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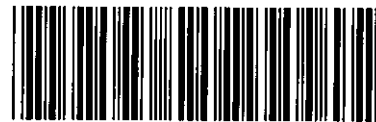
Registered number
02733039

Argo Holidays Limited

Report and Accounts

31 October 2006

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Argo Holidays Limited
Report and accounts
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The following pages do not form part of the statutory accounts:-

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Argo Holidays Limited
Company Information

Directors

G A Diamantaras esq
A G Antoniou esq
AGS Travel Services Limited

Secretary

JP Secretarial Services Limited

Auditors

White Hart Associates LLP
East House
109 South Worple Way
London
SW14 8TN

Bankers

The Royal Bank of Scotland Plc
5/10 Great Tower Street
London
EC3P 3HX

The Cyprus Popular Bank Limited
Laiki Bank
19 Fitzroy Street
London
W1P 6BQ

Registered office

100 Wigmore Street
London
W1U 3RJ

Registered number

02733039

Argo Holidays Limited

Directors' Report

The directors present their report and accounts for the year ended 31 October 2006.

Principal activities and review of the business

The company's principal activity during the year continued to be that of tour operators, providing holiday arrangements and packages.

The directors consider that 2005/6 was a very difficult trading year but believe the company can increase profitability in the current trading year after an encouraging start to the year.

Results and dividends

The profit for the year, after taxation, amounted to £88,973 (2005 - Restated loss £(50,956)). The directors do not recommend a final ordinary dividend. This leaves a profit of £88,973 (2005 - Restated loss £(50,956)) to be retained.

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years. They consider that the next year will show controlled growth in sales with a rationalisation of overheads.

Directors

The directors who served during the year and their interests in the share capital of the company were as follows:

| | £1 Ordinary shares | |
|---------------------------------------|--------------------|------------|
| | 31 Oct 2006 | 1 Nov 2005 |
| A G Antoniou | - | - |
| G A Diamantaras | - | - |
| R J Allard - resigned 31 January 2007 | - | - |
| AGS Travel Services Limited | 397,500 | 397,500 |

Argo Holidays Limited

Directors' Report

Directors' responsibilities

The directors are responsible for preparing the report and accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to 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 these accounts, 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- 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 that 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.

Disclosure of information to auditors

So far as each director at the date of approval of this report 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.

This report was approved by the board on 28 March 2007.



G N Los esq
For and on behalf of AGS Travel Services Limited
Director

Argo Holidays Limited
Independent auditors' report
to the shareholders of Argo Holidays Limited

We have audited the accounts of Argo Holidays Limited for the year ended 31 October 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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

The directors' responsibilities for preparing the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

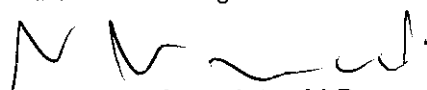
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2006 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.



White Hart Associates LLP
Registered auditors
28 March 2007

East House
109 South Worple Way
London
SW14 8TN

Argo Holidays Limited
Profit and Loss Account
for the year ended 31 October 2006

| Consolidated | Notes | 2006 £ | Restated 2005 £ |
|---|-------|------------------|-----------------------|
| Turnover | 2 | 31,909,738 | 37,108,940 |
| Cost of sales | | (28,199,960) | (33,819,281) |
| Gross profit | | <u>3,709,778</u> | <u>3,289,659</u> |
| Administrative expenses | | (3,581,859) | (3,336,473) |
| Operating profit/(loss) | 3 | <u>127,919</u> | <u>(46,814)</u> |
| Interest receivable | | 4,625 | 7,957 |
| Interest payable | 6 | (47,162) | (3) |
| Profit/(loss) on ordinary activities before taxation | | <u>85,382</u> | <u>(38,860)</u> |
| Tax on profit/(loss) on ordinary activities | 7 | 3,591 | (12,096) |
| Profit/(loss) for the financial year | | <u>88,973</u> | <u>(50,956)</u> |

Continuing operations

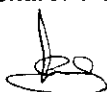
None of the company's activities were acquired or discontinued during the above two financial years.

