the directors have any interests in the share capital of the company.

At 1 October 1995 Mr J Grieves-Cook held an interest in 20,000 A Ordinary shares and 11,583 B Ordinary shares in Airborne Travel (Holdings) Limited, the immediate parent company. He had no interest in the shares of that company at the balance sheet date. At 31 December 1996 Mr J Grieves-Cook held 20 shares, being 5 per cent of the issued share capital, in Jetsave Transatlantic Limited, an intermediate parent company of Tropical Places Limited.

None of the other directors have any interests in the share capital of any other group company incorporated in the United Kingdom.

DISABLED PERSONS

It is the policy of the company to give full and fair consideration to suitable applications for employment by disabled persons. Opportunities also exist for employees who become disabled to continue in their employment where feasible, or to be trained for other positions within the company. The company does not discriminate against disabled persons in respect of the selection of employees for promotion and career development, although account is taken of the suitability of candidates for the positions available.

EMPLOYEE INVOLVEMENT

During the period the company involved employees in the management of the business. This was carried out, in particular, by giving regular briefings to managers on financial performance, future plans and other issues of importance.

**DIRECTORS' REPORT****AUDITORS**

Honey Barrett resigned as auditors during the period and Deloitte & Touche were appointed. Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

M Collins
Secretary

24 March 1997



STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. 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.



Chartered Accountants

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AUDITORS' REPORT TO THE MEMBERS OF TROPICAL PLACES LIMITED

We have audited the financial statements on pages 6 to 14 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4 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 loss for the fifteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

24 March 1997

PROFIT AND LOSS ACCOUNT
Fifteen months ended 31 December 1996

	Note	15 months ended 31 December 1996 £	Year ended 30 September 1995 (as restated) £
TURNOVER	3	20,252,912	12,515,584
Cost of sales		(17,390,162)	(10,587,568)
Gross profit		2,862,750	1,928,016
Administrative expenses		3,131,979	1,753,998
OPERATING (LOSS)/PROFIT	5	(269,229)	174,018
Interest receivable and similar income		139,704	99,270
Interest payable and similar charges		(27,847)	(26,229)
		111,857	73,041
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(157,372)	247,059
Tax credit/(charge) on (loss)/profit on ordinary activities	6	28,275	(60,721)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(129,097)	186,338
Dividends		-	-
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL PERIOD		(129,097)	186,338

All activities derive from continuing operations.

The profit and loss account for the comparative period has been restated following a prior period adjustment in respect of a change in the accounting policy for recognition of revenues. See note 2


BALANCE SHEET
31 December 1996

	Note	31 December 1996 £	30 September 1995 (as restated) £
FIXED ASSETS			
Tangible assets	7	79,636	66,082
CURRENT ASSETS			
Debtors	8	1,578,621	425,498
Cash at bank and in hand		486,461	2,938,474
		<u>2,065,082</u>	<u>3,363,972</u>
CREDITORS: amounts falling due within one year	9	<u>(2,209,183)</u>	<u>(3,125,551)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(144,101)</u>	<u>238,421</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(64,465)	304,503
CREDITORS: amounts falling due after more than one year	10	-	(239,871)
NET (LIABILITIES)/ASSETS		<u>(64,465)</u>	<u>64,632</u>
CAPITAL AND RESERVES			
Called up share capital	12	25,000	25,000
Profit and loss account	13	(89,465)	39,632
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>(64,465)</u>	<u>64,632</u>

These financial statements were approved by the Board of Directors on 24 March 1997.

Signed on behalf of the Board of Directors

C Smart
Director

J Grieves-Cook
Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Fifteen months ended 31 December 1996

	Note	15 months ended 31 December 1996 £	Year ended 30 September 1995 (as restated) £
Retained (loss)/profit for the period		(129,097)	186,338
Total recognised gains and losses relating to the period		(129,097)	186,338
Prior period adjustment	2	(349,668)	
Total recognised gains and losses since the last annual report		(478,765)	

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Fifteen months ended 31 December 1996

	Note	15 months ended 31 December 1996 £	Year ended 30 September 1995 (as restated) £
Retained (loss)/profit for the period		(129,097)	186,338
Net (decrease)/increase in shareholders' funds		(129,097)	186,338
Opening shareholders' funds:			
As previously stated		414,300	197,990
Prior period adjustment	2	(349,668)	(319,696)
As restated		64,632	(121,706)
Closing shareholders' funds		(64,465)	64,632

NOTES TO THE ACCOUNTS
Fifteen months ended 31 December 1996

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Computer equipment	over 3 years
Fixtures, fittings and other equipment	over 10 years

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at average rates. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences are dealt with in the profit and loss account.

