



ARTHUR ANDERSEN

Jetset Europe PLC

Accounts for the period ended 30 September 2000
together with directors' and auditors' reports

Registered number: 02223775



Directors' report

For the 11 months ended 30 September 2000

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the period ended 30 September 2000.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. 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.

Principal activity and business review

The company's principal activity continues to be that of a tour operator and scheduled flight consolidator.

The directors consider the financial position of the company at the period end to be satisfactory and look forward to an improvement in performance in the forthcoming year.

Results and dividends

The audited accounts for the period ended 30 September 2000 are set out on pages 4 to 14. The loss for the period after taxation was £2,756,628 (1999 - £4,928,347).

No dividend can be paid (1999 - £nil).

Directors and their interests

The directors who served during the period are as shown below.

J.W. Bond	(resigned 17 December 1999)
H. Bond	(appointed 18 November 1999, resigned 17 December 1999)
M.J. Cheetham	(appointed 17 December 1999)
C.A. Humphreys	(appointed 17 December 1999, resigned 31 July 2000)
P.F. Rothwell	(appointed 17 December 1999, resigned 5 October 2000)
Airtours Management Services Limited	(appointed 15 March 2000)

Directors' report (continued)

Directors and their interests (continued)

The interests of the directors in the shares of the company are as follows:

	'A' ordinary shares		'B' ordinary shares	
	30 September	31 October	30 September	31 October
	2000	1999	2000	1999
	Number	Number	Number	Number
J.W. Bond	-	140,000	-	60,000

The interests of P.F. Rothwell in the shares of the ultimate holding company, Airtours plc are disclosed in the accounts of that company. In addition M.J. Cheetham had the following options to acquire shares in Airtours plc:

	30 September	17 December
	2000	1999
	Number	Number
Class II options over Ordinary shares	150,000	150,000
Executive share options over Ordinary shares	40,708	40,708
1998 Share bonus plan options over Ordinary shares	75,953	75,953
SAYE options over Ordinary shares	7,443	8,126

The directors have no other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Share capital

On 17 December 1999 the entire share capital of the company was purchased by Airtours plc. The shares were subsequently transferred to UKLG Limited and on 21 March 2000, the company authorised and issued 5.5 million £1 ordinary shares at par to UKLG Limited, its immediate parent company.

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 30 September 2000 were equivalent to 30 (31 October 1999 - 28) days' purchases, based on the average daily amount invoiced by suppliers during the period.

Auditors

During the period Hacker Young resigned as auditors and the board appointed Arthur Andersen to fill the casual vacancy. A resolution for the re-appointment of Arthur Andersen will be proposed at the company's annual general meeting.

Amadeus House
52 George Street
Manchester
M1 4HF

21 November 2000

By order of the Board,



M.J. Cheetham
Director

To the Shareholders of Jetset Europe PLC:

We have audited the accounts on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

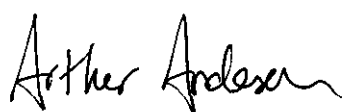
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 30 September 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

21 November 2000

Profit and loss account

For the 11 months ended 30 September 2000

	Notes	11 months ended 30 September 2000 £	Year ended 31 October 1999 £
Turnover		37,585,318	58,775,257
Cost of sales		(32,237,993)	(56,082,460)
Gross profit		5,347,325	2,692,797
Administrative expenses		(8,084,912)	(7,674,720)
Loss on ordinary activities before finance charges		(2,737,587)	(4,981,923)
Finance charges (net)	3	(101,219)	(26,223)
Loss on ordinary activities before taxation	4	(2,838,806)	(5,008,146)
Taxation on loss on ordinary activities	6	82,178	79,799
Retained loss for the period		(2,756,628)	(4,928,347)

All activity has arisen from continuing operations.