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the profit/(loss) for the above two financial years.

Argo Holidays Limited
Balance Sheet
as at 31 October 2006

| Consolidated | Notes | 2006 £ | Restated 2005 £ |
|--|--------------|-------------------|--------------------------------|
| Fixed assets | | | |
| Tangible assets | 8 | 142,294 | 175,374 |
| Current assets | | | |
| Debtors | 10 | 2,588,266 | 3,302,679 |
| Cash at bank and in hand | | 858,143 | 660,148 |
| | | <u>3,446,409</u> | <u>3,962,827</u> |
| Creditors: amounts falling due within one year | 11 | (2,331,673) | (2,966,553) |
| Net current assets | | <u>1,114,736</u> | <u>996,274</u> |
| Total assets less current liabilities | | <u>1,257,030</u> | <u>1,171,648</u> |
| Creditors: amounts falling due after more than one year | 12 | (148,000) | (148,000) |
| Provisions for liabilities | | | |
| Deferred taxation | 13 | - | (3,591) |
| Net assets | | <u>1,109,030</u> | <u>1,020,057</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 1,126,500 | 1,126,500 |
| Profit and loss account | 15 | (17,470) | (106,443) |
| Shareholders' funds | 16 | <u>1,109,030</u> | <u>1,020,057</u> |



G N Los esq
For and on behalf of AGS Travel Services Limited
 Director
 Approved by the board on 28 March 2007

Argo Holidays Limited
Balance Sheet
as at 31 October 2006

| Company | Notes | 2006 £ | Restated 2005 £ |
|--|--------------|-------------------------|--|
| Fixed assets | | | |
| Tangible assets | 8 | 142,294 | 175,374 |
| Investments | 9 | <u>2,000</u> | <u>2,000</u> |
| | | 144,294 | 177,374 |
| Current assets | | | |
| Debtors | 10 | 2,571,290 | 3,287,523 |
| Cash at bank and in hand | | <u>858,143</u> | <u>660,148</u> |
| | | 3,429,433 | 3,947,671 |
| Creditors: amounts falling due within one year | 11 | <u>(2,327,445)</u> | <u>(2,962,325)</u> |
| Net current assets | | 1,101,988 | 985,346 |
| Total assets less current liabilities | | <u>1,246,282</u> | <u>1,162,720</u> |
| Creditors: amounts falling due after more than one year | 12 | (148,000) | (148,000) |
| Provisions for liabilities | | | |
| Deferred taxation | 13 | - | (3,591) |
| Net assets | | <u>1,098,282</u> | <u>1,011,129</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 1,126,500 | 1,126,500 |
| Profit and loss account | 15 | <u>(28,218)</u> | <u>(115,371)</u> |
| Shareholders' funds | 16 | <u>1,098,282</u> | <u>1,011,129</u> |

Argo Holidays Limited
Notes to the Accounts
for the year ended 31 October 2006

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. The company has not produced a cash flow statement in these accounts as it is exempt because a group cash flow statement is prepared and disclosed in the consolidated accounts of the ultimate holding company Interargo Travel Group Limited.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertaking made up to 31 October 2006. Intra-group sales and profit are eliminated on consolidation.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

| | |
|--------------------------------|---------------------------|
| Motor vehicles | 20% on written down value |
| Office furniture and equipment | 15% on written down value |
| Computer equipment | 25% on cost |

Deferred taxation

Full provision is made for deferred taxation resulting from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes.

Deferred tax is calculated at the tax rates which are expected to apply in the periods when the timing differences will reverse, and discounted to reflect the time value of money using rates based on the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with similar maturity dates.

Foreign currencies

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

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Argo Holidays Limited
Notes to the Accounts
for the year ended 31 October 2006

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2 Turnover

Turnover represents the sales of holiday packages, air travel and tickets, less refunds to clients during the period, net of value added tax under the Tour Operator Margin Scheme.

