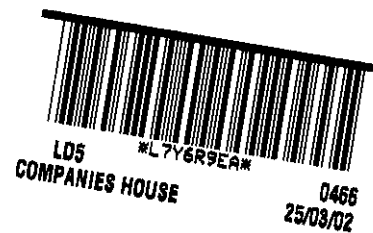


The Airline Seat Company Limited

REPORT AND FINANCIAL STATEMENTS

30 September 2000



The Airline Seat Company Limited

DIRECTORS AND OFFICERS

DIRECTORS

A Rayner
IG Willatt

SECRETARY

IG Willatt

REGISTERED OFFICE

Hillgate House
13 Hillgate Street
London W8 7SP

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

The Airline Seat Company Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of The Airline Seat Company Limited for the year ended 30 September 2000.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year continued to be acting as a travel company specialising in airline seat sales and ancillary services.

REVIEW OF THE BUSINESS

The directors are satisfied with the results for the year, and the financial position at the year end, and continue to seek increased turnover and profitability.

DIVIDENDS

The directors recommend a final dividend on the ordinary shares of £10 per share amounting to £800,000 which leaves a profit of £251,077 to be retained.

DIRECTORS' AND THEIR INTERESTS

The directors' and their interests in the shares of the company were as follows:

	<i>A 'Ordinary shares of £1 each</i>	
	2000	1999
A Rayner	39,200	39,200
IG Willatt	-	-

AUDITORS

The company has elected by elective resolution to dispense with the annual reappointment of auditors. Accordingly, Baker Tilly, Chartered Accountants, will continue as auditors within the provisions of section 386 of the Companies Act 1985.

By order of the board



I G Willatt
Secretary

20 December 2000

The Airline Seat Company Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements 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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 financial statements comply with the requirements of 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.

AUDITORS' REPORT TO THE MEMBERS OF THE AIRLINE SEAT COMPANY LIMITED

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

As described on page 3 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 the company's affairs at 30 September 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

20 December 2000

The Airline Seat Company Limited

PROFIT AND LOSS ACCOUNT

for the year ended 30 September 2000

	Notes	2000 £	1999 £
TURNOVER		28,427,145	19,745,187
External charges		(25,064,751)	(17,318,291)
Staff costs	3	(927,633)	(725,397)
Depreciation		(124,434)	(101,143)
Other operating charges		(814,536)	(584,506)
TRADING PROFIT BEFORE PROFIT DISTRIBUTION		1,495,791	1,015,850
Profit distribution to directors and employees	3	(253,150)	(152,000)
OPERATING PROFIT	1	1,242,641	863,850
Interest receivable		307,729	214,390
Interest payable	2	(34,298)	(37,338)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,516,072	1,040,902
Tax on profit on ordinary activities	4	(464,995)	(326,134)
PROFIT FOR THE FINANCIAL YEAR		1,051,077	714,768
Dividends	5	(800,000)	(450,000)
RETAINED PROFIT FOR THE YEAR	12	251,077	264,768

The operating profit for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

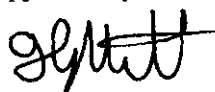
The Airline Seat Company Limited

BALANCE SHEET

30 September 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	6	239,545	334,158
CURRENT ASSETS			
Debtors	7	596,066	356,374
Cash at bank and in hand		5,487,803	3,850,392
		6,083,869	4,206,766
CREDITORS: Amounts falling due within one year	8	(4,320,690)	(2,714,092)
NET CURRENT ASSETS		1,763,179	1,492,674
TOTAL ASSETS LESS CURRENT LIABILITIES		2,002,724	1,826,832
CREDITORS: Amounts falling due after more than one year	9	(273,276)	(336,559)
PROVISIONS FOR LIABILITIES AND CHARGES	10	(1,955)	(13,857)
NET ASSETS		1,727,493	1,476,416
CAPITAL AND RESERVES			
Called up share capital	11	80,000	80,000
Profit and loss account	12	1,647,493	1,396,416
SHAREHOLDER'S FUNDS	13	1,727,493	1,476,416

Approved by the board on 20 December 2000



IG Willatt - Director

The Airline Seat Company Limited

CASH FLOW STATEMENT

for the year ended 30 September 2000

	<i>Notes</i>	2000 £	1999 £
Cash flow from operating activities	14a	2,250,893	1,223,704
Returns on investments and servicing of finance	14b	273,431	177,052
Taxation paid		(341,907)	(398,520)
Capital expenditure	14b	(29,821)	(84,091)
Equity dividends paid		(450,000)	(210,000)
CASH INFLOW BEFORE FINANCING		<u>1,702,596</u>	<u>708,145</u>
Financing	14b	(65,185)	(66,917)
INCREASE IN CASH IN THE PERIOD		<u>1,637,411</u>	<u>641,228</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

