



ARTHUR ANDERSEN

Panorama Holiday Group Limited

Annual report and accounts
for the year ended 30 September 2000

Registered number 1068464



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Directors' report

For the year ended 30 September 2000

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 30 September 2000.

Principal activities

The principal activity of the group comprises tour operating.

A subsidiary undertaking, Panorama Seat Broking Limited, is held by the company, details of which can be found in note 9 of the accounts.

Business review

The group has had a successful year and has increased gross turnover by 46%. Cost of sales and overheads have been controlled, resulting in increased operating profits.

The directors expect the general level of activity to continue to increase.

Results and dividends

The audited accounts for the year ended 30 September 2000 are set out on pages 5 to 17. The profit for the year after taxation was £2,782,000 (1999 - £1,949,000). No dividend is recommended.

Directors

The directors who served during the year were as follows:

J. Fleming (resigned 30 September 2000)
N. Munday
S. Grigg
L. Thuesen
P. Rothwell (resigned 5 October 2000)
N. McDonnell
M. Rice
M. Young
D. West
M. Brackenbury (resigned 28 February 2000)
Airtours Management Services Limited

Directors' interests

The directors had no interests in the shares of the company or its subsidiary, Panorama Seat Broking Limited.

Director interests in the ordinary shares of the ultimate parent undertaking, Airtours plc, are as follows:

	30 September 2000 Number	1 October 1999 Number
N. Munday	<u>290,751</u>	<u>290,751</u>

Directors' report (continued)

Directors' interests (continued)

P. Rothwell and L. Thuesen directors' interests in the shares of the ultimate parent undertaking, Airtours plc, are disclosed in the accounts of that company.

The directors have no other interests to be disclosed under Schedule 7 of the Companies Act 1985.

Fixed assets

In the opinion of the directors there is no material difference between the book and the current open market value of interests in land and buildings.

Directors' responsibilities

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 group and of the profit or loss of the group for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings.

Directors' report (continued)

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Parkway One
Parkway Business Centre
300 Princess Road
Manchester
M14 7QU

By order of the Board,

A handwritten signature in dark ink, appearing to read 'N. Munday', with a horizontal line underneath the name.

N. Munday
Director

2 March 2001

To the Shareholders of Panorama Holiday Group Limited:

We have audited the accounts on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 accounts 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 accounts give a true and fair view of the state of affairs of the company and of the group at 30 September 2000 and of the group's profit and cash flows for the year 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

2 March 2001

Consolidated profit and loss account

For the year ended 30 September 2000

	Notes	2000 £'000	1999 £'000
Turnover	1	121,241	82,882
Cost of sales		(109,157)	(72,844)
Gross profit		12,084	10,038
Other operating expenses (net)	2	(8,510)	(7,547)
Operating profit		3,574	2,491
Finance charges (net)	3	361	239
Profit on ordinary activities before taxation	4	3,935	2,730
Tax on profit on ordinary activities	7	(1,153)	(781)
Retained profit for the year	15	2,782	1,949

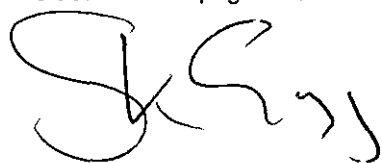
There are no recognised gains and losses in either period other than the profit for that year.

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

Consolidated balance sheet
30 September 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	8	<u>2,192</u>	<u>1,470</u>
Current assets			
Debtors	10	20,492	13,735
Investments	11	1	1
Cash at bank and in hand		<u>2,470</u>	<u>1,222</u>
		22,963	14,958
Creditors: Amounts falling due within one year	12	<u>(19,209)</u>	<u>(13,257)</u>
Net current assets		<u>3,754</u>	<u>1,701</u>
Total assets less current liabilities		<u>5,946</u>	<u>3,171</u>
Provisions for liabilities and charges	13	<u>(5)</u>	<u>(12)</u>
Net assets		<u>5,941</u>	<u>3,159</u>
Capital and reserves			
Called-up share capital	14	73	73
Share premium account	15	439	439
Capital redemption reserve	15	662	662
Profit and loss account	15	<u>4,767</u>	<u>1,985</u>
Equity shareholders' funds	16	<u>5,941</u>	<u>3,159</u>

The accounts on pages 4 to 17 were approved by the board of directors on 2 March 2001 and signed on its behalf by:



S. Grigg
Director

2 March 2001

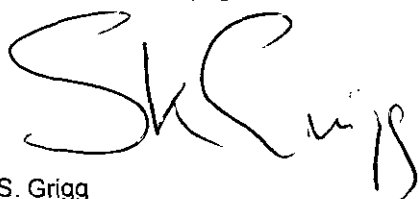
The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet

30 September 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	8	2,192	1,470
Investments	9	2	2
		<u>2,194</u>	<u>1,472</u>
Current assets			
Debtors	10	20,731	13,885
Investments	11	1	1
Cash at bank and in hand		2,470	1,222
		<u>23,202</u>	<u>15,108</u>
Creditors: Amounts falling due within one year	12	(19,765)	(13,751)
Net current assets		<u>3,437</u>	<u>1,357</u>
Total assets less current liabilities		<u>5,631</u>	<u>2,829</u>
Provisions for liabilities and charges	13	(5)	(12)
Net assets		<u>5,626</u>	<u>2,817</u>
Capital and reserves			
Called-up share capital	14	73	73
Share premium account	15	439	439
Capital redemption reserve	15	662	662
Profit and loss account	15	4,452	1,643
Equity shareholders' funds		<u>5,626</u>	<u>2,817</u>

The accounts on pages 4 to 17 were approved by the board of directors on 2 March 2001 and signed on its behalf by:



S. Grigg
Director

2 March 2001

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

Consolidated cash flow statement

For the year ended 30 September 2000

	Notes	2000 £'000	1999 £'000
Net cash inflow (outflow) from operating activities	17	2,967	(4,073)
Returns on investments and servicing of finance			
Interest received		370	248
Interest paid		(9)	(9)
Net cash inflow from returns on investments and servicing of finance		361	239
Tax paid		(1,062)	(904)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,018)	(1,368)
Sale of tangible fixed assets		-	306
Net cash outflow from capital expenditure and financial investment		(1,018)	(1,062)
Increase (decrease) in cash in the year	18	1,248	(5,800)

The accompanying notes are an integral part of this consolidated cash flow statement.

Statement of accounting policies

30 September 2000

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

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

Basis of consolidation

The group accounts consolidate the accounts of Panorama Holiday Group Limited and Panorama Seat Broking Limited drawn up to 30 September each year.

No profit and loss account is presented for Panorama Holiday Group Limited as permitted by section 230 of the Companies Act 1985. The company's profit for the financial year, determined in accordance with the Act, was £2,809,000 (1999 - £1,881,000).

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

Freehold buildings	50 years
Leasehold land and buildings	term of lease
Plant and machinery	25% per annum reducing balance

Residual value is calculated on prices prevailing at the date of acquisition.

Investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

In the company balance sheet, for investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

Statement of accounting policies (continued)

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Pension costs and other post retirement benefits

The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

Leases

Leases under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Notes to accounts

30 September 2000

1 Segment information

Geographical segments:

	2000 £'000	1999 £'000
United Kingdom	78,453	50,558
Rest of Europe	42,788	32,324
	<u>121,241</u>	<u>82,882</u>

2 Other operating expenses (net)

	2000 £'000	1999 (As restated) £'000
Distribution costs	4,360	3,837
Administrative expenses	4,150	3,725
Other operating income	-	(15)
	<u>8,510</u>	<u>7,547</u>

Certain administration costs in the prior year comparatives have been reclassified into distribution costs to be consistent with the current year classification in order to give a fairer presentation.

3 Finance charges (net)

	2000 £'000	1999 £'000
<i>Investment income</i>		
Interest receivable and similar income	370	248
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	(9)	(9)
	<u>361</u>	<u>239</u>

Notes to accounts (continued)

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2000 £'000	1999 £'000
Depreciation and amounts written off tangible fixed assets	277	140
Loss on disposal of fixed assets	19	27
Operating lease rentals		
- other	63	50
Auditors' remuneration for audit services	24	30
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5 Staff costs

	2000	1999
The average monthly number of employees (including executive directors) was:	376	245
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	2000 £'000	1999 £'000
Their aggregate remuneration comprised:		
Wages and salaries	5,095	3,304
Social security costs	397	333
Other pension costs (see note 20)	79	40
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	5,571	3,677
	<hr/>	<hr/>

6 Directors' remuneration

Remuneration

The remuneration of the directors was as follows:

	2000 £'000	1999 £'000
Emoluments	728	649
Company contributions to money purchase pension schemes	45	40
	<hr/>	<hr/>
	773	689
	<hr/>	<hr/>

Highest-paid director

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

	2000 £'000	1999 £'000
Emoluments and long-term incentive schemes	184	193
Company contributions to money purchase schemes	19	18
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	203	211
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Notes to accounts (continued)

6 Directors' remuneration (continued)

Pensions

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

	2000	1999
Money purchase schemes	<u>7</u>	<u>6</u>

7 Tax on profit on ordinary activities

The tax charge comprises:

	2000 £'000	1999 £'000
UK Corporation tax	1,160	769
Deferred taxation	<u>(7)</u>	<u>12</u>
	<u>1,153</u>	<u>781</u>

8 Tangible fixed assets

Group and company	Freehold land and buildings £'000	Plant and Machinery £'000	Total £'000
Cost			
At 1 October 1999	919	859	1,778
Additions	112	906	1,018
Disposals	<u>-</u>	<u>(33)</u>	<u>(33)</u>
At 30 September 2000	<u>1,031</u>	<u>1,732</u>	<u>2,763</u>
Depreciation			
At 1 October 1999	16	292	308
Charge for the year	20	257	277
Disposals	<u>-</u>	<u>(14)</u>	<u>(14)</u>
At 30 September 2000	<u>36</u>	<u>535</u>	<u>571</u>
Net book value			
At 30 September 2000	<u>995</u>	<u>1,197</u>	<u>2,192</u>
At 1 October 1999	<u>903</u>	<u>567</u>	<u>1,470</u>

Freehold land, amounting to £450,000 (1999 - £450,000) has not been depreciated.