Turnover is attributable to one continuing activity.

| 3 Operating profit | 2006 £ | 2005 £ |
|---|-------------------|-------------------|
| This is stated after charging: | | |
| Depreciation of owned fixed assets | 67,053 | 52,603 |
| Auditors' remuneration for audit services | <u>11,500</u> | <u>14,000</u> |

| 4 Directors' emoluments | 2006 £ | 2005 £ |
|---|-------------------|-------------------|
| Emoluments | 73,107 | 191,667 |
| Company contributions to money purchase pension schemes | <u>6,250</u> | <u>8,950</u> |
| | <u>79,357</u> | <u>200,617</u> |

Additional payments for consultancy services amounting to £36,000 (2005 - £36,000) were made to a company controlled by R Allard, a former director.

| Number of directors in company pension schemes: | 2006 Number | 2005 Number |
|--|------------------------|------------------------|
| Money purchase schemes | <u>1</u> | <u>1</u> |

| 5 Staff costs | 2006 £ | 2005 £ |
|----------------------|-------------------|-------------------|
| Wages and salaries | 1,264,408 | 1,313,837 |
| Severance pay | 32,543 | 23,019 |
| Other pension costs | <u>32,179</u> | <u>18,026</u> |
| | <u>1,329,130</u> | <u>1,354,882</u> |

| Average number of employees during the year | Number | Number |
|--|---------------|---------------|
| Administration | <u>57</u> | <u>65</u> |

Argo Holidays Limited
Notes to the Accounts
for the year ended 31 October 2006

| 6 Interest payable | 2006 £ | 2005 £ |
|---------------------------|---------------|-----------|
| Bank loans and overdrafts | <u>47,162</u> | <u>3</u> |

| 7 Taxation | 2006 £ | 2005 £ |
|--|----------------|---------------|
| Analysis of charge in period | | |
| Current tax: | | |
| UK corporation tax on profits of the period | - | 1,511 |
| Adjustments in respect of previous periods | - | 630 |
| | <u>-</u> | <u>2,141</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | (3,591) | 9,955 |
| | <u>(3,591)</u> | <u>12,096</u> |
| Tax on (loss)/profit on ordinary activities | | |

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

| | 2006 £ | 2005 £ |
|--|---------------|-----------------|
| Profit/(loss) on ordinary activities before tax | <u>85,382</u> | <u>(38,860)</u> |
| Standard rate of corporation tax in the UK | 0% | 30% |
| | £ | £ |
| Profit on ordinary activities multiplied by the standard rate of corporation tax | - | (11,658) |
| Effects of: | | |
| Expenses not deductible for tax purposes | - | 24,506 |
| Capital allowances for period in excess of depreciation | - | (2,954) |
| Utilisation of tax losses | - | (8,383) |
| Adjustments to tax charge in respect of previous periods | - | 630 |
| | <u>-</u> | <u>2,141</u> |
| Current tax charge for period | | |

Argo Holidays Limited
Notes to the Accounts
for the year ended 31 October 2006

8 Tangible fixed assets

| Group and company | Plant and machinery £ |
|--------------------------|----------------------------------|
| Cost | |
| At 1 November 2005 | 583,236 |
| Additions | 33,973 |
| At 31 October 2006 | <u>617,209</u> |
| Depreciation | |
| At 1 November 2005 | 407,862 |
| Charge for the year | 67,053 |
| At 31 October 2006 | <u>474,915</u> |
| Net book value | |
| At 31 October 2006 | <u>142,294</u> |
| At 31 October 2005 | <u>175,374</u> |

9 Investments

| Company | Country of registration or incorporation | Shares held Class | % |
|-----------------------|---|------------------------------|----------|
| Argo Aviation Limited | England and Wales | Ordinary | 100 |

This represents the company's investment in Argo Aviation Limited, a company incorporated in England. The principal activity of the subsidiary is the sale of air travel, and the company holds 100% of the issued share capital of £2,000 £1 ordinary shares.

