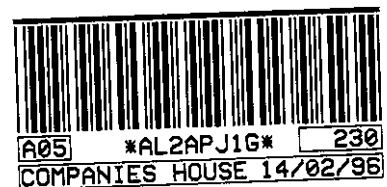


Maintaining competitive advantage

Airtours plc Annual report and accounts 1995

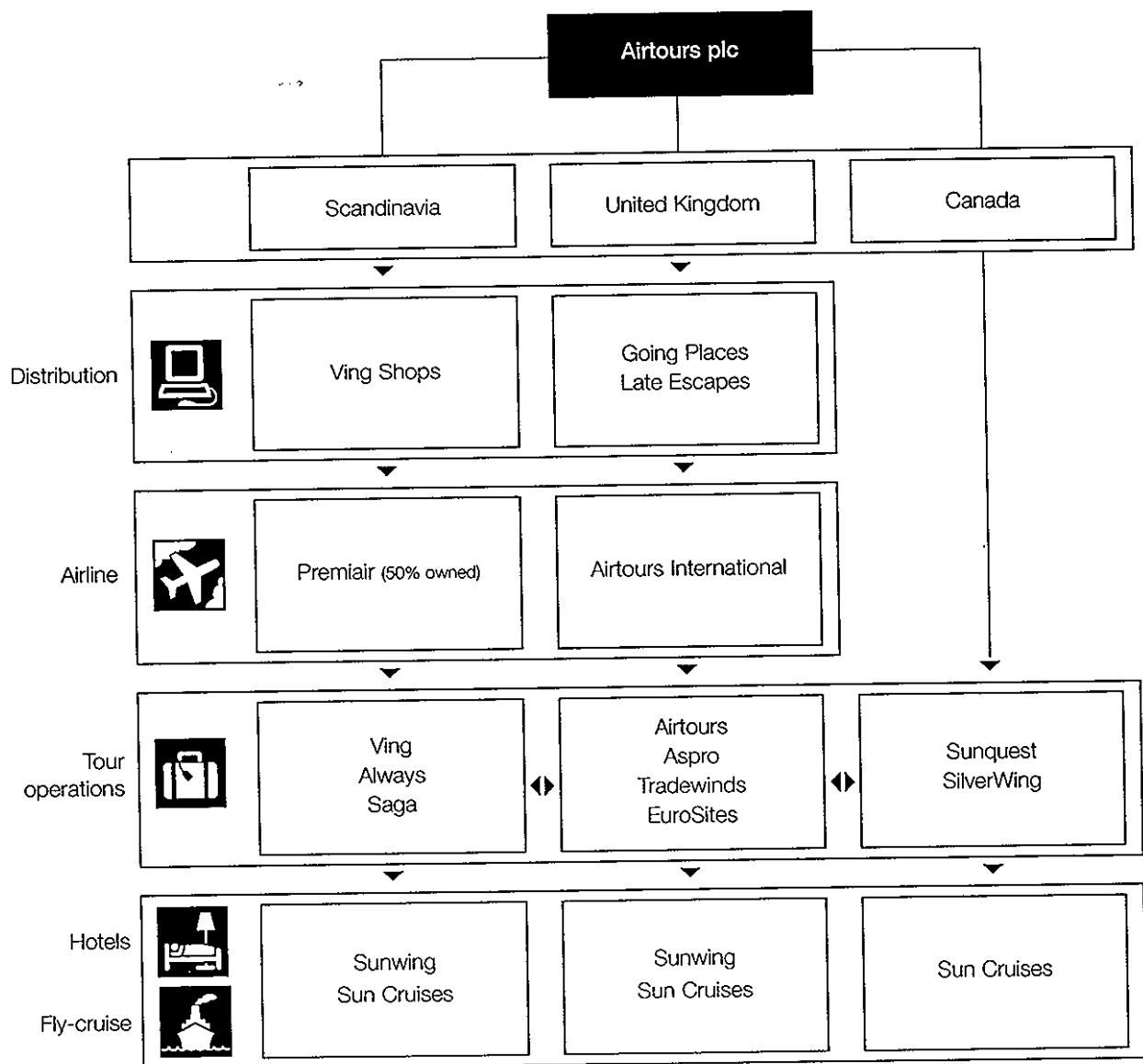
Airtours



Index

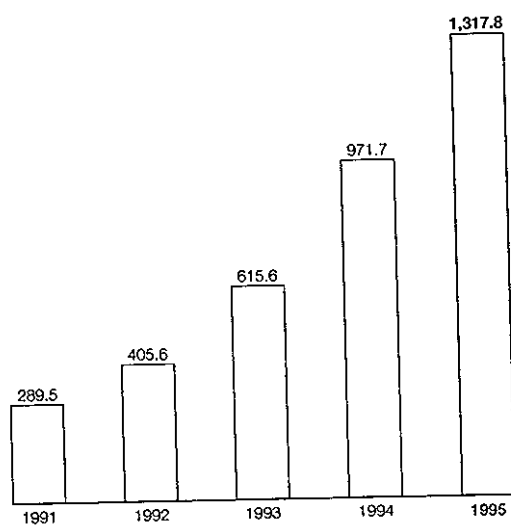
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- Difficult conditions in UK holiday market
- Record profits from Scandinavian Leisure Group
- Successful launch of fly-cruise
- Acquisition of Sunquest Vacations

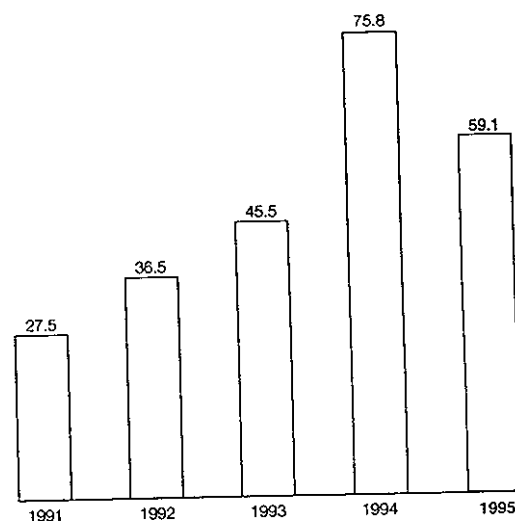


Financial highlights

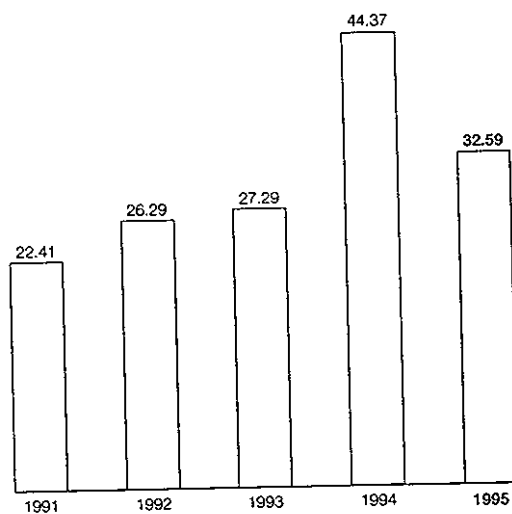
	1995 £000	1994 £000	% Increase/ (decrease)
Turnover	1,317,791	971,742	35.6
Profit before tax	59,066	75,762	(22.0)
Dividends	19,329	16,875	14.5
Net assets	127,294	145,611	(12.6)
Fully diluted eps	32.59p	44.37p	(26.5)
Dividend per ordinary share	14.00p	12.00p	16.7
Assets per ordinary share	110.35p	128.01p	(13.8)