	2000 £	1999 £
Increase in cash in the period	1,637,411	641,228
Cash outflow from lease financing	65,185	66,917
New finance leases	-	(139,989)
MOVEMENT IN NET FUNDS IN THE YEAR	<u>1,702,596</u>	<u>568,156</u>
NET FUNDS AT 30 SEPTEMBER 1999	3,448,647	2,880,491
NET FUNDS AT 30 SEPTEMBER 2000	14c <u>5,151,243</u>	<u>3,448,647</u>

The Airline Seat Company Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Leasehold premium	period of lease.
Plant and machinery	25%/33 $\frac{1}{3}$ % straight line basis

DEFERRED TAXATION

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of services provided to customers.

FOREIGN CURRENCY

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

PENSIONS

The company operates two defined contribution pension schemes. Pension costs charged against profits represent the amounts payable to the schemes in respect of the year.

The Airline Seat Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2000

1	OPERATING PROFIT	2000 £	1999 £
	Operating profit is stated after charging:-		
	Rentals under operating leases:		
	Plant and machinery	21,410	19,761
	Other operating leases	134,260	132,000
	Auditors' remuneration	12,000	10,500
		<hr/>	<hr/>
2	INTEREST PAYABLE	2000 £	1999 £
	On subordinated and other loans	28,077	28,115
	On finance leases	6,221	9,223
		<hr/>	<hr/>
		34,298	37,338
		<hr/>	<hr/>
3	EMPLOYEES	2000 No.	1999 No.
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Office and management	7	6
	Sales	36	26
		<hr/>	<hr/>
		43	32
		<hr/>	<hr/>
		2000 £	1999 £
	Staff costs for the above persons:		
	Wages and salaries	1,005,416	749,034
	Social security costs	100,216	64,867
	Other pension costs	75,151	63,496
		<hr/>	<hr/>
		1,180,783	877,397
		<hr/>	<hr/>
		2000 £	1999 £
	DIRECTORS' EMOLUMENTS		
	Remuneration	258,715	249,054
	Contribution to money purchase pension schemes	50,500	44,368
		<hr/>	<hr/>
		309,215	293,422
		<hr/>	<hr/>

The contribution to the money purchase scheme pension schemes relate to two (1999: four) directors.

The Airline Seat Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2000

3	EMPLOYEES (<i>continued</i>)	2000 £	1999 £
	Emoluments in respect of the highest paid director amounted to:		
	Remuneration	175,447	135,417
	Contributions to money purchase pension scheme	43,000	31,750
		<u>218,447</u>	<u>167,167</u>
4	TAXATION	2000 £	1999 £
	Based on the profit for the year:		
	UK corporation tax	485,658	317,074
	Deferred tax	(11,902)	4,629
	Prior year	(8,761)	4,431
		<u>464,995</u>	<u>326,134</u>
5	DIVIDENDS	2000 £	1999 £
	Proposed	800,000	450,000
6	TANGIBLE FIXED ASSETS	<i>Short leasehold £</i>	<i>Plant and machinery £</i> <i>Total £</i>
	Cost		
	1 October 1999	62,024	389,746
	Additions	-	29,821
	30 September 2000	<u>62,024</u>	<u>419,567</u>
	Depreciation		
	1 October 1999	8,427	109,185
	Charged in the year	6,598	117,836
	30 September 2000	<u>15,025</u>	<u>227,021</u>
	Net book value		
	30 September 2000	<u>46,999</u>	<u>192,546</u>
	30 September 1999	<u>53,597</u>	<u>280,561</u>

The net book value of plant and machinery includes £74,126 (1999: £144,190) in respect of assets held under finance leases and the related depreciation charge for the year in respect of those assets is £70,065 (1999: £63,099).

The Airline Seat Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2000

7	DEBTORS	2000 £	1999 £
	Due within one year:		
	Trade debtors	20,684	19,599
	Other debtors	119,521	67,579
	Prepayments and accrued income	455,861	269,196
		<u>596,066</u>	<u>356,374</u>
8	CREDITORS: Amounts falling due within one year	2000 £	1999 £
	Trade creditors	1,101,721	669,496
	Obligations under finance lease	63,284	65,186
	Corporation tax	338,845	203,855
	Other taxation and social security costs	31,828	21,066
	Dividends payable	800,000	450,000
	Other creditors	-	202,625
	Accruals and deferred income	1,985,012	1,101,864
		<u>4,320,690</u>	<u>2,714,092</u>
9	CREDITORS: Amounts falling due in more than one year	2000 £	1999 £
	Subordinated loans	270,000	270,000
	Obligations under finance lease	3,276	66,559
		<u>273,276</u>	<u>336,559</u>

The subordinated loans were made to the company by the shareholders. Under the terms of the loans, no part of the loans may be repaid (other than with the consent of the Civil Aviation Authority) until such time as all other liabilities incurred while the company holds an Air Travel Organisers' Licence have been settled in full. The company currently holds such a licence and will apply for its annual renewal.

