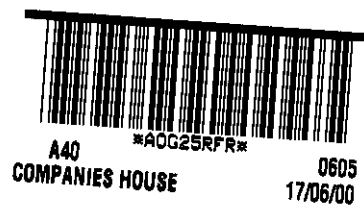


PHOENIX (McKECHNIE) TRAVEL LIMITED
ACCOUNTS FOR THE YEAR ENDED 31 JULY 1999
Company Number 2821888



DIRECTORS AND OFFICERS
For the year ended 31 July 1999

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
Chartered Accountants
Registered Auditor
Birmingham

DIRECTORS' REPORT

For the year ended 31 July 1999

The Directors submit their report and the financial statements of Phoenix (McKechnie) Travel Limited for the year ended 31 July 1999.

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 £ 2,500 (1998: £2,728), which was transferred to reserves. The Directors do not recommend the payment of a dividend (1998: nil).

FIXED ASSETS

Movements in Fixed Assets are shown in Note 5.

YEAR 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

Prioritised action plans have been developed and implemented which are designed to address the key risks in advance of critical dates and without disruption to the underlying business activities.

Given the complexity of the problem, it is not possible for an organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable level of readiness.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved.

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.

continued overleaf

DIRECTORS' REPORT
For the year ended 31 July 1999

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: 7. April 2000.



**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

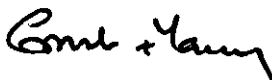
As described on page 3 the company's Directors are responsible for the preparation of the Financial Statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit of those Financial Statements and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our professional ethical guidance.

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 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 preparation of information in the amounts.

Opinion

In our opinion the Financial Statements give a true and fair view of the Company's affairs as at 31 July 1999 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: 7 April 2000.

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PROFIT AND LOSS ACCOUNT
For the year ended 31 July 1999

	Notes	Continuing Operations Year Ended 31 July 1999 £	Continuing Operations Year Ended 31 July 1998 £
Turnover	1	1,493,202	1,440,470
Cost of Sales		1,366,887	1,314,976
Gross Profit		<u>126,315</u>	<u>125,494</u>
Interest Received		2,644	3,156
		<u>128,959</u>	<u>128,650</u>
Administrative Expenses		125,721	124,955
Profit on Ordinary Activities Before Taxation	2	<u>3,238</u>	<u>3,695</u>
Taxation	4	738	967
Profit on Ordinary Activities After Taxation		<u>2,500</u>	<u>2,728</u>
Retained Profit Brought Forward		16,224	13,496
Retained Profit Carried Forward		<u>18,724</u>	<u>16,224</u>

There are no Recognised Gains or Losses other than the profit of £2,500 for the year (1998 : £2,728).

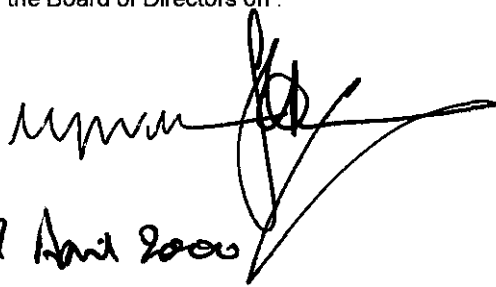
BALANCE SHEET
As at 31 July 1999

	Notes	31 July 1999 £	31 July 1998 £
Fixed Assets	5	1,130	1,830
Current Assets			
Debtors	6	285,601	251,246
Creditors : Amounts Falling Due Within One Year	7	<u>243,007</u>	<u>211,852</u>
Net Current Assets		42,594	39,394
Total Assets Less Current Liabilities		<u>43,724</u>	<u>41,224</u>
Capital and Reserves			
Called Up Share Capital	8	25,000	25,000
Profit and Loss Account	11	18,724	16,224
		<u>43,724</u>	<u>41,224</u>

Approved by the Board of Directors on :

Director

Date


 7 April 2000

NOTES FORMING PART OF THE ACCOUNTS
For the year ended 31 July 1999

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

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying values may not be recoverable.