| | 2006 | Restated 2005 |
|---|------------------|--------------------------|
| 10 Debtors | £ | £ |
| Group | | |
| Trade debtors | 1,591,623 | 1,348,401 |
| Amounts owed by group undertakings and undertakings in which the company has a participating interest | 696,515 | 1,547,640 |
| Other debtors | 39,499 | 125,418 |
| Prepayments and accrued income | 260,629 | 281,220 |
| | <u>2,588,266</u> | <u>3,302,679</u> |
| | | |
| | 2006 | Restated 2005 |
| Company | £ | £ |
| Trade debtors | 1,508,010 | 1,348,401 |
| Amounts owed by group undertakings and undertakings in which the company has a participating interest | 774,292 | 1,558,068 |
| Other debtors | 28,359 | 99,834 |
| Prepayments and accrued income | 260,629 | 281,220 |
| | <u>2,571,290</u> | <u>3,287,523</u> |

Argo Holidays Limited
Notes to the Accounts
for the year ended 31 October 2006

| 11 Creditors: amounts falling due within one year | 2006 | 2005 |
|---|------------------|------------------|
| Group | £ | £ |
| Bank loans and overdrafts | 1,036,595 | - |
| Trade creditors | 1,043,140 | 887,574 |
| Amounts owed to group undertakings and undertakings in which the company has a participating interest | - | 1,779,919 |
| Corporation tax | 1,511 | 1,511 |
| Other taxes and social security costs | 45,369 | 42,908 |
| Other creditors | 205,058 | 213,304 |
| Accruals and deferred income | - | 41,337 |
| | <u>2,331,673</u> | <u>2,966,553</u> |
| | 2006 | 2005 |
| | £ | £ |
| Company | | |
| Bank loans and overdrafts | 1,036,595 | - |
| Trade creditors | 1,043,140 | 887,574 |
| Amounts owed to group undertakings and undertakings in which the company has a participating interest | - | 1,779,919 |
| Corporation tax | 1,511 | 1,511 |
| Other taxes and social security costs | 45,369 | 42,908 |
| Other creditors | 200,830 | 209,076 |
| Accruals and deferred income | - | 41,337 |
| | <u>2,327,445</u> | <u>2,962,325</u> |

The bank overdraft is secured outside company assets and has an interest rate of 1.75% above UK bank base rate.

| 12 Creditors: amounts falling due after one year | 2006 | 2005 |
|---|----------------|----------------|
| Group and company | £ | £ |
| Other creditors | <u>148,000</u> | <u>148,000</u> |

The above interest free loans made to the company are subject to a subordinated undertaking in favour of the Civil Aviation Authority and cannot be repaid without their prior written consent.

Argo Holidays Limited
Notes to the Accounts
for the year ended 31 October 2006

| | | | | |
|--|-------------|-------------|------------------|----------------------|
| 13 Deferred taxation | | | 2006 | 2005 |
| Group and company | | | £ | £ |
| Accelerated capital allowances | | | - | 3,591 |
| Undiscounted provision for deferred tax | | | - | 3,591 |
| | | | 2006 | 2005 |
| | | | £ | £ |
| At 1 November | | | 3,591 | (6,364) |
| Deferred tax charge in profit and loss account | | | (3,591) | 9,955 |
| | | | <u>-</u> | <u>3,591</u> |
| At 31 October | | | | |
| 14 Share capital | | | 2006 | 2005 |
| | | | £ | £ |
| Authorised: | | | | |
| Ordinary shares of £1 each | | | 500,000 | 500,000 |
| Preference shares of £1 each | | | 1,000,000 | 1,000,000 |
| | | | <u>1,500,000</u> | <u>1,500,000</u> |
| | 2006 | 2005 | 2006 | 2005 |
| | No | No | £ | £ |
| Allotted, called up and fully paid: | | | | |
| Ordinary shares of £1 each | 397,500 | 397,500 | 397,500 | 397,500 |
| Preference shares of £1 each | 729,000 | 729,000 | 729,000 | 729,000 |
| | | | <u>1,126,500</u> | <u>1,126,500</u> |
| 15 Profit and loss account | | | 2006 | Restated 2005 |
| Group | | | £ | £ |
| At 1 November | | | (106,443) | (55,487) |
| Profit/(loss) for the financial year | | | 88,973 | (50,956) |
| | | | <u>(17,470)</u> | <u>(106,443)</u> |
| At 31 October | | | | |
| | | | 2006 | Restated 2005 |
| Company | | | £ | £ |
| At 1 November | | | (115,371) | (55,524) |
| Profit/(loss) for the financial year | | | 87,153 | (59,847) |
| | | | <u>(28,218)</u> | <u>(115,371)</u> |
| At 31 October | | | | |