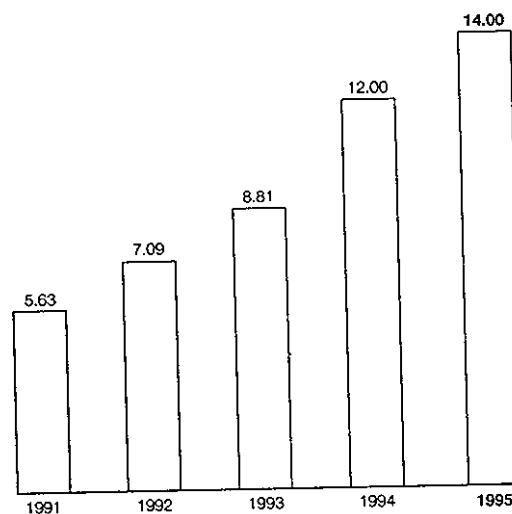
Turnover £million



Profit before tax £million



Fully diluted earnings per ordinary share pence



Dividend per ordinary share pence

Chairman's statement

Results

After eight years of uninterrupted growth, the results for the year ended 30th September 1995 are obviously disappointing and reflect the extremely difficult conditions experienced in the UK holiday market in 1995.

Turnover rose by 35.6% to £1,317.8m due in part to the inclusion of the Scandinavian Leisure Group ("SLG") for a full year. In our interim statement we referred to the pressure on margins likely to arise as a result of an imbalance of supply and demand in the UK tour operating market and in August we announced that profits could be up to 25% below last year's levels. The actual results show a reduction of 22% with profits before tax of £59.1m.

Substantially improved profits from our UK airline and a small increase in the profitability of our retail division mitigated, but were not sufficient to off-set, the downturn experienced by UK tour operations.

Overseas, we experienced much more satisfactory trading conditions where SLG, which we acquired last year for £80m, generated profits of £25.1m. This compares with the previous year when it contributed £13.7m in the period after acquisition in June 1994.

On 14th August 1995, as part of our strategy to reduce reliance on profits generated from the UK, we announced the acquisition of Sunquest Vacations Limited, a Canadian tour operator. This business, which was acquired for £38.1m, is counter-seasonal to our existing businesses and, as indicated at the time, the period since acquisition has produced a loss to 30th September 1995 of £0.5m.

Staff

During the year there were a number of important additions to the senior management of the Group. In June, Peter Rothwell, who was previously a director of Thomson Holidays, took up his position as Managing Director of Airtours

"We have a strong balance sheet and an excellent and robust range of businesses operating in a number of different markets providing a solid base for the future."



Holidays. In September, Tony Bennett, formerly a director of Thomas Cook, was appointed Managing Director of Going Places. Sunquest Vacations brought with it an excellent North American management team.

The staff throughout the Group have continued to serve with dedication and skill. Unfortunately some redundancies were necessary within Airtours Holidays to cut our costs in an environment where capacities across the UK industry are being reduced.

Outlook

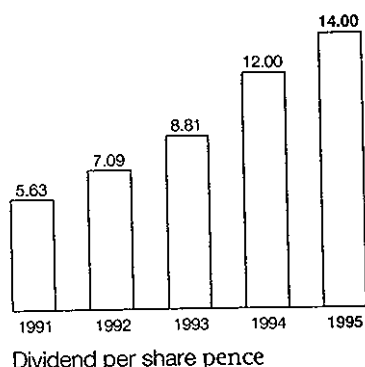
The prospects for 1995/96 are dependent upon the willingness of UK tour operators to ensure that capacity is held in line with demand. We have reduced our capacity for summer 1996 and believe that all other major UK tour operators will have less capacity on sale than in summer 1995. If this position is maintained it will have a beneficial impact upon margins.

Overseas, our Scandinavian markets are benefiting from improvements in their economies, and this is reflected in current booking trends. In Canada, we are confident that Sunquest Vacations will justify our recent investment.

Overall we have a strong balance sheet and an excellent and robust range of businesses operating in a number of different markets providing a solid base for the future development of the Group.



David Crossland Chairman



Balance sheet strength supports the 16.7% increase in ordinary dividend.

Financial and operational review

Significant events

The year to 30th September 1995 was an active one for Airtours with the continuing integration of SLG, further expansion of Going Places including the acquisition of the Late Escapes teletext business, the leasing and operating of four additional Boeing 757 aircraft, the delivery of two cruise ships, the launch of the fly-cruise programme and the acquisition of Sunquest Vacations in Canada.

Results

Turnover in the year to 30th September 1995 was £1,317.8m which represents an increase of £346.1m or 35.6% over the previous year, of which £235.4m arises from the inclusion of a full year's trading from SLG. Due to the difficult conditions experienced in the UK tour operating market during the peak season months of summer 1995, Group profits declined by 22% to

£59.1m. This disguised an excellent performance within SLG, which contributed profits of £25.1m.

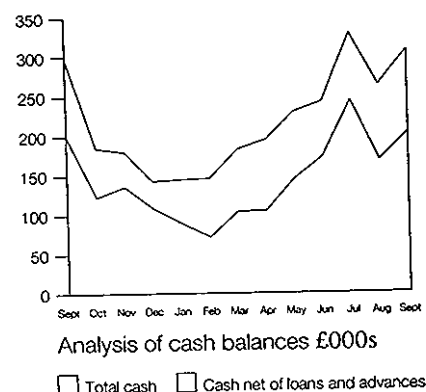
The taxation charge for the year represents 27.5% of profits and is in line with the indications given in our interim statement. In the absence of any changes in corporate tax rates, it is unlikely that there will be a material increase in the rate of the taxation charge in the foreseeable future.

Basic earnings per share fell by 29.4% to 34.74p or, on a fully diluted basis, by 26.5% to 32.59p.

Dividend

The Board is recommending a final dividend of 11p. With the interim dividend of 3p, this gives a total dividend for the year of 14p per ordinary share, representing a 16.7% increase over the previous year. At this increased level the dividend is covered 2.5 times by earnings.

The Group maintains substantial cash balances throughout the year.



Investment

The year was one of considerable investment by the Group, with £103.3m being spent on fixed assets and £52.0m on acquisitions.

The largest items of capital expenditure were the two cruise ships (£61.9m). The acquisitions during the year were Sunquest Vacations (£38.1m), Late Escapes (£6.6m) and a number of retail travel agency businesses, including Winston Rees (World) Travel (£3.8m) and W McCalla and Company (£2.7m).