Pension costs

The company operates funded defined contribution schemes on behalf of its employees and a director. The assets of the schemes are held separately from those of the company in independently administered funds. Pension costs are charged to the profit and loss account as they are incurred. The pension cost for the period is as disclosed in note 4.

Forward seasons' expenditure

Expenditure on marketing costs relating to future seasons is carried forward as part of prepayments and charged against the revenue of the relevant season.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual instalments over the period of the lease.

NOTES TO THE ACCOUNTS
Fifteen months ended 31 December 1996

2. PRIOR PERIOD ADJUSTMENT

In the current financial period the accounting policy with respect to revenue recognition has been changed.

In the current period turnover, representing the gross value of holidays, flights and insurance, is recognised based upon the date of departure. Previously turnover had been recognised based upon the date of receipt of a confirmed booking and commission earned on sales of insurance and retail sales of holidays from other tour operators had been disclosed net of the related expenses.

This change in accounting policy has been made to bring the company in line with group accounting policies, following the company's acquisition by the Viad Service Companies Limited group during the period, and the more common industry practice.

The effect of the prior period adjustment at 30 September 1994 was to reduce shareholders' funds by £319,696 as a consequence of previously recognised turnover and profits on a booking date basis not being recognised until the year ended 30 September 1995 on a departure date basis.

The effect of the prior period adjustment upon the 30 September 1995 balance sheet, which has been restated in accordance with the new policy, was a net decrease in debtors, including taxation recoverable, of £707,684 and a net decrease in creditors of £358,016. The resultant net decrease in shareholders' funds of £349,668 comprised of the adjustment as at 30 September 1994 as above and a net reduction of £29,972 in the profits for the year ended 30 September 1995 as below.

The comparative figures for the year ended 30 September 1995 have also been restated, resulting in a decrease in turnover of £313,227 and cost of sales of £273,264 and a reduction in the corporation tax charge of £9,991 resulting in a net reduction in the profit for the year of £29,972.

The effect of this change in accounting policy in the current financial period has been to decrease turnover by £692,737 and cost of sales by £580,871 and increase in the corporation tax credit by £96,764 resulting in a net increase in the loss for the period of £15,102.

3. TURNOVER

Turnover represents the gross value of flights and holidays which have departed in the accounting period.

In the opinion of the directors, provision of additional segmental information as required by the Companies Act 1985 would be seriously prejudicial to the interests of the company. The information has therefore not been disclosed as permitted by Paragraph 55(5) of Schedule 4 to the Companies Act 1985.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	15 months ended 31 December 1996	Year ended 30 September 1995
Directors' emoluments		
Remuneration	£ 161,941	£ 103,110
Benefits	10,931	5,122
Pension scheme contributions	159,718	5,719
Compensation for loss of office	150,000	-
	482,590	113,951
Remuneration of highest paid director - Chairman in 1995	167,872	103,232
Remuneration of the Chairman	-	-
Scale of other directors' remuneration:	No.	No.
£ 0 - £ 5,000	1	1
£ 150,001 - £ 155,000	1	-

NOTES TO THE ACCOUNTS
Fifteen months ended 31 December 1996

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	15 months ended 31 December 1996	Year ended 30 September 1995
Average number of persons employed:	No.	No.
Sales and administration	35	25
	<u>£</u>	<u>£</u>
Staff costs during the period (including directors)		
Wages and salaries	932,522	499,296
Social security costs	72,382	46,381
Pension costs	253,046	15,708
	<u>1,257,950</u>	<u>561,385</u>

5. OPERATING (LOSS)/PROFIT

	15 months ended 31 December 1996	Year ended 30 September 1995
	£	£
Operating (loss)/profit is after charging:		
Depreciation	58,457	20,228
Rentals under operating leases	9,640	3,842
Auditors' remuneration - audit fees	9,000	5,500
Loss on disposal of fixed assets	5,026	-
And after (crediting):		
Exchange gains	(4,141)	(80,745)
Gain on sale of tangible fixed assets	-	(9,380)
Waiver of loan to immediate parent company	(129,871)	-
	<u></u>	<u></u>

6. TAX (CREDIT)/CHARGE ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	15 months ended 31 December 1996	Year ended 30 September 1995 (as restated)
	£	£
United Kingdom corporation tax at 33% (1995 - 25%) based on the (loss)/profit for the period	(13,208)	60,009
Group relief	(15,550)	-
Adjustments to prior years' tax provisions	483	712
	<u>(28,275)</u>	<u>60,721</u>

The tax credit for the period is low in relation to the loss for the period due to tax losses for which no current period relief is available.

