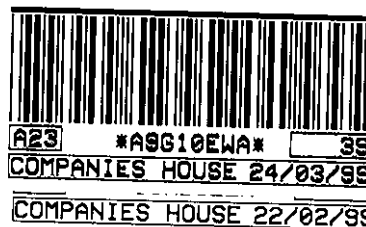


Cresta Holidays Limited

Financial statements for the 11 months ended 30 September 1998
together with directors' and auditors' reports

Registered number: 960252



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Company information

DIRECTORS

M. Vanmoerkerke	(resigned 28 January 1998)
S.A.H. Kimber	
R. Locke	
S. Martin	
L. Thuesen	(appointed 28 January 1998)
M.G. Hill	(appointed 1 August 1998)
J.R. Hayward	(appointed 1 August 1998)

SECRETARY

J.R. Hayward

REGISTERED OFFICE

Tabley Court
Victoria Street
Altrincham
Cheshire
WA14 1EZ

AUDITORS

Arthur Andersen
Bank House
9 Charlotte Street
Manchester
M1 4EU

Directors' report

For the 11 months ended 30 September 1998

The directors present their report on the affairs of the company, together with the financial statements and auditors' report, for the period ended 30 September 1998.

Change of year end

The company changed its accounting reference date to 30 September during the year to become coterminous with that of its ultimate parent company, Airtours plc.

Principal activity

The principal activity of the company continues to be that of a worldwide tour operator.

Results and dividends

Turnover for the period was £79.1 million (year ended 31 October 1997 - £73.1 million) and a loss on ordinary activities before tax of £1.0 million (year ended 31 October 1997 - profit of £3.7 million) was made.

A dividend of £8,633,000 was paid during the period (1997 - £nil).

During the period, the company made charitable donations of £1,231 (1997 - £1,190).

Directors and their interests

The directors of the company, who served throughout the period and at the date of this report, are set out on page 1.

The directors are also directors of Cresta Holidays (Holdings) Limited, the immediate parent undertaking of Cresta Holidays Limited, and Cresta (Transport Brokers) Limited, a wholly owned subsidiary of Cresta Holidays Limited.

None of the directors held any beneficial interest in the share capital of the company or of Cresta Holidays (Holdings) Limited, or of Cresta (Transport Brokers) Limited.

The directors do not have any other interests required to be disclosed under Schedule 7 of the Companies Act.

Directors' report (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 enable them to ensure that the financial statements 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.

Auditors

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Tabley Court
Victoria Street
Altrincham
Cheshire
WA14 1EZ

By order of the Board,



S.A.H. Kimber
Director

11 January 1999

Auditors' report

Manchester

To the Shareholders of Cresta Holidays Limited:

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

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 as at 30 September 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

11 January 1999

Profit and loss account

For the period ended 30 September 1998

	Notes	11 months ended 30 September 1998 £'000	As restated (see note 21) Year ended 31 October 1997 £'000
Turnover	1b&2	79,083	73,062
Cost of sales		(65,075)	(59,404)
Gross profit		14,008	13,658
Other operating expenses (net)	3	(16,286)	(13,549)
Operating (loss) profit		(2,278)	109
Interest receivable and similar income	4	1,310	3,578
(Loss) profit on ordinary activities before taxation	5	(968)	3,687
Tax on (loss) profit on ordinary activities	1f&7	258	(208)
(Loss) profit on ordinary activities after taxation		(710)	3,479
Dividends paid	8	(8,633)	-
Retained (loss) profit for the period		(9,343)	3,479
Retained profit, at beginning of period		10,363	6,884
Retained profit, at end of period		1,020	10,363

All of the above results derive from continuing operations.