Cash and bank balances at the end of the year were £304.5m compared with £291.9m at 30th September 1994. Conversely, there was an increase in bank loans from £1.8m to £70.2m as advantage was taken of favourable conditions in the credit markets to obtain unsecured term finance at highly acceptable rates to help finance the year's capital expenditure programme.

At the end of the year, net assets showed a reduction of £18.3m to £127.3m mainly due to the goodwill of £47.1m arising on acquisitions exceeding the retained profits of £23.5m.

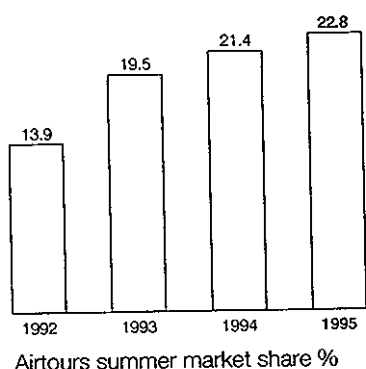
UK



Airtours Holidays

Airtours Holidays had a satisfactory winter season increasing its share of an overall market which grew by 9%. However, the summer of 1995 was one of very difficult trading conditions.

After significant growth over recent years, there was an increase in the total capacity offered to the market in summer 1995 which, coupled with reduced consumer demand and exceptionally good weather in the UK, resulted in the worst over supply of holidays seen for many years.



Market share maintained
in a difficult year.

Financial and operational review

Capacities were reduced several times during the lead up to and even during summer 1995 in order to minimise the over supply of holidays in the late booking season. The short haul market suffered greatly, especially Cyprus and the Greek Islands, although there was strong demand for long haul products.

Cost reductions have been made and the business restructured for a future in which total market volumes are likely to be somewhat less than in recent years.

For winter 1995/96 bookings show an increase of 4% over the previous year, which is in line with growth in the market.

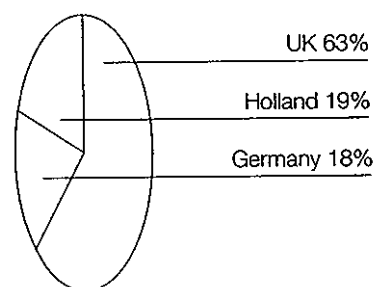
We have reduced our capacity for summer 1996 and believe that the total industry capacity on sale is approximately 14% less than that which

was operated in summer 1995. This would bring capacity back towards the levels of summer 1993 when much better conditions prevailed in the late booking market.

It is difficult to obtain an accurate and relevant comparison of bookings for the summer season as all major UK tour operators delayed the launch of their summer 1996 brochures until 1st September 1995. As a result of this late launch total industry bookings were showing a reduction of 26% at the end of October. Last year, Airtours summer 1995 brochures were launched before those of its competitors and consequently show a disproportionate decrease of 39% at this stage of the booking cycle.

In a number of overseas resort areas we have now established joint handling agencies with SLG and elsewhere there is a single third party

EuroSites will commence operations in Denmark in 1996.



EuroSites passengers
- summer 1995

agency serving both companies. These developments should start to deliver benefits to the Group in 1995/96.

The EuroSites self-drive business had a successful brochure launch of its summer 1995 programme which provided considerable protection against the subsequent difficulties in the UK market. This resulted in EuroSites achieving a modest increase in profits with the Dutch and German sales operations making a significant contribution. For summer 1996, bookings are showing an 11% increase and from 12th December 1995 EuroSites has been marketing this product in Denmark.



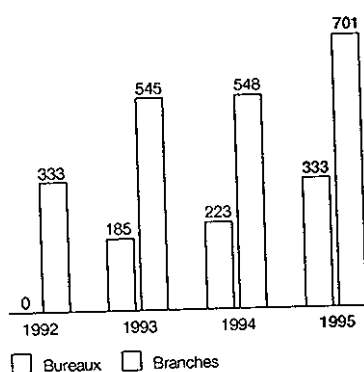
Going Places

Going Places was inevitably affected by the general conditions experienced in the UK travel

market in summer 1995. It nonetheless managed to record an increase in profits from £6.5m to £7.0m, which reflects the inclusion for the first time of Late Escapes our specialist teletext sales operation.

During the year Going Places expanded from 548 branches to 701 branches, partly by acquisitions and partly by the opening of new shops. The number of shops offering foreign exchange facilities has also increased from 223 at 1st October 1994 to 333 at 30th September 1995. During 1995/96 we will continue to expand this profitable business.

Although there will be a small increase in the branch network in 1995/96, the major expansion phase is largely complete. There will now be a greater emphasis on ensuring that existing



Going Places has rapidly expanded its branch network and the number of foreign exchange bureaux.

Financial and operational review

branches are correctly positioned to obtain the maximum return available from the market.



Airtours International

Airtours International, which operates exclusively for the Group's in-house tour operators, had another highly successful year with an enlarged fleet, increased level of operations and increased profits. It continues to be the most efficient leisure airline in the UK as a result of our policy of tailoring the capacity of the airline to the Group's in-house flying requirements.

During the year the fleet was increased by the addition of a further four Boeing 757 aircraft which serve the Group's short and medium haul destinations. Airtours International provided 68% of the flying requirements of Airtours Holidays during summer 1995 and will provide

approximately 90% of winter 1995/96 requirements.

In November 1995, agreement was reached to replace seven MD83s with seven Airbus A320 aircraft. This will deliver commonality across our short haul fleet resulting in lower operating costs.

The change-over will be completed within the next six months and the fleet will then consist of:

Boeing 767s	2
Boeing 757s	6
Airbus A320s	10

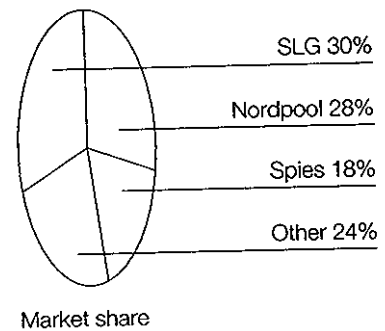
SCANDINAVIA



Scandinavian Leisure Group

In its first full year of operation under Airtours' ownership, SLG more than fulfilled the expectations which we held at the time of the

SLG is the market leader
in Scandinavia.



acquisition. It had its most successful year ever contributing profits of £25.1m. It remains the market leader in Scandinavia with a particularly strong presence in Sweden and Norway. Through its Ving brand, SLG has exclusivity in Scandinavia for the Group's highly popular "Sunwing" hotels which command a premium price in the market.

In winter 1994/95 SLG achieved an increase of 13% in the number of passengers carried and registered a further increase of 16% in summer 1995.

Winter 1995/96 is selling well across all markets with bookings 13% ahead of the previous year. The programme for summer 1996 was only launched on 14th December, although there has been an increase in advance registrations taken out by customers.



Premiair

Premiair is a joint venture with Simon Spies Holdings, a leading tour operator in Denmark. It provides most of the flying requirements of SLG and Spies. Based in Copenhagen, Premiair operates a fleet of four DC10s, three Airbus A300s and six Airbus A320s and is the largest leisure airline in Scandinavia.