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 1999	Year Ended 31 July 1998
	£	£
Depreciation	1,438	2,299
Auditor's remuneration	1,250	1,250
Staff costs (Note 3)	35,428	30,688
Directors' emoluments	nil	nil

NOTES FORMING PART OF THE ACCOUNTS
For the year ended 31 July 1999

3.	Staff	Year Ended 31 July 1999	Year Ended 31 July 1998
		£	£
	1) Total payroll costs :		
	Salaries & Wages	32,139	28,201
	Social Security Costs	2,981	2,398
	Other Costs	308	89
		<u>35,428</u>	<u>30,688</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 (1998 : Nil)		
4.	Taxation	Year Ended 31 July 1999	Year Ended 31 July 1998
		£	£
	UK Corporation Tax :		
	On the taxable profit for the year	738	1,053
	Overprovided in previous year	0	(36)
		<u>738</u>	<u>1,017</u>
	Transfer from Deferred Taxation	0	(50)
		<u>738</u>	<u>967</u>

NOTES FORMING PART OF THE ACCOUNTS
For the year ended 31 July 1999

5.	Tangible Fixed Assets	Furniture & Fittings £	Office Equipment £	Total £
	Cost :			
	At 1 August 1998	853	11,067	11,920
	Additons	0	738	738
	At 31 July 1999	<u>853</u>	<u>11,805</u>	<u>12,658</u>
	Depreciation :			
	At 1 August 1998	382	9,708	10,090
	Charge for the Year	85	1,353	1,438
	At 31 July 1999	<u>467</u>	<u>11,061</u>	<u>11,528</u>
	Net Book Value :			
	As at 31 July 1999	<u>386</u>	<u>744</u>	<u>1,130</u>
	As at 31 July 1998	<u>471</u>	<u>1,359</u>	<u>1,830</u>
6.	Debtors	31 July 1999 £		31 July 1998 £
	Due within one year :			
	Trade debtors	283,863		248,807
	Other taxes	1,738		2,439
		<u>285,601</u>		<u>251,246</u>
7.	Creditors	31 July 1999 £		31 July 1998 £
	Amounts falling due within one year :			
	Bank Overdraft	67,408		22,516
	Trade creditors	97,045		100,970
	Other creditors	1,000		1,000
	Corporation Tax	738		1,053
	Accruals	76,816		86,313
		<u>243,007</u>		<u>211,852</u>

NOTES FORMING PART OF THE ACCOUNTS
For the year ended 31 July 1999

8. Share Capital

Ordinary shares of £1 each at
 31 July 1999 and 31 July 1998 :

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

9. Capital Commitments

The company had no capital commitments at 31 July 1999 (1998 : £nil)

10. Contingent Liabilities

The company had no contingent liabilities at 31 July 1999 (1998 : £nil)

11. Reconciliation of Shareholders' Funds and Movements in Reserves

	Share Capital	Profit & Loss Account	Total Shareholders' Funds
	£	£	£
At 1 August 1998	25,000	16,224	41,224
Profit for the Year	0	2,500	2,500
At 31 July 1999	<u>25,000</u>	<u>18,724</u>	<u>43,724</u>

12. Related Party Transactions

Included within turnover are sales of £1,431,095 to associated undertakings.

Amounts due to associated undertakings as at 31 July 1999 are £283,863 (1998: 248,807)

TURNOVER ANALYSIS

For Directors' Use Only

For the year ended 31 July 1999

	Total	Airlines	Package Holidays	Hotels	Rail & Ferry	Car Hire	Sundries
	£	£	£	£	£	£	£
Sales	1,486,349	1,378,429	19,029	8,514	34,119	30,511	15,747
Cost of Sales	1,366,887	1,268,008	18,066	8,102	30,785	27,406	14,520
Commission	119,462	110,421	963	412	3,334	3,105	1,227
Commission Rate	8.04%	8.01%	5.06%	4.84%	9.77%	10.18%	7.79%

DETAILED PROFIT AND LOSS ACCOUNT
For the year ended 31 July 1999

For Directors' Use Only

	31 July 1999 £	31 July 1998 £
Turnover	1,486,349	1,432,508
Cost of Sales	1,366,887	1,314,976
Commission Receivable	<u>119,462</u>	<u>117,532</u>
Other Income		
Hotel and other commission	6,853	7,962
Interest received	2,644	3,156
Gross Profit	<u>128,959</u>	<u>128,650</u>
Administrative expenses :		
Salaries	35,428	30,688
Management Charges	75,432	83,163
Galileo Charges	370	(1,654)
Telephone / Communication Charges	1,803	2,127
Printing, Postage & Stationery	2,291	1,863
Subscriptions & Publications	1,009	1,059
Messenger Service	72	153
Licences	237	0
Bookkeeping & Accountancy	3,500	2,906
Audit Fees	1,250	1,250
Professional Charges	100	100
Staff Recruitment & Training	1,875	90
Repairs & Maintenance	146	295
Travelling & subsistence	379	108
Bank Charges	337	508
Sundry Expenses	54	0
Depreciation	1,438	2,299
	<u>125,721</u>	<u>124,955</u>
Profit for the Year	<u>£3,238</u>	<u>£3,695</u>