The company has no recognised gains or losses in either period other than the (loss) profit for that period.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

30 September 1998

	Notes	30 September 1998 £'000	31 October 1997 £'000
Fixed assets			
Tangible assets	9	1,696	948
Investments	10	2	2
		<u>1,698</u>	<u>950</u>
Current assets			
Debtors	11	25,593	22,257
Cash at bank and in hand		-	97
		<u>25,593</u>	<u>22,354</u>
Creditors: Amounts falling due within one year	12	(26,097)	(12,841)
Net current (liabilities) assets		<u>(504)</u>	<u>9,513</u>
Total assets less current liabilities		<u>1,194</u>	<u>10,463</u>
Provisions for liabilities and charges	13	(74)	-
Net assets		<u>1,120</u>	<u>10,463</u>
Capital and reserves			
Called-up share capital	14	100	100
Profit and loss account	15	1,020	10,363
Equity shareholders' funds	16	<u>1,120</u>	<u>10,463</u>

Signed on behalf of the Board



S.A.H. Kimber

Director

11 January 1999

The accompanying notes are an integral part of this balance sheet.

Notes to the financial statements

30 September 1998

1 Accounting policies

A summary of the company's principal accounting policies, all of which have been applied consistently throughout the period and the preceding year, is set out below:

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Turnover

Turnover represents amounts receivable for holidays with departure dates in the accounting period, stated gross of agents' commission.

c) Tangible fixed assets

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Equipment and machinery	20% - 25% per annum on a straight-line basis
Motor vehicles	25% per annum on a straight-line basis

d) Investments

Fixed asset investments are shown at cost.

e) Advance receipts

Advance receipts represent monies received in respect of tours departing after the company's year end, for which no credit is taken in the profit and loss account.

f) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally interest receivable and depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal.

Notes to the financial statements (continued)

1 Accounting policies (continued)

g) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date or in related forward contracts. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

h) Brochures

Expenditure on brochures is capitalised and written off in the period to which the brochure relates.

i) Pension costs

Contributions are charged as an expense in the period in which they are incurred. See note 18e for further information.

j) Operating leases

The company enters into operating leases as described in note 18d. Rentals are charged on a straight line basis over the lease term. Rent free periods and reverse premiums are amortised over the shorter of the lease term and the period to the next rent renegotiation.

2 Segment information

The turnover and loss before taxation of the company during the period arose wholly in the United Kingdom and relates to the company's principal activity as a tour operator.

3 Other operating expenses (net)

	11 months ended 30 September 1998 £'000	As restated (see note 21) Year ended 31 October 1997 £'000
Distribution costs	11,820	10,480
Administrative expenses	4,466	3,368
Management fee income	-	(299)
	<u>16,286</u>	<u>13,549</u>

In the current period the company recharged no expenses to Cresta Holidays (Holdings) Limited (1997 - £0.7 million), its immediate parent company which, in the prior year, was offset against administrative expenses.

During the current period, the company recharged £3.98 million (1997 - £4.39 million) to Cresta (Transport Brokers) Limited, a wholly owned subsidiary, which has been offset against administrative expenses.

Notes to the financial statements (continued)

4 Interest received and similar income

	11 months ended 30 September 1998 £'000	Year ended 31 October 1997 £'000
Dividend from subsidiary undertaking	-	2,520
Bank interest receivable	14	176
Interest receivable from other group companies	1,296	882
	<u>1,310</u>	<u>3,578</u>

5 (Loss) profit on ordinary activities before taxation

(Loss) profit on ordinary activities before taxation is stated after charging:

	11 months ended 30 September 1998 £'000	Year ended 31 October 1997 £'000
Auditors' remuneration		
- audit fees	34	34
- non audit fees	-	3
Depreciation	422	334
Staff costs (see note 6)	5,781	5,043
Annual rental on operating leases (see note 18d)	371	263
	<u>7,608</u>	<u>5,677</u>

6 Staff costs

Particulars of employees (including executive directors) are as shown below:

	11 months ended 30 September 1998 £'000	Year ended 31 October 1997 £'000
Employee costs during the period amounted to:		
Wages and salaries	5,038	4,473
Social security costs	625	450
Other pension costs (see note 18e)	118	120
	<u>5,781</u>	<u>5,043</u>