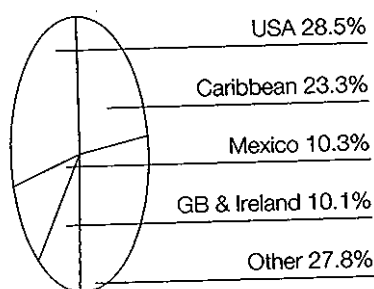
During 1994/95 approximately 92% of Premiair's capacity was utilised by SLG and Spies, enabling Premiair to operate efficiently and make a contribution to the Airtours Group profits.

CANADA



Sunquest Vacations

The Group made its first move into the North American market on 22nd August 1995 with the acquisition of Sunquest Vacations Limited, one



Sunquest's most popular destinations in the last year.

Financial and operational review

of Canada's leading tour operators, for a cash consideration of £38.1m. Sunquest offers a comprehensive range of destinations principally in the US, Mexico and the Caribbean.

In the financial year to 30th April 1995, Sunquest carried approximately 270,000 passengers, achieving a turnover of C\$198m (£93m) and profits of C\$7.7m (£3.6m). On 1st January 1995 Sunquest acquired SilverWing, a tour operating business, giving it a much stronger presence in Western Canada. Prior to its acquisition by Sunquest, SilverWing had carried approximately 90,000 passengers per annum.

Being counter-seasonal to the UK and Scandinavian markets, with most of its passengers travelling in the winter months, Sunquest will help mitigate the seasonal losses of Airtours' existing businesses.

Despite earthquakes in Mexico and a record number of hurricanes which inflicted

considerable damage on certain of its principal Caribbean resort areas in autumn 1995, Sunquest bookings for winter 1995/96 are currently 17% ahead of the previous year.

ACCOMMODATION

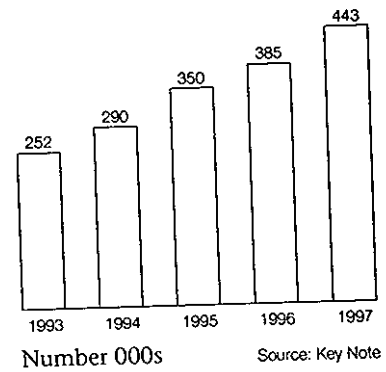


Sunwing Hotels

Airtours now owns or operates 16 hotels in the principal holiday areas served by the Group's European tour operators. As with the Group's airline, there is a strict policy of restricting investment to a level where profitable in-house utilisation can be guaranteed. At the present time in-house accommodation capacity represents approximately 7% of the Group's total requirements.

During 1994/95 the hotels division delivered a modest increase in profitability as a result of higher occupancy levels which offset lower on site spending by customers.

Projected Passengers for
UK Cruise Market.



Bookings for the new financial year once again confirm the popularity of the Group's hotel brands which are achieving higher early booking levels than other hotels offered by the Group's tour operators.



Tenerife Sol

Tenerife Sol, which is a joint venture with the Sol Hotels Group of Spain, owns and operates three hotels in the Canary Islands. During 1994/95 Tenerife Sol benefited from an imbalance between the demand for and supply of quality accommodation in the Canary Islands. As a result it managed to achieve a substantial increase in profitability.



Sun Cruises

In its first summer of operation, the new fly-cruise division met expectations. The MS Seawing and the MS Carousel came out of

refurbishment on time and commenced operations on 25th March and 6th May respectively. They both operated with 100% load factors throughout the season carrying passengers from both our UK and Scandinavian tour operators. Although the amount spent by passengers on board ship has been slightly less than we anticipated, this has been more than off-set by better than budgeted sales prices and margins. With the minimal incremental overhead necessary to market, distribute and administer this new product, it has made a significant contribution to Group profits.

Bookings for the first winter of operation are satisfactory, whilst bookings for summer 1996 are 16% below those of the previous year. This reflects a much later launch of the summer 1996 brochures in a UK air inclusive tour market which is showing an overall reduction of 26%.

Questions and answers

Leisure travel is a complex business, particularly in a substantial vertically integrated Group operating in a number of countries. Not surprisingly, questions are frequently raised regarding our various businesses and the leisure travel industry in general. Here we have tried to answer a selection of the questions most often asked.

Q Do you think that the problems of summer 1995 reflect a permanent change in customer booking patterns?

A The summer 1995 UK market suffered from a considerable excess of supply over demand with an increase in late bookings at discounted prices. However, the number of bookings sold at full brochure price prior to the commencement of the season was little changed from previous years. Accordingly we feel that the problems of summer 1995 were a consequence of over supply rather than a reflection of any fundamental change in booking patterns.

Q Why has Airtours' recently expanded into Scandinavia and North America, and how will the balance of United Kingdom and overseas business develop?

A The acquisition of SLG and Sunquest Vacations gives Airtours a broad geographic base with 30% of turnover for the year ended 30th September 1995 generated overseas. As a result of a full year's contribution from Sunquest this percentage will increase in 1996. Our strategy is to continue to examine opportunities which allow us to reduce our dependence upon any individual market.

The Group's expansion into overseas markets also enhances the return from its investment in aircraft, hotels and ships. For example, in winter 1996/97 a Caribbean cruising programme will be offered to the British, Scandinavian and North American markets.



Harry Coe



Hugh Collinson



David Crossland

Q Do you consider that technology driven changes in the means of distribution will affect the Group's retail businesses?

A To date, we have not experienced any significant change in our customers preferred methods of booking their holidays and do not believe that new technology will significantly impact Going Places for a number of years. However, we will ensure that Going Places is correctly positioned to take advantage of any such changes in the market place. Our recent acquisition of Late Escapes already gives us a leading position in the late teletext booking market and we shall build upon the strengths we have in this business.

Q What would be the impact if Going Places was prohibited from selling insurance?

A It is important to understand the relationship between travel agency discounts and insurance sales. Retail discounts are usually conditional upon the consumer buying travel insurance and this is invariably disclosed in the advertising of discounts. In broad terms, it is the commission on the insurance which funds the cost of the discount. If for any reason the industry were restricted from selling travel insurance there would be a corresponding decrease in the level of discounts offered, although we have no reason to believe that this is likely to happen.

Questions and answers

Q Will Airtours continue to increase its level of vertical integration?

A We are continually seeking to identify additional opportunities which enable us to improve standards of customer service whilst retaining additional profit contribution within the Group. For these reasons we have expanded the number of overseas agencies which we operate in resort areas. We will continue this strategy in our major European destinations and will seek to take advantage of any opportunities that may result from the development of our overseas businesses.

Q Does this policy of vertical integration increase the risk profile of the Group?

A We believe that our experience proves the contrary to be true. There is a high degree of mutual support between our various businesses.

Our UK airline operates exclusively for the Group's tour operators and accordingly the size of the fleet is determined by the in-house flying requirements, thus ensuring the highest possible utilisation. Our in-house accommodation complexes represent only 7% of the total requirements of the Group. Any further expansion will only be in prime locations where our total accommodation will not represent more than 20% of our requirements in any particular resort. This strategy again ensures that we achieve maximum occupancy.