NOTES TO THE ACCOUNTS
Fifteen months ended 31 December 1996

7. TANGIBLE FIXED ASSETS

	Computer equipment £	Fixtures, fittings and other equipment £	Total £
Cost			
At 1 October 1995	114,306	63,898	178,204
Additions	71,013	10,124	81,137
Disposals	(11,246)	(17,706)	(28,952)
At 31 December 1996	174,073	56,316	230,389
Accumulated depreciation			
At 1 October 1995	82,541	29,581	112,122
Charge for the period	49,280	9,177	58,457
Disposals	(7,369)	(12,457)	(19,826)
At 31 December 1996	124,452	26,301	150,753
Net book value			
At 31 December 1996	46,621	30,015	79,636
At 30 September 1995	31,765	34,317	66,082

8. DEBTORS

	31 December 1996 £	30 September 1995 (as restated) £
Trade debtors	55,715	188,570
Amounts owed by parent undertaking	1,013,298	-
Corporation tax recoverable	129,764	116,555
Group relief receivable	15,550	-
Other debtors	47,584	48,419
Prepayments and accrued income	316,710	71,954
	1,578,621	425,498

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 1996 £	30 September 1995 (as restated) £
Trade creditors	728,014	1,402,620
Corporation tax payable	-	70,000
Taxation and social security	45,535	23,354
Other creditors	-	1,868
Accruals and deferred income	1,435,634	1,627,709
	2,209,183	3,125,551

NOTES TO THE ACCOUNTS
Fifteen months ended 31 December 1996

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

	31 December 1996	30 September 1995 (as restated)
	£	£
Amounts owed to parent undertakings	-	129,871
Other loans	-	110,000
	<u>-</u>	<u>239,871</u>

11. DEFERRED TAXATION

No provision has been made for deferred taxation (1995 - £nil). The major components of the potential amounts not provided are:

	31 December 1996	30 September 1995
	£	£
Accelerated capital allowances	(7,341)	517
Other short term timing differences	-	912
	<u>(7,341)</u>	<u>1,429</u>

12. CALLED UP SHARE CAPITAL

	31 December 1996	30 September 1995
	£	£
Authorised: 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid: 25,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>

13. PROFIT AND LOSS ACCOUNT

	31 December 1996	30 September 1995 (as restated)
	£	£
Balance at 1 October 1995	389,300	172,990
Prior period adjustment	(349,668)	(319,696)
As restated	39,632	(146,706)
Retained (loss)/profit for the period	<u>(129,097)</u>	<u>186,338</u>
Balance at 31 December 1996	<u>(89,465)</u>	<u>39,632</u>

NOTES TO THE ACCOUNTS
Fifteen months ended 31 December 1996

14. FUTURE COMMITMENTS

(a) Operating lease commitment

At 31 December 1996 the company was committed to making the following payments during the next year in respect of operating leases:

	Other £
Leases which expire	
Within 2 to 5 years	8,132

(b) Forward currency commitments

At 31 December 1996 the company had contracts to purchase foreign currency for £1,874,870 (1995 - £2,346,783) at future dates in order to pay liabilities not yet incurred.

15. CASH FLOW STATEMENT

As a wholly owned subsidiary of Viad Service Companies Limited, whose group accounts contain a cash flow statement, the company takes advantage of the exemption from the requirement to produce a cash flow statement.

16. RELATED PARTY TRANSACTIONS

During the period £10,000 (1995 - £64,000) was repaid to D J Evans repaying the total unsecured long term loan (1995 - £10,000 outstanding). Interest paid during the period amounted to £nil (1995 - £5,040).

During the period £61,805 (1995 - £92,046) was paid to Gamewatchers Safaris Limited, a company incorporated in Kenya of which J Grieves-Cook was a director during the period. These payments were made in the ordinary course of business in relation to the Safari element of some of the company's African holidays. There were no outstanding balances with the company at the period end (1995 - £nil).

In accordance with Financial Reporting Standard No 8 "Related Party Disclosures" transactions with other undertakings within the Viad Service Companies Limited group have not been disclosed in these financial statements.

17. ULTIMATE PARENT COMPANIES

The ultimate parent company in the UK is Viad Service Companies Limited (formerly Dial Service Companies Limited). Copies of the group financial statements are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ. The company's immediate parent company is Airborne Travel (Holdings) Limited. Both companies are incorporated in Great Britain and registered in England and Wales.

The ultimate parent company is The Viad Corporation, Inc. which is incorporated in the United States of America. Copies of the financial statements of The Viad Corporation, Inc. are available from Viad Tower, Phoenix, Arizona 85077.