The company has no recognised gains or losses in either period other than its loss for that period. A movement on reserves is given in note 12.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet
30 September 2000

	Notes	30 September 2000 £	31 October 1999 £
Fixed assets			
Tangible assets	7	379,894	384,515
Current assets			
Debtors	8	6,912,027	2,605,840
Cash at bank and in hand		218,417	229,228
		<u>7,130,444</u>	<u>2,835,068</u>
Creditors: Amounts falling due within one year	9	<u>(8,972,484)</u>	<u>(7,368,344)</u>
Net current liabilities		<u>(1,842,040)</u>	<u>(4,533,276)</u>
Total assets less current liabilities		<u>(1,462,146)</u>	<u>(4,148,761)</u>
Creditors: Amounts falling due after more than one year	10	<u>-</u>	<u>(56,757)</u>
Net liabilities	18	<u>(1,462,146)</u>	<u>(4,205,518)</u>
Capital and reserves			
Called-up share capital	11	5,700,000	200,000
Profit and loss account	12	<u>(7,162,146)</u>	<u>(4,405,518)</u>
Shareholders' deficit	13	<u>(1,462,146)</u>	<u>(4,205,518)</u>

Signed on behalf of the Board



M.J. Cheetham
Director

21 November 2000

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

30 September 2000

1 Accounting policies

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

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

a) Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

b) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Fixtures, fittings and equipment	4 – 5 years
Motor vehicles	4 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

c) Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

d) Taxation

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

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

Notes to accounts (continued)

1 Accounting policies (continued)

e) Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

f) Cash flow statement

Jetset Europe PLC has not presented a cash flow statement as permitted by FRS1 (revised), as it is a wholly owned subsidiary of Airtours plc, which produces consolidated accounts that are publicly available.

2 Turnover

Turnover is wholly attributable to the principal activity and arises in the United Kingdom.

3 Finance charges (net)

	11 months ended 30 September 2000 £	Year ended 31 October 1999 £
Hire purchase interest	42,290	41,816
Other loans	65,702	14,000
	<hr/> 107,992	<hr/> 55,816
Bank interest receivable	(6,773)	(29,593)
Finance charges (net)	<hr/> 101,219	<hr/> 26,223

Notes to accounts (continued)

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	11 months ended 30 September 2000 £	Year ended 31 October 1999 £
Amortisation of intangible fixed assets	-	94,686
Depreciation of owned tangible assets	150,211	55,029
Depreciation of assets held under finance leases and hire purchase contracts	74,299	95,190
Operating lease rentals		
- plant and machinery	188,369	282,530
- other	142,022	185,662
Auditors' remuneration for audit services	15,000	28,500
	<hr/>	<hr/>

Amounts paid to the auditors' for non-audit services were £43,069 (1999 - £4,635).

5 Staff costs

The average monthly number of employees (including executive directors) was:

	11 months ended 30 September 2000 Number	Year ended 31 October 1999 Number
Sales	102	136
Administration	36	53
	<hr/>	<hr/>
	138	189
	<hr/>	<hr/>

Notes to accounts (continued)

5 Staff costs (continued)

Their aggregate remuneration comprised:

	11 months ended 30 September 2000 £	Year ended 31 October 1999 £
Wages and salaries	1,778,898	2,623,693
Social security costs	150,093	238,810
Other pension costs	20,268	11,574
	<u>1,949,259</u>	<u>2,874,077</u>

Directors' remuneration

	11 months ended 30 September 2000 £	Year ended 31 October 1999 £
Emoluments	-	110,000
Company contribution to money purchase pension scheme	-	11,574
	<u>-</u>	<u>121,574</u>

6 Tax on loss on ordinary activities

The tax credit is based on the loss for the period and comprises:

	11 months ended 30 September 2000 £	Year ended 31 October 1999 £
Corporation tax	(82,178)	-
Deferred taxation	-	(19,799)
Adjustment in respect of previous years corporation tax	-	(60,000)
	<u>(82,178)</u>	<u>(79,799)</u>

Notes to accounts (continued)

7 Tangible fixed assets

	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost			
At 1 November 1999	840,360	3,995	844,355
Additions	222,137	-	222,137
Disposals	-	(3,995)	(3,995)
At 30 September 2000	1,062,497	-	1,062,497
Depreciation			
At 1 November 1999	458,342	1,498	459,840
Charge for the year	224,261	249	224,510
Disposals	-	(1,747)	(1,747)
At 30 September 2000	682,603	-	682,603
Net book value			
At 1 November 1999	382,018	2,497	384,515
At 30 September 2000	379,894	-	379,894

Included in the above are assets under finance leases and hire purchase contracts with a net book value of:

	Fixtures, fittings and equipment £	Motor vehicles £	Total £
At 1 November 1999	320,085	-	320,085
At 30 September 2000	82,999	-	82,999

Notes to accounts (continued)

8 Debtors

	30 September 2000 £	31 October 1999 £
Amounts falling due within one year:		
Trade debtors	790,501	1,981,742
Amounts owed by group undertakings	5,500,000	-
Corporation tax	142,805	60,626
VAT recoverable	185,146	235,152
Prepayments and accrued income	293,575	328,320
	<u>6,912,027</u>	<u>2,605,840</u>

The amounts due from group undertakings are interest-free, unsecured, have no fixed repayment date and are due on demand.