In the business of leisure travel, Airtours' strength is derived from competitive advantage in five key areas: a broad geographic base, a comprehensive range of products, consistent innovation, vertical integration and effective information management. Each of these areas is illustrated in the following pages...



A broad geographic base

We have customers throughout the UK, Sweden, Denmark, Norway, Holland, Germany and Canada.

This diverse customer base helps to balance the impact of seasonal and economic cycles in our various markets, provides economies of scale at destinations and maximises our utilisation of aircraft, hotels and ships.

The balancing of economic cycles was clearly evident in summer 1995, when the difficulties in the UK market were offset by better conditions in Sweden and Norway.

1 A selection of Sunquest brochures.

2 Ving travel shop.

3 Going Places travel agency.



2



1



2



1 Ski holidays – operated by both Airtours Holidays and Ving.

2 Mobile homes – added to the EuroSites portfolio in 1992.

3 Suncenter holidays – new for 1996.

4 Venice – featured in the day trips programme.

3



Comprehensive range of products

Our broad geographic spread is matched by a comprehensive product range that reaches all key market segments.

No rival tour operator offers products in such a diverse product range, appealing to all ages and demographic groups, from young backpackers to the affluent retired.

The range includes day trips, city breaks, tent and caravan holidays, all-inclusive holidays, ski trips, tours for the over-55s and fly-cruises. Overall we offer holidays to more than 150 destinations in over 70 countries.

Markets are carefully analysed and our various brochures are focused upon different segments. In the UK, for example, four principal brands are marketed by Airtours Holidays. Aspro focuses on value for money, Airtours is our mainstream family brand, Tradewinds provides high-quality long-haul travel mainly on scheduled flights, and EuroSites offers family camping and caravanning.

Within both the Airtours and Aspro portfolios a number of different brochures are produced, each offering a distinct range of products.



4

Consistent innovation

Airtours has led the market in the creation of new concepts and products at extremely attractive prices.

In 1987 Airtours opened the Caribbean market to the mainstream British holidaymaker by offering inclusive packages from £299. In 1990, we introduced day trips to Berlin for £99 and today offer a wide range of such trips to many European cities and also to Lapland to visit Father Christmas.

In 1994 we introduced competitively priced holidays to Australia and followed this in 1995 with the successful introduction of the fly-cruise concept into the UK.

Airtours has consistently improved the holiday experience by pioneering new concepts including round-the-clock check-in facilities, dedicated lounges and, for 1996, pre-bookable seats and duty free goods.