Obligations under finance leases are secured on the related assets and are payable between two and five years from the balance sheet date.

The Airline Seat Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2000

10	PROVISIONS FOR LIABILITIES AND CHARGES	2000 £	1999 £
	Deferred tax		
	Balance at 1 October 1999	13,857	9,228
	Transfer to profit and loss account	(11,902)	4,629
	Balance at 30 September 2000	<u>1,955</u>	<u>13,857</u>
	Deferred taxation provided in the financial statements is as follows:		
		<i>Amount provided</i>	
		2000	1999
		£	£
	Excess of tax allowances over depreciation	9,455	13,867
	Short term timing differences	(7,500)	-
		<u>1,955</u>	<u>13,867</u>
	Full provision has been made for potential liabilities arising in respect of accelerated capital allowances.		
11	SHARE CAPITAL	2000 £	1999 £
	Authorised:		
	39,200 'A' ordinary shares of £1 each	39,200	39,200
	40,800 'B' ordinary shares of £1 each	40,800	40,800
	170,000 Unclassified ordinary shares of £1 each	170,000	170,000
		<u>250,000</u>	<u>250,000</u>
	Allotted, issued and fully paid:		
	39,200 'A' ordinary shares of £1 each	39,200	39,200
	40,800 'B' ordinary shares of £1 each	40,800	40,800
		<u>80,000</u>	<u>80,000</u>
12	PROFIT AND LOSS ACCOUNT	2000 £	1999 £
	30 September 1999	1,396,416	1,131,648
	Profit for the financial year	1,051,077	714,768
	Dividends	(800,000)	(450,000)
	30 September 2000	<u>1,647,493</u>	<u>1,396,416</u>

The Airline Seat Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2000

13	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2000 £	1999 £
	Profit for the financial year	1,051,077	714,768
	Dividends	(800,000)	(450,000)
	Net addition to shareholders' funds	251,077	264,768
	Opening shareholders' funds	1,476,416	1,211,648
	Closing shareholders' funds	1,727,493	1,476,416
14	CASH FLOWS	2000 £	1999 £
a	Reconciliation of operating profit to net cash inflow from operating activities		
	Operating profit	1,242,641	863,850
	Depreciation	124,434	101,143
	Increase in debtors	(239,692)	(43,829)
	Increase in creditors	1,123,510	302,540
	Net cash flow from operating activities	2,250,893	1,223,704
		2000 £	1999 £
b	Analysis of cash flows for headings netted in the cash flow		
	Returns on investments and servicing of finance		
	Interest received	307,729	214,390
	Interest paid	(28,077)	(28,364)
	Interest element of finance lease rental payments	(6,221)	(8,974)
	Net cash inflow for returns on investment and servicing of finance	273,431	177,052
	Capital expenditure		
	Purchase of tangible fixed assets	29,821	84,091
	Net cash outflow for capital expenditure	29,821	84,091
	Financing		
	Capital element of finance lease rental payments	65,185	66,917
	Net cash inflow from financing	65,185	66,917

The Airline Seat Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2000

14 CASH FLOWS (continued)

c	Analysis of net funds	At 30	Cash flow	At 30
		September 1999		September 2000
		£	£	£
	Cash in hand, at bank	3,850,392	1,637,411	5,487,803
	Debt due after 1 year	(270,000)	-	(270,000)
	Finance leases	(131,745)	65,185	(66,560)
	Total	<u>3,448,647</u>	<u>1,702,596</u>	<u>5,151,243</u>

15 RELATED PARTY TRANSACTION

A consultancy fee of £40,000 (1999: £30,000) has been charged to the company by Aerospace Management Limited which company is under the control of Mr E. Cossey. Mr Cossey is a beneficiary of a trust which owns shares in the company.

16 ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Lexadmin Trust Reg and Bryan Jeeves.

17 COMMITMENTS UNDER OPERATING LEASES

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

	2000	1999
	£	£
Land and buildings		
expiring within one year	-	6,000
expiring in the second to fifth year	9,100	9,100
expiring after five years	120,000	120,000
Other		
expiring within one year	4,320	-
expiring in the second to fifth year	25,641	29,961
	<u>159,061</u>	<u>165,061</u>