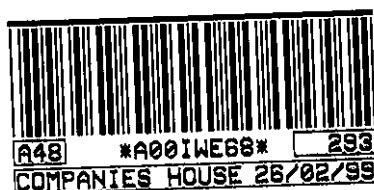


PHOENIX (McKECHNIE) TRAVEL LIMITED
ACCOUNTS FOR THE YEAR ENDED 31 JULY 1998

Company Number 2821888



DIRECTORS AND OFFICERS
For the year ended 31 July 1998

DIRECTORS

Mrs S E Beechey
Mr S G Moberley
Mr A J Walker
Mr M L M Lancaster
Mr J M Langley
Mr M J Williamson

SECRETARY

Mr RE McDonald

AUDITORS

Ernst & Young
Registered Auditor
Birmingham

DIRECTORS' REPORT
For the year ended 31 July 1998

The Directors submit their report and the financial statements of Phoenix (McKechnie) Travel Limited for the year ended 31 July 1998.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as travel agents. The Company has carried on this activity since incorporation on 26 May 1993.

REVIEW OF THE BUSINESS

The Directors consider that the Company's state of affairs is satisfactory and that future results will be of a similar nature.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £2,728 (1997: £3,328), which was transferred to reserves. The Directors do not recommend the payment of a dividend (1997: £nil).

FIXED ASSETS

Movements in Fixed Assets are shown in Note 5.

YEAR 2000

Work has continued during the year to ensure that our operations should not suffer any disruption as we enter the new millennium. We have assessed the risk to Phoenix (McKechnie) Travel Limited and consider our Year 2000 preparations to be a priority. We are aiming to achieve Year 2000 compliance of our primary business systems by 1 November 1998.

EUROPEAN MONETARY UNION ('EMU')

An assessment of the impact of EMU on Phoenix (McKechnie) Travel Limited is being completed and plans have been produced to make any necessary changes to systems. Although substantial internal resources will continue to be committed to these projects, the external cost of compliance for Year 2000 or EMU will not be significant.

DIRECTORS

The Directors of the Company during the year were:

Mrs S E Beechey
Mr S G Moberley
Mr A J Walker
Mr M L M Lancaster
Mr J M Langley
Mr M J Williamson

DIRECTORS' INTERESTS IN SHARES

No Director has any beneficial interest in the share capital of the Company.

TAX STATUS

The Directors consider that the Company is not a 'close Company' within the meaning of the Income and Corporation Taxes Act 1988.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 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;
- 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 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 accounts 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.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors to the company, and for their remuneration to be fixed by the Directors will be submitted to the Annual General Meeting.

By order of the Board



Secretary

Date:

**REPORT OF THE AUDITORS TO THE
MEMBERS OF PHOENIX (McKECHNIE) TRAVEL LIMITED**

We have audited the Financial Statements on pages 5 to 10, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of Directors and Auditors

As described on page 3 the company's Directors are responsible for the preparation of the Financial Statements. It is our responsibility to form an independent opinion, based on our audit of those Financial Statements and to report our opinion to you.

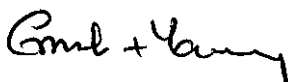
Basis of opinion

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 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 accounts.

Opinion

In our opinion the Financial Statements give a true and fair view of the Company's affairs as at 31 July 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Birmingham

Date: 23 January 1999

PROFIT AND LOSS ACCOUNT
For the year ended 31 July 1998

	Notes	Continuing Operations Year Ended 31 July 1998 £	Continuing Operations Year Ended 31 July 1997 £
Turnover	1	1,440,470	1,194,554
Cost of Sales		1,314,976	1,086,264
Gross Profit		<u>125,494</u>	<u>108,290</u>
Interest Received		3,156	1,319
		<u>128,650</u>	<u>109,609</u>
Administrative Expenses		124,955	105,286
Profit on Ordinary Activities Before Taxation	2	<u>3,695</u>	<u>4,323</u>
Taxation	4	967	995
Profit on Ordinary Activities After Taxation		<u>2,728</u>	<u>3,328</u>
Retained Profit Brought Forward		13,496	10,168
Retained Profit Carried Forward		<u>16,224</u>	<u>13,496</u>

There are no Recognised Gains or Losses other than the profit of £2,728 for the year (1997 : £3,328).

BALANCE SHEET
As at 31 July 1998

	Notes	31 July 1998 £	31 July 1997 £
Fixed Assets	5	1,830	4,129
Current Assets			
Debtors	6	251,246	214,323
Cash at Bank		0	12,407
		<u>251,246</u>	<u>226,730</u>
Creditors : Amounts Falling Due Within One Year	7	<u>211,852</u>	<u>192,313</u>
Net Current Assets		39,394	34,417
Total Assets Less Current Liabilities		<u>41,224</u>	<u>38,546</u>
Provision for Liabilities and Charges			
Deferred Taxation	8	0	50
		<u>41,224</u>	<u>38,496</u>
Capital and Reserves			
Called Up Share Capital	9	25,000	25,000
Profit and Loss Account	12	16,224	13,496
		<u>41,224</u>	<u>38,496</u>

Approved by the Board of Directors on :

Director



Date

02 OCTOBER 1998

NOTES FORMING PART OF THE ACCOUNTSFor the year ended 31 July 1998

1. ACCOUNTING POLICIES

The Financial Statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

TURNOVER

Turnover represents the amounts invoiced net of value added tax and is derived entirely from travel sales in the United Kingdom.

DEPRECIATION

Depreciation is calculated to write off the cost of fixed assets, by equal instalments over their expected useful lives at the following rates:

Furniture and fittings 10% per annum on cost

Office Equipment 20% per annum on cost

DEFERRED TAXATION

Deferred taxation is provided using the liability method on all timing differences, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

CASH FLOW STATEMENT

The Company falls into the small Company category, as defined by the Companies Act 1985 and is not therefore required to submit a cash flow statement.