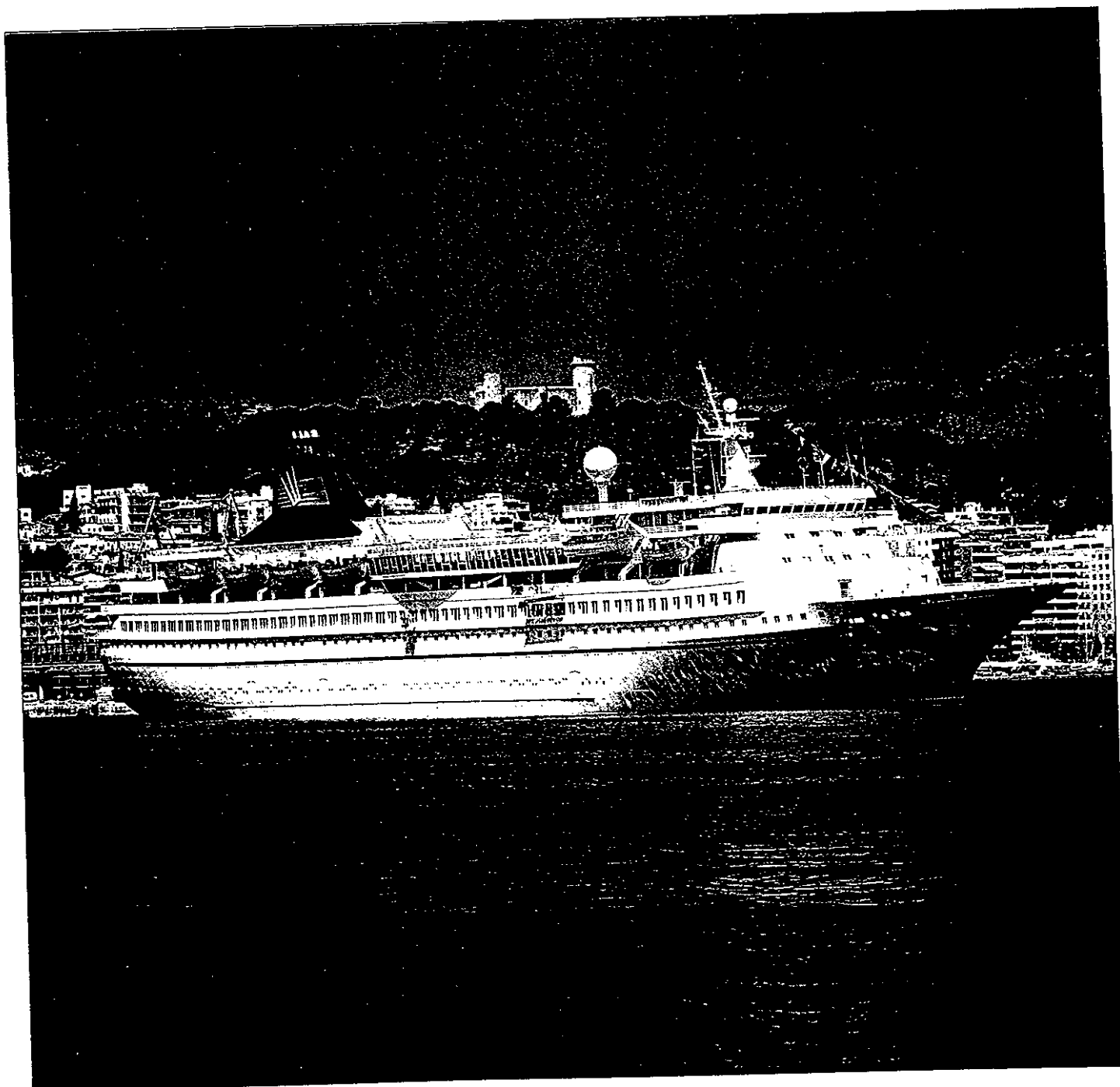


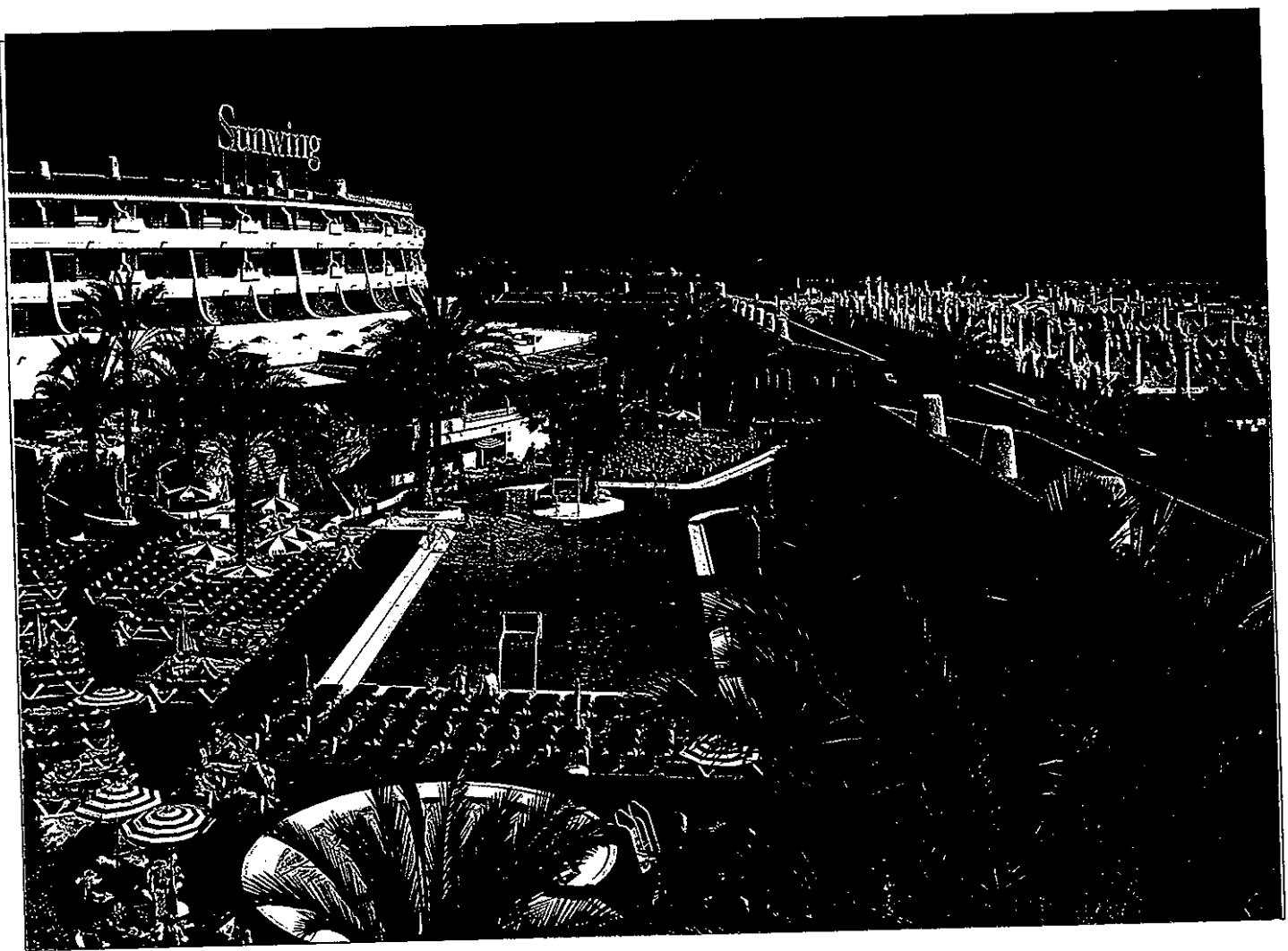
2

- 1 Affordable Caribbean holidays introduced by Airtours.
- 2 Airtours dedicated departure lounge at Manchester airport.
- 3 Fly-cruise holidays on the MS Seawing and the MS Carousel (pictured).
- 4 Day trips to Lapland to see Father Christmas.



4





1 Sunwing Playa del Ingles, Gran Canaria – one of the Group's hotels which are used exclusively by our holidaymakers.

2 Going Places, Westgate Centre, Oxford. One of the 701 outlets that supports the Airtours product range.

3 One of Premiair's six Airbus A320 aircraft.

4 Airtours International's Boeing 767 aircraft provide non stop transatlantic holidays for Airtours Holidays.

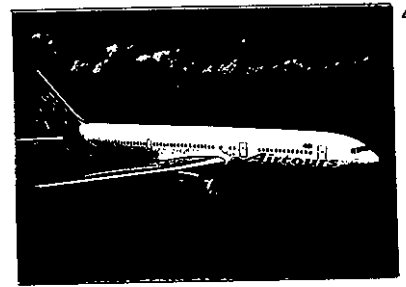
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3



4



Vertical integration

Vertical integration gives greater control over costs, risks, asset utilisation and customer satisfaction.

Going Places operates throughout the UK and with the Late Escapes teletext business provides strong support to Airtours Holidays. In Scandinavia the Ving retail shops provide direct booking facilities for our market-leading brand.

We also have substantial and profitable businesses transporting and accommodating our passengers, retaining in-house the margin which would otherwise go to third party suppliers.

Our fly-cruise programme maximises the use of both Airtours International and Premiair and of our resort staff both at embarkation and at the various ports of call.

As we continue to develop our businesses, we will continue to balance capacity throughout the supply chain to minimise risk and maintain the fullest possible use of assets.

