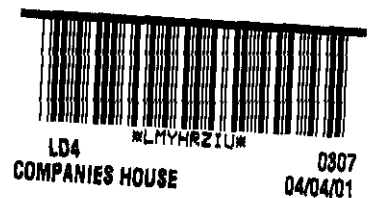


3030025

The Airline Seat Company Limited

REPORT AND FINANCIAL STATEMENTS

30 September 1999



Company Registration No. 3030025

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 1999.

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 £5.625 per share amounting to £450,000 which leaves a profit of £264,768 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>	
	1999	1998
A Rayner	39,200	39,200
IG Willatt	-	-
AE Cossey (resigned 30 April 1999)	-	-
K McLeod (resigned 30 April 1999)	-	-

YEAR 2000 COMPLIANCE

The problems associated with computer and digital systems using data which can accommodate the Year 2000 and beyond are well publicised. This is a complex and pervasive issue and the operation of our business not only depends on our own systems but also to some degree on those of our suppliers, bankers, customers and any one else associated with our business. This could expose us to risks in the event that there is a failure by other parties to address their own Year 2000 issues.

The directors believe that the potential risks to the business have been reviewed and reasonable steps have or are being taken to deal with the Year 2000 issues within the company.

The costs to-date associated in dealing with the above issues have been absorbed within the normal running costs of the business and no significant further costs are expected to be incurred.

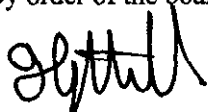
The Airline Seat Company Limited

DIRECTORS' REPORT

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

22 December 1999

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 6 to 15.

Respective responsibilities of directors and auditors

As described on page 4 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 1999 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

22 December 1999

The Airline Seat Company Limited
PROFIT AND LOSS ACCOUNT
for the year ended 30 September 1999

	<i>Notes</i>	1999 £	1998 £
TURNOVER		19,745,187	17,122,107
External charges		(17,318,291)	(15,232,425)
Staff costs	3	(877,397)	(655,107)
Depreciation		(101,143)	(13,289)
Other operating charges		(584,506)	(448,365)
OPERATING PROFIT	1	863,850	772,921
Interest receivable		214,390	230,043
Interest payable	2	(37,338)	(28,727)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,040,902	974,237
Tax on profit on ordinary activities	4	(326,134)	(300,853)
PROFIT FOR THE FINANCIAL YEAR		714,768	673,384
Dividends	5	(450,000)	(210,000)
RETAINED PROFIT FOR THE YEAR	12	264,768	463,384

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.

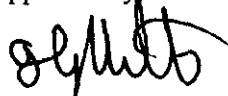
The Airline Seat Company Limited

BALANCE SHEET

30 September 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible assets	6	334,158	211,221
CURRENT ASSETS			
Debtors	7	356,374	312,545
Cash at bank and in hand		3,850,392	3,209,164
		4,206,766	3,521,709
CREDITORS: Amounts falling due within one year	8	(2,714,092)	(2,203,578)
NET CURRENT ASSETS		1,492,674	1,318,131
TOTAL ASSETS LESS CURRENT LIABILITIES		1,826,832	1,529,352
CREDITORS: Amounts falling due after more than one year	9	(336,559)	(308,476)
PROVISIONS FOR LIABILITIES AND CHARGES	10	(13,857)	(9,228)
NET ASSETS		1,476,416	1,211,648
CAPITAL AND RESERVES			
Called up share capital	11	80,000	80,000
Profit and loss account	12	1,396,416	1,131,648
SHAREHOLDERS' FUNDS	13	1,476,416	1,211,648

Approved by the board on 22 December 1999



IG Willatt - Director

The Airline Seat Company Limited

CASH FLOW STATEMENT

for the year ended 30 September 1999

	Notes	1999 £	1998 £
Cash flow from operating activities	14a	1,223,704	1,331,511
Returns on investments and servicing of finance	14b	177,052	201,316
Taxation paid		(398,520)	(281,105)
Capital expenditure	14b	(84,091)	(145,609)
Equity dividends paid		(210,000)	(210,000)
CASH INFLOW BEFORE FINANCING		<u>708,145</u>	<u>896,113</u>
Financing	14b	(66,917)	(11,553)
INCREASE IN CASH IN THE PERIOD		<u>641,228</u>	<u>884,560</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