Notes to accounts (continued)

9 Fixed asset investments

	2000 £'000	1999 £'000
Subsidiary undertakings	<u>2</u>	<u>2</u>

The investment in subsidiary undertakings comprises the cost of the entire issued share capital of Panorama Seat Broking Limited, a company incorporated in England and whose principal activity is that of aviation seat broking.

10 Debtors

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Amounts falling due within one year:				
Trade debtors	1,216	585	1,216	585
Amounts owed by group undertakings	13,078	8,068	13,078	8,068
VAT	703	504	703	504
Corporation tax	-	48	239	198
Other debtors	45	199	45	199
Prepayments and accrued income	5,450	4,331	5,450	4,331
	<u>20,492</u>	<u>13,735</u>	<u>20,731</u>	<u>13,885</u>

11 Current asset investments

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Listed investments at market value	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

Notes to accounts (continued)

12 Creditors: Amounts falling due within one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Trade creditors	845	2,012	845	2,012
Clients' monies	10,738	6,642	10,738	6,642
Amounts owed to group undertakings	302	414	908	908
Taxation and social security	119	52	119	52
Corporation tax	50	-	-	-
Accruals and deferred income	7,155	4,137	7,155	4,137
	<u>19,209</u>	<u>13,257</u>	<u>19,765</u>	<u>13,751</u>

13 Provisions for liabilities and charges

Group and company

	Deferred taxation £'000
At 1 October 1999	12
Released to profit and loss account	(7)
At 30 September 2000	<u>5</u>

Deferred taxation provided is as follows:

	Provided	
	2000 £'000	1999 £'000
Accelerated capital allowances	5	12
	<u>5</u>	<u>12</u>

There is no unprovided deferred taxation.

14 Called-up share capital

	2000 £'000	1999 £'000
<i>Authorised</i>		
73,280 Ordinary shares of £1 each	73	73
1,062,000 6% preference shares of £1 each	1,062	1,062
100,000 6% redeemable preference shares of £1 each	100	100
	<u>1,235</u>	<u>1,235</u>
<i>Allotted, called-up and fully-paid</i>		
73,280 Ordinary shares of £1 each	<u>73</u>	<u>73</u>

Notes to accounts (continued)

15 Reserves

Group	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 October 1999	439	662	1,985	3,086
Retained profit for the year	-	-	2,782	2,782
At 30 September 2000	<u>439</u>	<u>662</u>	<u>4,767</u>	<u>5,868</u>

Company	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 October 1999	439	662	1,643	2,744
Retained profit for the year	-	-	2,809	2,809
At 30 September 2000	<u>439</u>	<u>662</u>	<u>4,452</u>	<u>5,553</u>

16 Reconciliation of movements in group shareholders' funds

	2000 £'000	1999 £'000
Profit for the financial year	2,782	1,949
Opening shareholders' funds	<u>3,159</u>	<u>1,210</u>
Closing shareholders' funds	<u>5,941</u>	<u>3,159</u>

17 Reconciliation of operating profit to operating cash flow

	2000 £'000	1999 £'000
Operating profit	3,574	2,491
Depreciation	277	140
Loss on disposal of fixed assets	19	27
Increase in debtors	(6,805)	(9,528)
Increase in creditors	<u>5,902</u>	<u>2,797</u>
Net cash inflow (outflow) from operating activities	<u>2,967</u>	<u>(4,073)</u>

Notes to accounts (continued)

18 Analysis and reconciliation of net funds

	1 October 1999 £'000	Cash flow £'000	30 September 2000 £'000
Cash in hand, at bank	1,222	1,248	2,470

19 Financial commitments – group and company

Capital commitments are as follows:

	2000 £'000	1999 £'000
Contracted for but not provided for	-	44

Annual commitments under non-cancellable operating leases are as follows:

	2000 Land and buildings £'000	1999 Land and buildings £'000
Expiry date - after five years	103	45

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

20 Pension arrangements

The company contributes towards a number of money purchase schemes for which the pension cost charge for the year amounted to £78,940 (1999 - £40,000).

21 Ultimate controlling party

The directors regard Airtours plc, a company incorporated in England and Wales, as the ultimate parent company and the ultimate controlling party.

As a subsidiary undertaking of Airtours plc, the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Airtours plc.