Effective information management

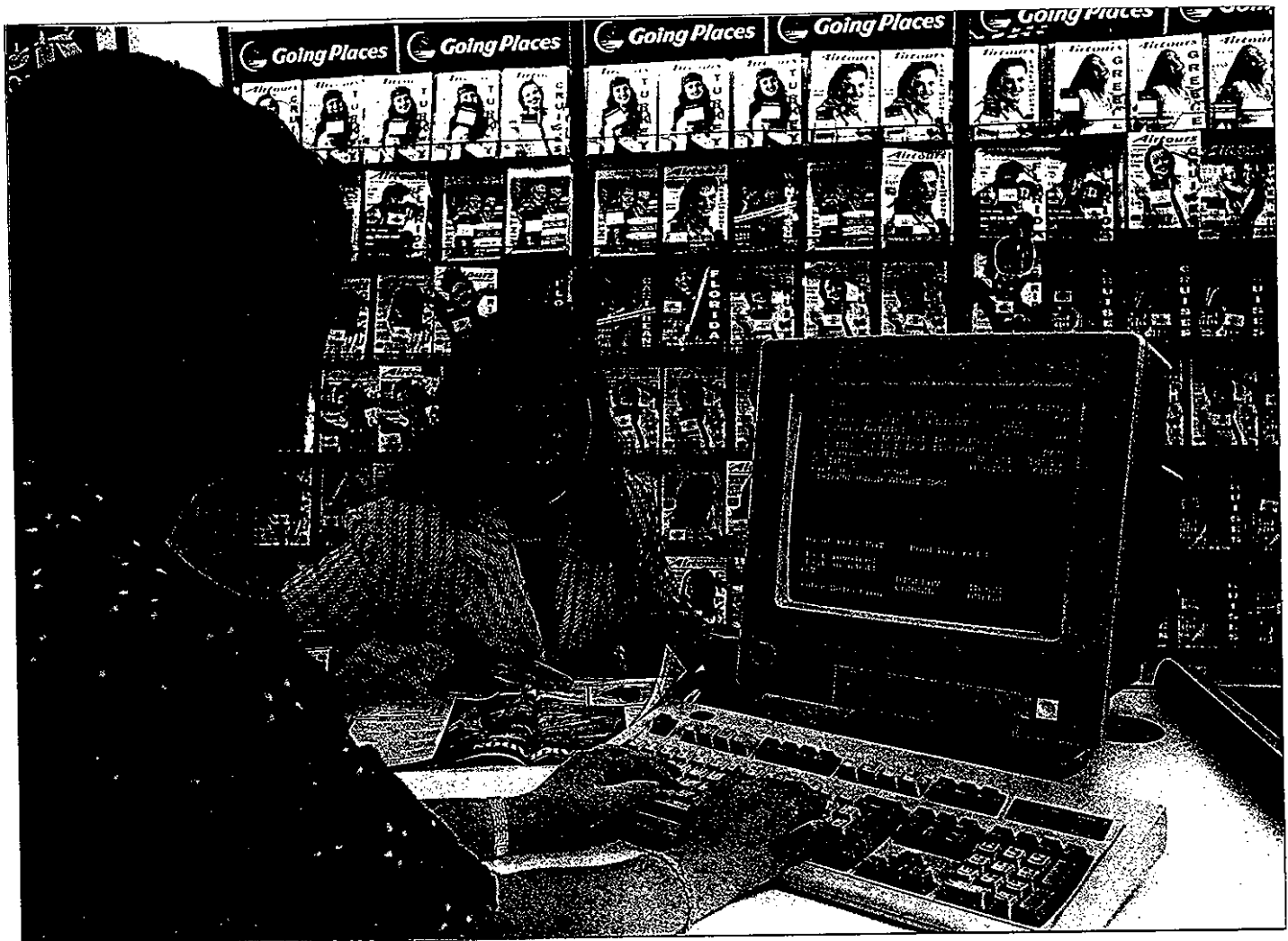
Effective use of information technology is essential for rapid management response within a dynamic and changing business environment.

Efficiencies achieved through investment in information technology have helped UK tour operators to cut prices in real terms. We have been at the forefront of this trend.

Our reservation and funds transfer systems are fully automated; from the moment of booking, through the collection of cash and the mailing of tickets, to the eventual payment to principal suppliers such as overseas hoteliers. A customer can request a sea view or a balcony at a Sunwing hotel and receive on-the-spot confirmation of its availability; immediately, a screen will report the booking in our Head Office. Direct links between our retail outlets, tour operating businesses, airlines and hotels allow management to make speedy, well-informed decisions – a vital competitive advantage in such a fast-moving business.



Immediately a booking is made Airtours advanced systems make the necessary arrangements to put in place all the elements of the customers holiday.



AIRLINE SEAT RESERVED



AIRPORT TRANSFER RESERVED



ACCOMMODATION RESERVED

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Corporate governance

The Directors are of the opinion that the Company complied throughout the year with the Code of Best Practice (the "Code") contained in the Report of the Cadbury Committee on the Financial Aspects of Corporate Governance that were in force during the year.

Guidance for Directors on Internal Control and Financial Reporting was issued in December 1994 and applies to accounting periods beginning on or after 1st January 1995. The Company will therefore first report on its compliance in the financial statements for the year ended 30th September 1996.

After making appropriate enquiries, the Directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Company's auditors, Grant Thornton, have confirmed that, in their opinion, with respect to the Directors' statement on going concern set out above, the Directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for Directors) and the statement is not inconsistent with the information of which they are aware from their audit work on the financial statements and that the Directors' other statements above appropriately reflect the Company's compliance with the other paragraphs of the Code specified for their review. They were not required to perform the additional work necessary to, and did not, express any opinion on its corporate governance procedures nor on the ability of the Company to continue in operational existence.

Board of directors



David Crossland†

Aged 48. Chairman and principal shareholder of the Company since 1972. Over 30 years experience in the travel industry.



Sir Michael Bishop CBE†*

Aged 53. Non-Executive Director appointed in 1987. Chairman, Airlines of Britain Holdings plc. Also Non-Executive Chairman of the Channel Four Television Corporation and a Non-Executive Director of Williams Holdings plc.



Harry Coe

Aged 51. Joined the Company in 1988 as Finance Director. Previously held Board level appointments in a diverse range of industries including electronics, printing, financial services and commercial television.



Hugh Collinson

Aged 51. Managing Director since 1986 having joined the Company in 1985 as Finance Director. Previously Company Secretary of Thomas Locker (Holdings) plc and a Director of its UK trading subsidiaries.



Roger Davies

Aged 50. Appointed Director in 1994, Chairman of the retail division. Has 26 years experience in the travel industry, including 20 years at Thomson Travel where he was Group Chairman and Chief Executive. A member of the Monopolies and Mergers Commission since 1989.



Tom Farmer CBE*

Aged 55. Non-Executive Director appointed in 1994. Chairman of Kwik-Fit Holdings plc and of Investors in People Scotland as well as being a board member of Scottish Enterprise and Investors in People UK.



Mike Lee

Aged 48. Joined Airtours in 1990 and appointed to the Board in 1993. Managing Director of Airtours International. Has 30 years airline industry experience.



George Marcall

Aged 45. Joined Airtours in 1986 and appointed to the Board in 1991. Responsible for Sales and Marketing. Also Non-Executive Chairman of Foto Processing (Holdings) Limited and a Non-Executive Director of Yates Brothers Wine Lodges plc. Previously with Marks & Spencer plc for 13 years.



Eric Sanderson†*

Aged 44. Non-Executive Director appointed in 1987. Chief Executive of British Linen Bank Group Limited. Also a Non-Executive Director of United Artists Communications (Scotland) Limited, English and Overseas Properties plc and Dunedin Enterprise Investment Trust plc.



Tom Trickett†

Aged 64. Non-Executive Director of the Company since his retirement from executive duties last year. Has been a Director since 1972. Prior to 1977 was in the engineering industry with Lucas Electrical.



Ton Waslander

Aged 47. Joined Airtours in 1986 and appointed to the Board in 1991. Responsible for Group overseas operations. Has 23 years experience in the travel industry.