	1999 £	1998 £
Increase in cash in the period	641,228	884,560
Cash outflow from lease financing	66,917	11,553
New finance leases	(139,989)	(70,226)
MOVEMENT IN NET FUNDS IN THE YEAR	<u>568,156</u>	<u>825,887</u>
NET FUNDS AT 30 SEPTEMBER 1998	2,880,491	2,054,604
NET FUNDS AT 30 SEPTEMBER 1999	14c <u>3,448,647</u>	<u>2,880,491</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 a rate 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%/33⅓% 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 1999

1	OPERATING PROFIT	1999 £	1998 £
	Operating profit is stated after charging:-		
	Rentals under operating leases:		
	Plant and machinery	19,761	15,936
	Other operating leases	132,000	61,068
	Auditors' remuneration	10,500	10,000
		<hr/>	<hr/>
2	INTEREST PAYABLE	1999 £	1998 £
	On subordinated and other loans	28,115	28,280
	On finance leases	9,223	447
		<hr/>	<hr/>
		37,338	28,727
		<hr/>	<hr/>
3	EMPLOYEES	1999 No.	1998 No.
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Office and management	6	7
	Sales	26	19
		<hr/>	<hr/>
		32	26
		<hr/>	<hr/>
		1999 £	1998 £
	Staff costs for the above persons:		
	Wages and salaries	749,034	553,333
	Social security costs	64,867	56,950
	Other pension costs	63,496	44,824
		<hr/>	<hr/>
		877,397	655,107
		<hr/>	<hr/>
		1999 £	1998 £
	DIRECTORS' EMOLUMENTS		
	Remuneration	249,054	201,424
	Contribution to money purchase pension schemes	44,368	31,269
		<hr/>	<hr/>
		293,422	232,693
		<hr/>	<hr/>

The contribution to the money purchase scheme pension schemes relate to four (1998: four) directors.

The Airline Seat Company Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 1999

3	EMPLOYEES (<i>continued</i>)	1999 £	1998 £	
	Emoluments in respect of the highest paid director amounted to:			
	Remuneration	135,417	58,131	
	Contributions to money purchase pension scheme	31,750	6,875	
		<u>167,167</u>	<u>65,006</u>	
4	TAXATION	1999 £	1998 £	
	Based on the profit for the year:			
	UK corporation tax	317,074	295,046	
	Deferred tax	4,629	9,228	
	Prior year	4,431	(3,421)	
		<u>326,134</u>	<u>300,853</u>	
5	DIVIDENDS	1999 £	1998 £	
	Proposed	450,000	210,000	
6	TANGIBLE FIXED ASSETS	<i>Short leasehold £</i>	<i>Plant and machinery £</i>	<i>Total £</i>
	Cost			
	1 October 1998	60,524	167,166	227,690
	Additions	1,500	222,580	224,080
	30 September 1999	<u>62,024</u>	<u>389,746</u>	<u>451,770</u>
	Depreciation			
	1 October 1998	2,522	13,947	16,469
	Charged in the year	5,905	95,238	101,143
	30 September 1999	<u>8,427</u>	<u>109,185</u>	<u>117,612</u>
	Net book value			
	30 September 1999	<u>53,597</u>	<u>280,561</u>	<u>334,158</u>
	30 September 1998	58,002	153,219	211,221

The net book value of plant and machinery includes £144,190 (1998: £67,300) in respect of assets held under finance leases and the related depreciation charge for the year in respect of those assets is £63,099 (1998: £2,926).

The Airline Seat Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1999

	1999	1998
	£	£
7 DEBTORS		
Due within one year:		
Trade debtors	19,599	54,159
Other debtors	67,579	143,222
Prepayments and accrued income	269,196	115,164
	<u>356,374</u>	<u>312,545</u>

Included in other debtors is a loan to K McLeod (a director) of £Nil (1998: £4,970). The maximum amount of this loan during the year was £4,970.