Argo Holidays Limited
Notes to the Accounts
for the year ended 31 October 2006

| | 2006 | Restated 2005 |
|---|------------------|------------------|
| | £ | £ |
| 16 Reconciliation of movement in shareholders' funds | | |
| Group | | |
| At 1 November | 1,020,057 | 1,071,013 |
| Profit/(loss) for the financial year | 88,973 | (50,956) |
| At 31 October | <u>1,109,030</u> | <u>1,020,057</u> |
| | | |
| | 2006 | Restated 2005 |
| | £ | £ |
| Company | | |
| At 1 November | 1,011,129 | 1,070,976 |
| Profit/(loss) for the financial year | 87,153 | (59,847) |
| At 31 October | <u>1,098,282</u> | <u>1,011,129</u> |

17 Pension commitments

The company operates a money purchase arrangement for one of its directors, and all its employees. During the year contributions amounting to £38,429 (2005 - £26,976) were paid into the scheme.

18 Contingent liabilities

At 31 October 2006, there were contingent liabilities outstanding in respect of counter indemnities and guarantees given by the company and the group, in the normal course of business, to the group's bond insurance obligors in respect of various travel bonds, amounting to £3,900,000 (2005 - £3,918,000).

An amount of £431,250 was received by this company in respect of an incentive for the acquisition of Choicelife Limited (formerly Jetlife Limited) by a subsidiary of Interargo Travel Group Limited. The amounts received or receivable formed part of the acquisition of the aforementioned company on 8 April 2003. In terms of the incentive, if any of the companies who are members of Interargo Travel Group Limited transport passengers under the terms of the agreement, an amount of £2.50 per passenger is payable up to a maximum of £200,000. This company is guarantor of this agreement which covers passengers carried up to and including 31 December 2006.

Argo Holidays Limited
Notes to the Accounts
for the year ended 31 October 2006

19 Prior year adjustment

In previous years based upon the matching principle the company used to treat marketing and brochure costs incurred that related to future periods departures as prepayments recognising the cost upon departure date. In line with International Accounting Standards the company now write off to the profit and loss account all such costs as incurred. Therefore the carried forward profit and loss account balance as at 1 November 2004 and corresponding debtor have been restated as have the advertising and marketing costs for the year ended 31 October 2005.

20 Related parties

The company has taken advantage of of the exemptions conferred by FRS No.8 and has not disclosed related party transactions with other group undertakings.

During the year the company purchased hotel accommodation to a gross value of £143,102 (2005 - £0) from Medlife Hotels Limited, an associated company in which the ultimate group owns 39% of the equity share capital. The company also recharged expenses incurred in the sum of £502,983 (2005 - £0) to Medlife Hotels Limited. The company was owed the sum of £577,833 by Medlife Hotels Limited as at 31 October 2006 which is included in trade debtors.

During the year the company was charged by an associated company, Travelmasters Tours Limited, the sum of £236,940 for handling fees and wedding costs which are included in cost of sales. As at 31 October 2006 the company owed Travelmasters Tours Limited the sum of £310,219 included in trade creditors.

21 Controlling party

The ultimate holding company and ultimate controlling party is Interargo Travel Group Limited, a company incorporated in Cyprus. Copies of the group financial statements can be obtained from Totalserve Management Limited, Gregoriou Xenopoulou 17, 3106 Limassol, Cyprus.