Notes to the financial statements (continued)

6 Staff costs (continued)

The average monthly number of persons, including directors, employed by the company during the period was as follows:

	1998 Number	1997 Number
Travel and tour operations	<u>319</u>	<u>233</u>

Directors' remuneration:

Staff costs include the following emoluments in respect of directors:

	11 months ended 30 September 1998 £	Year ended 31 October 1997 £
Emoluments	550,093	648,936
Company contributions to money purchase pension schemes	<u>27,693</u>	<u>32,013</u>
	<u>577,786</u>	<u>680,949</u>

Pensions:

The number of directors who were members of pension schemes was as follows:

	11 months ended 30 September 1998 Number	Year ended 31 October 1997 Number
Money purchase schemes	<u>4</u>	<u>3</u>

Notes to the financial statements (continued)

6 Staff costs (continued)

Highest-paid director:

The above amounts for remuneration include the following in respect of the highest paid director:

	11 months ended 30 September 1998 £	Year ended 31 October 1997 £
Emoluments	201,751	246,616
Company contributions to money purchase schemes	9,941	11,931
	<u>211,692</u>	<u>258,547</u>

7 Taxation

The tax (credit) charge is based on the (loss) profit for the period and comprises:

	11 months ended 30 September 1998 £'000	Year ended 31 October 1997 £'000
Corporation tax	(332)	462
Deferred tax	(54)	-
Adjustment to current taxation in respect of prior years	-	(254)
Adjustment to deferred tax in respect of prior years	128	-
	<u>(258)</u>	<u>208</u>

8 Dividends paid

	11 months ended 30 September 1998 £'000	Year ended 31 October 1997 £'000
Dividends paid on ordinary shares (£86.33 per share)	<u>8,633</u>	<u>-</u>

Notes to the financial statements (continued)

9 Tangible fixed assets

The following are included in the net book value of tangible fixed assets:

	Short term leasehold property £'000	Equipment and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
Beginning of period	35	1,779	299	2,113
Additions	-	1,030	210	1,240
Disposals	-	(38)	(151)	(189)
Amounts written off	(35)	-	-	(35)
End of period	-	2,771	358	3,129
Depreciation				
Beginning of period	13	1,033	119	1,165
Disposals	-	348	74	422
Charge for year	-	(31)	(108)	(139)
Amounts written off	(13)	(32)	30	(15)
End of period	-	1,318	115	1,433
Net book value				
Beginning of period	22	746	180	948
End of period	-	1,453	243	1,696

10 Fixed asset investments

	30 September 1998 £'000	31 October 1997 £'000
Subsidiary undertaking	2	2

The company holds 100% of the share capital of Cresta (Transport Brokers) Limited, a company registered in England and Wales. This company's principal activity has been to purchase transportation for Cresta Holidays Limited. The issued share capital consists of 2,000 ordinary shares of £1 each.

Notes to the financial statements (continued)

11 Debtors

The following are included in the net book value of debtors:

	30 September 1998 £'000	31 October 1997 £'000
Trade debtors	1,492	1,465
Amounts owed by group undertakings	19,280	19,300
ACT recoverable	2,158	-
Other debtors	165	161
Prepayments and accrued income	2,166	1,331
Corporation tax receivable	332	-
	<u>25,593</u>	<u>22,257</u>

12 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	30 September 1998 £'000	31 October 1997 £'000
Bank overdraft	1,967	-
Trade creditors	3,228	2,152
Advance receipts	4,931	2,392
Amounts owed to group undertakings	5,905	2,265
Corporation tax	-	227
Other taxes and social security	2,088	1,189
ACT payable	2,158	-
Accruals and deferred income	5,820	4,616
	<u>26,097</u>	<u>12,841</u>

13 Provisions for liabilities and charges

	30 September 1998 £'000	31 October 1997 £'000
Deferred taxation	<u>74</u>	<u>-</u>

Notes to the financial statements (continued)

13 Provisions for liabilities and charges (continued)

The movement on deferred taxation comprises:

	30 September 1998 £'000	31 October 1997 £'000
Beginning of period	-	-
Charged to the profit and loss account in respect of - other timing differences	74	-
End of period	<u>74</u>	<u>-</u>

There is no unprovided deferred taxation at 30 September 1998 (1997 - £nil).