	1999	1998
	£	£
8 CREDITORS: Amounts falling due within one year		
Trade creditors	669,496	644,333
Obligations under finance lease	65,186	20,197
Corporation tax	203,855	280,870
Other taxation and social security costs	21,066	43,088
Dividends payable	450,000	210,000
Other creditors	202,625	57,000
Accruals and deferred income	1,101,864	948,090
	<u>2,714,092</u>	<u>2,203,578</u>

	1999	1998
	£	£
9 CREDITORS: Amounts falling due in more than one year		
Subordinated loans	270,000	270,000
Obligations under finance lease	66,559	38,476
	<u>336,559</u>	<u>308,476</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 1999

10	PROVISIONS FOR LIABILITIES AND CHARGES	1999 £	1998 £
	Deferred tax		
	Balance at 1 October 1998	9,228	-
	Transfer to profit and loss	4,629	9,228
	Balance at 30 September 1999	<u>13,857</u>	<u>9,228</u>
	Deferred taxation provided in the financial statements is as follows:		
		<i>Amount provided</i>	
		1999	1998
		£	£
	Excess of tax allowances over depreciation	<u>13,867</u>	<u>9,228</u>
	Full provision has been made for potential liabilities arising in respect of accelerated capital allowances.		
11	SHARE CAPITAL	1999 £	1998 £
	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	1999 £	1998 £
	30 September 1998	1,131,648	668,264
	Profit for the financial year	714,768	673,384
	Dividends	(450,000)	(210,000)
	30 September 1999	<u>1,396,416</u>	<u>1,131,648</u>

The Airline Seat Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1999

13	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1999 £	1998 £		
	Profit for the financial year	714,768	673,384		
	Dividends	(450,000)	(210,000)		
	Net addition to shareholders' funds	264,768	463,384		
	Opening shareholders' funds	1,211,648	748,264		
	Closing shareholders' funds	1,476,416	1,211,648		
14	CASH FLOWS	1999 £	1998 £		
a	Reconciliation of operating profit to net cash inflow from operating activities				
	Operating profit	863,850	772,921		
	Depreciation	101,143	13,289		
	Increase in debtors	(43,829)	(173,768)		
	Increase in creditors	302,540	719,069		
	Net cash flow from operating activities	1,223,704	1,331,511		
		1999 £	1998 £		
b	Analysis of cash flows for headings netted in the cash flow				
	Returns on investments and servicing of finance				
	Interest received	214,390	230,043		
	Interest paid	(28,364)	(28,280)		
	Interest element of finance lease rental payments	(8,974)	(447)		
	Net cash inflow for returns on investment and servicing of finance	177,052	201,316		
	Capital expenditure				
	Purchase of tangible fixed assets	84,091	145,609		
	Net cash outflow for capital expenditure and financial investment	84,091	145,609		
	Financing				
	Capital element of finance lease rental payments	66,917	11,553		
	Net cash inflow from financing	66,917	11,553		
c	Analysis of net funds	At 30 September 1998 £	Cash flow £	Other non cash changes £	At 30 September 1999 £
	Cash in hand, at bank	3,209,164	641,228	-	3,850,392
	Debt due after 1 year	(270,000)	-	-	(270,000)
	Finance leases	(58,673)	66,917	(139,989)	(131,745)
	Total	2,880,491	708,145	(139,989)	3,448,647

The Airline Seat Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1999

15 RELATED PARTY TRANSACTION

A consultancy fee of £30,000 (1998: £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 Brian Jeeves.

17 COMMITMENTS UNDER OPERATING LEASES

At 30 September 1999 the company had annual commitments under non-cancellable operating leases as follows:

	1999 £	1998 £
Land and buildings		
expiring within one year	6,000	-
expiring in the second to fifth year	9,100	12,000
expiring after five years	120,000	120,000
Other		
expiring after five years	-	11,741
expiring in the second to fifth year	29,961	21,608
	<hr/> 165,061	<hr/> 165,349