2. PROFIT BEFORE TAXATION

The profit on ordinary activities is arrived at after charging:

	Year Ended 31 July 1998	Year Ended 31 July 1997
	£	£
Depreciation	2,299	2,299
Auditors' remuneration	1,250	1,000
Staff costs (Note 3)	30,688	28,745
Directors' emoluments	nil	nil

NOTES FORMING PART OF THE ACCOUNTS
For the year ended 31 July 1998

3.	Staff	Year Ended 31 July 1998 £	Year Ended 31 July 1997 £
	1) Total payroll costs :		
	Salaries & Wages	28,201	26,070
	Social Security Costs	2,398	2,475
	Other Costs	89	200
		<u>30,688</u>	<u>28,745</u>
	2) The average number of persons employed by the company during the year was as follows:		
	Office & Management	<u>2</u>	<u>2</u>
	3) The directors received no remuneration for the year under review (1997 : Nil)		
4.	Taxation	Year Ended 31 July 1998 £	Year Ended 31 July 1997 £
	UK Corporation Tax :		
	On the taxable profit for the year at 21% (1997 : 23%)	1,053	1,258
	Overprovided in previous year	(36)	(12)
		<u>1,017</u>	<u>1,246</u>
	Transfer from Deferred Taxation	(50)	(251)
		<u>967</u>	<u>995</u>

NOTES FORMING PART OF THE ACCOUNTS
For the year ended 31 July 1998

5. Tangible Fixed Assets	Furniture & Fittings £	Office Equipment £	Total £
Cost :			
At 1 August 1997 and 31 July 1998	853	11,067	11,920
Depreciation :			
At 1 August 1997	297	7,494	7,791
Charge for the Year	85	2,214	2,299
At 31 July 1998	382	9,708	10,090
Net Book Value :			
As at 31 July 1998	471	1,359	1,830
As at 31 July 1997	556	3,573	4,129

6. Debtors	31 July 1998 £	31 July 1997 £
Due within one year :		
Trade debtors	248,807	211,638
Other taxes	2,439	2,168
Prepayments	0	517
	<u>251,246</u>	<u>214,323</u>

7. Creditors	31 July 1998 £	31 July 1997 £
Amounts falling due within one year :		
Bank Overdraft	22,516	0
Trade creditors	100,970	123,543
Other creditors	1,000	1,000
Corporation Tax	1,053	1,258
Accruals	86,313	66,512
	<u>211,852</u>	<u>192,313</u>

NOTES FORMING PART OF THE ACCOUNTS
For the year ended 31 July 1998

8. Deferred Taxation

The movements in deferred taxation during the year are as follows :

	£
At 1 August 1997	50
Transfer to Profit & Loss Account	(50)
At 31 July 1998	<u>0</u>

Deferred taxation is fully provided in the accounts as follows:

	31 July 1998 £	31 July 1997 £
Capital Allowances in advance of depreciation	<u>0</u>	<u>50</u>

9. Share Capital

Ordinary shares of £1 each at
31 July 1998 and 31 July 1997 :

	£	No.
Authorised	<u>25,000</u>	<u>25,000</u>
Allotted, called up and fully paid	<u>25,000</u>	<u>25,000</u>

10. Capital Commitments

The company had no capital commitments at 31 July 1998 (1997 : £nil)

11. Contingent Liabilities

The company had no contingent liabilities at 31 July 1998 (1997 : £nil)

12. Reconciliation of Shareholders' Funds and Movements in Reserves

	Share Capital	Profit & Loss Account	Total Shareholders' Funds
	£	£	£
At 1 August 1997	25,000	13,496	38,496
Profit for the Year	0	2,728	2,728
At 31 July 1998	<u>25,000</u>	<u>16,224</u>	<u>41,224</u>

DETAILED PROFIT AND LOSS ACCOUNT
For the year ended 31 July 1998

For Directors' Use Only

	31 July 1998 £	31 July 1997 £
Turnover	1,432,508	1,191,003
Cost of Sales	1,314,976	1,086,264
Commission Receivable	<u>117,532</u>	<u>104,739</u>
Other Income		
Hotel and other commission	7,962	3,551
Interest received	3,156	1,319
Gross Profit	<u>128,650</u>	<u>109,609</u>
Administrative expenses :		
Salaries	30,688	28,745
Management Charges	83,163	61,955
Galileo Charges	(1,654)	2,487
Telephone / Communication Charges	2,127	2,577
Printing, Postage & Stationery	1,863	1,842
Subscriptions & Publications	1,059	546
Messenger Service	153	142
Bookkeeping & Accountancy	2,906	2,625
Audit Fees	1,250	1,000
Professional charges	100	100
Staff Training	90	74
Repairs & Maintenance	295	295
Travelling & subsistence	108	141
Bank Charges	508	425
Sundry Expenses	0	33
Depreciation	2,299	2,299
	<u>124,955</u>	<u>105,286</u>
Profit for the Year	<u>£3,695</u>	<u>£4,323</u>

TURNOVER ANALYSIS

For Directors' Use Only

For the year ended 31 July 1998

	Total	Airlines	Package Holidays	Hotels	Rail & Ferry	Car Hire	Sundries
	£	£	£	£	£	£	£
Sales	1,432,508	1,300,854	16,534	36,443	26,632	38,642	13,403
Cost of Sales	1,314,976	1,193,135	15,867	34,541	24,092	35,286	12,055
Commission	117,532	107,719	667	1,902	2,540	3,356	1,348
Commission Rate	8.20%	8.28%	4.03%	5.22%	9.54%	8.68%	10.06%