14 Called-up equity share capital

	30 September 1998 £'000	31 October 1997 £'000
<i>Authorised, issued and fully-paid</i> 100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

15 Reserves

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

	30 September 1998 £'000	31 October 1997 £'000
Distributable		
- profit and loss account	1,020	10,363
Beginning of period	10,363	6,884
Retained (loss) profit for the period	(9,343)	3,479
End of period	<u>1,020</u>	<u>10,363</u>

Notes to the financial statements (continued)

16 Reconciliations of movements in shareholders' funds

	30 September 1998 £'000	31 October 1997 £'000
(Loss) profit on ordinary activities after taxation	(710)	3,479
Dividends paid	(8,633)	-
Net (deduction from) addition to shareholders' funds	(9,343)	3,479
Opening shareholders' funds	10,463	6,984
Closing shareholders' funds	1,120	10,463

17 Cash flow statement

Under the provisions of Financial Reporting Standard No.1 (Revised - 1996), the company has not prepared a cash flow statement because its ultimate parent undertaking, Airtours plc, which is registered in England and Wales, has prepared consolidated accounts which include the accounts of the company for the period and which contain a cash flow statement.

18 Guarantees and other financial commitments

a) Capital commitments

	30 September 1998 £'000	31 October 1997 £'000
Contracted	7	48

b) Contingent liabilities

In order to manage future foreign currency requirements, the company enters into certain forward contracts to purchase foreign currency. At the balance sheet date the company had contracted to purchase £46,207,853 (1997 - £28,560,670) of foreign currency.

c) Bonding arrangements

In accordance with its business as a tour operator the company has various bonding agreements, totalling £13.4 million.

d) Lease commitments

The company leases certain land and buildings on short term leases. The annual rental on these leases was £370,944 (1997 - £262,588). The rents payable under these leases are subject to renegotiation at various intervals specified in the lease contracts.

Notes to the financial statements (continued)

18 Guarantees and other financial commitments (continued)

The minimum rentals under the foregoing property leases are as follows:

	11 months ended 30 September 1998 £'000	Year ended 31 October 1997 £'000
Operating leases which expire:		
- after 5 years	419	288

e) Pension arrangements

The company operates a defined contribution pension scheme to provide retirement benefits for certain employees and a Group Personal Pension Plan which is also a defined contribution pension scheme for the benefit of all employees. The pension cost charge for the period amounted to £117,716 (1997 - £119,543).

19 Related party transactions

The company has taken advantage of the exemptions with FRS8, Related party disclosures, not to disclose transactions with fellow group undertakings which are eliminated on consolidation.

20 Ultimate parent company

The largest group in which the results of Cresta Holidays Limited are consolidated is that headed by Airtours plc., the accounts of which may be obtained from Airtours plc, Parkway One, Parkway Business Centre, 300 Princess Road, Manchester M14 7QU. The smallest group in which they are consolidated is that headed by Sun International (UK) Limited, a company registered in England and Wales.

21 Prior year adjustment

Cresta Holidays Limited have adopted in full the revenue recognition criteria of its ultimate parent undertaking, Airtours plc. A prior year adjustment has been made to classify the commission paid to travel agents under distribution costs as opposed to being netted off turnover.

	Year ended 31 October 1997 £'000	11 months ended 30 September 1998 £'000	Total £'000
Increase in turnover	8,881	10,281	19,162
Increase in distribution costs	(8,881)	(10,281)	(19,162)
Net effect on profit and loss account	-	-	-