9 Creditors: Amounts falling due within one year

	30 September 2000 £	31 October 1999 £
Obligations under finance leases and hire purchase contracts	61,757	132,062
Trade creditors	4,651,509	6,937,805
Amounts due to parent company	3,956,575	-
Accruals and deferred income	302,643	75,995
Other creditors	-	165,000
Other taxation and social security	-	57,482
	<u>8,972,484</u>	<u>7,368,344</u>

In the prior year other creditors of £165,000 represented a subordinated loan from J.W. Bond which could only be repaid on the written authority of the Civil Aviation Authority.

Notes to accounts (continued)

10 Creditors: Amounts falling due after more than one year

	30 September 2000 £	31 October 1999 £
Obligations under finance leases and hire purchase contracts	<u>-</u>	<u>56,757</u>

11 Called-up share capital

	30 September 2000 £	31 October 1999 £
<i>Authorised</i>		
5,700,000 (1999 – 200,000) Ordinary shares of £1 each	<u>5,700,000</u>	<u>200,000</u>
<i>Allotted, called-up and fully-paid</i>		
5,700,000 (1999 – 200,000) Ordinary shares of £1 each	<u>5,700,000</u>	<u>200,000</u>

During the period the company increased its authorised share capital, and subsequently issued 5,500,000 shares to UKLG Limited at their nominal value.

12 Profit and loss account

	£
At 1 November 1999	(4,405,518)
Retained loss for the period	<u>(2,756,628)</u>
At 30 September 2000	<u>(7,162,146)</u>

13 Reconciliation of movements in shareholders' deficit

	11 months ended 30 September 2000 £	Year ended 31 October 1999 £
Loss for the period	(2,756,628)	(4,928,347)
New shares issued	5,500,000	-
Opening shareholders' deficit	<u>(4,205,518)</u>	<u>722,829</u>
Closing shareholders' deficit	<u>(1,462,146)</u>	<u>(4,205,518)</u>

Notes to accounts (continued)

14 Guarantees and other financial commitments

a) Capital commitments

The company had no capital commitments at 30 September 2000 (1999 - £nil).

b) Commitments under operating leases

As at 30 September 2000, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	30 September 2000	31 October 1999	30 September 2000	31 October 1999
	£	£	£	£
Within one year	3,560	-	3,560	5,679
Between two and five years	68,040	-	68,040	194,628
After five years	39,500	122,000	39,500	-
	<u>111,100</u>	<u>122,000</u>	<u>111,100</u>	<u>200,307</u>

15 Ultimate parent company

At 30 September 2000, the company's intermediate parent company was UKLG Limited. The ultimate parent company is Airtours plc.

The largest and smallest group of which Jetset Europe PLC is a member and for which group accounts are drawn up is that headed by Airtours plc, copies of which are available from Parkway One, Parkway Business Centre, 300 Princess Road, Manchester, M14 7QU.

16 Related party transactions

The company has taken advantage of the exemption afforded in FRS8 not to disclose transactions with other group undertakings. There were no other related party transactions during the period.

During the current period and previous year the company undertook the following transactions with companies in which J.W. Bond was a director and shareholder:

	11 months ended 30 September 2000		Year ended 31 October 1999		
	Sales £	Balance at year end £	Sales £	Balance at year end £	Bad debt written off in year £
Jetset Deutschland	-	-	24,419	32,101	539,594
FETC Limited	210,828	-	1,672,041	414,588	-
Cresta World Travel Limited	36,133	(4,077)	139,918	18,467	-
	<u>246,961</u>	<u>(4,077)</u>	<u>1,836,378</u>	<u>465,156</u>	<u>-</u>

Notes to accounts (continued)

17 Prior year comparatives

The prior year comparative figures were audited by a firm of accountants other than Arthur Andersen.

18 Net liabilities

Under section 123 of the Insolvency Act 1986, any creditor of the company could petition for it to be wound up on the grounds that it has net liabilities. However, the directors have drawn up the accounts on a going concern basis because they have received confirmation from the ultimate parent company that it will provide such financial support as is necessary to enable the company to meet its liabilities as they fall due.