† member of remuneration committee

* member of audit committee

Corporate officers and directors of principal subsidiaries

Corporate officers

S Baynard – *Director of Corporate Development*
D C Burns – *Group Secretary*
T R Byrne – *Group Financial Controller*
B G K Nightingale – *Group Treasurer*
G D Ridsdale – *Head of Internal Audit*

Going Places

R O Davies
A J Bennett
D A Blackledge
P D K Shanks
K Welch

Airtours Holidays

P F Rothwell
M J Cheetham
S Endacott
P Evans
C A L Mottershead
G Reilly

Airtours International

M C Lee
S D Challis
C J M Darlaston
M Davies
G Mashlan
C R Penny
P A Plested
R C Walling

Scandinavian Leisure Group

C Sandahl
P Braathen
L Pellvik
I Ståhl
L Thuesen
O Tönnervik
S Weihagen

Sunquest Vacations

L Desrochers
B Bent
E Carroll
K Gertner
W Lee

Sunwing Hotels

C Bernhard
F Capo
I Gonos
L Löfgren

Sun Cruises

J Drysdale
J Evans
P Mitchell

Corporate advisers

Principal bankers

Barclays Bank plc
PO Box 357
51 Mosley Street
Manchester M60 2AU

The Royal Bank of Scotland plc
Corporate Banking
55 Spring Gardens
Manchester M2 2BY

National Westminster Bank plc
135 Bishopsgate
London EC2M 3UR

Societe Generale
Barnett House
53 Fountain Street
Manchester M60 2AD

Financial advisers

Morgan Grenfell & Co Limited
23 Great Winchester Street
London EC2P 2AX

The British Linen Bank Limited
PO Box 49
4 Melville Street
Edinburgh EH3 7NS

Stockbrokers

Hoare Govett Corporate Finance Limited
4 Broadgate
London EC2M 7LE

Registrars and transfer office

Bank of Scotland
Registrar Department
Apex House
9 Haddington Place
Edinburgh EH7 4AL

Auditors

Grant Thornton
Chartered Accountants
Heron House
Albert Square
Manchester M60 8GT

Solicitors

Addleshaw, Sons & Latham
Dennis House
Marsden Street
Manchester M2 1JD

Directors' report

The Directors present their report together with financial statements for the year ended 30th September 1995.

Principal activities

Airtours plc operates within the leisure travel industry with businesses in the United Kingdom, Scandinavia and Canada.

A review of the Group's activities and its financial position at 30th September 1995 are reported in the Chairman's statement and in the Financial and operational review on pages 4 to 13.

Results and dividends

There was a profit for the year after taxation and minority interests amounting to £42.8m (1994: £52.5m) from which the preference dividend amounting to £3.2m has been deducted. The Directors recommend a final dividend of 11p (1994: 10.9p) per ordinary share. With the interim dividend of 3p (1994: 1.1p) per ordinary share, paid on 28th July 1995, this gives a total dividend for the year of 14p (1994: 12p) per ordinary share amounting to £16.1m. The retained profit of £23.5m has been added to reserves.

Directors

The Directors in office at the end of the year and their interests in the shares of the Company are included in note 10 to the financial statements. All served on the Board throughout the year.

Messrs H H Collinson, T Trickett and T Waslander retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Mr Collinson and Mr Waslander have service contracts which are terminable by the Company at any time on two years notice. Mr Trickett has a fixed two year service contract which expires on 31st January 1996.

No Director had, during or at the end of the year, a material interest in any contract which was significant in relation to the Group's business.

Insurance effected for Directors and officers

The Company has maintained insurance for the Directors and certain officers of the Group against liability arising from negligence, breach of duty, default and breach of trust in relation to the Group, as permitted under Section 310 of the Companies Act 1985.

Fixed assets

The principal items of capital expenditure were the purchase of two cruise ships (£61.9m), aircraft spares (£13.6m) and computer equipment (£7.3m).

Employee involvement

The Group has continued its practice of keeping its employees informed of matters affecting them as employees and of the financial and economic factors affecting the performance of the Group. This is achieved through consultations with employees generally and through the medium of employee newsletters and regular news bulletins.

The Airtours plc Savings Related Share Option Scheme was introduced during 1993 and is open to all eligible employees within the Group. Under the terms of the scheme the Directors may offer options to purchase ordinary shares in the Company to employees who enter into an Inland Revenue approved Save As You Earn savings contract. No such offer was made during the year ended 30th September 1995. The price of each share option is determined by taking the average mid market price over the three business days preceding any offer and this price can then be discounted by up to 20% solely at the Directors' discretion. Options may normally be exercised during the period of six months after the completion of the SAYE contract.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

Charitable and political donations

The Group made charitable donations of £3,000 during the year. No political donations were made.

Substantial shareholders

As at 4th December 1995, the Company had been notified of the following shareholdings, in addition to those of Directors listed in note 10 to the financial statements, amounting to 3% or more of the issued ordinary share capital of the Company:

	Number of shares held	% of issued share capital
Schroder Investment Management Limited	15,498,567	13.44
GE Investments	6,212,099	5.39

Annual General Meeting

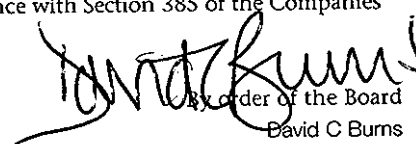
The Directors' limited authority to allot shares for cash without reference to statutory pre-emption rights, which was granted at the Annual General Meeting held on 26th January 1995, expires at the forthcoming Annual General Meeting. Accordingly, a Special Resolution to renew this authority will be proposed at the Annual General Meeting. The proposed new authority will disapply statutory pre-emption rights in respect of allotments in connection with any rights issue and, generally, in connection with allotments of ordinary shares having a nominal value of up to £576,750 (representing 5% of the issued ordinary share capital on 4th December 1995) and will terminate 15 months after the date of the passing of the Resolution (or, if earlier, at the close of the 1997 Annual General Meeting).

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

Registered office

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


By order of the Board
David C Burns
Secretary
15th December 1995

Accounting policies

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

The principal accounting policies of the Group have remained unchanged from the previous year and are set out below.

1) Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 30th September 1995. The results of subsidiary undertakings acquired during the year have been included from the date of acquisition. Profits or losses on intra-group transactions are eliminated in full.

Where audited financial statements are not coterminous with those of the Group, the financial information of subsidiary and associated undertakings has been derived from the last audited financial statements available and unaudited management accounts for the period up to the Group's balance sheet date.

2) Associated undertakings

Undertakings, other than subsidiary undertakings, in which the Group has a long term investment representing at least 20% of the voting rights and over which it exerts significant influence are associated undertakings.

The Group's share of the profits less losses and other recognised gains and losses of the associated undertakings are included in the Group profit and loss account and statement of total recognised gains and losses.

The Group balance sheet includes the investment in associated undertakings at the Group's share of net assets after adjustment for goodwill or discount on acquisition.

3) Turnover

Turnover represents the aggregate amount of revenue receivable from inclusive tours (net of agents' commissions), travel agency commissions and other services supplied to customers in the ordinary course of business. Revenues and expenses relating to inclusive tours are taken to the profit and loss account on flight or holiday departure. Turnover excludes intra-group transactions.

4) Income from investments

Investment income comprises dividends received during the accounting period and interest receivable on listed and unlisted investments.

5) Aircraft overhaul and maintenance costs

Provision is made for the future costs of major overhauls of engines, auxiliary power units and airframes by making appropriate charges to the profit and loss account calculated by reference to the number of hours flown during the period.

6) Depreciation

Depreciation on tangible fixed assets other than freehold land, upon which no depreciation is provided, is calculated on a straight line or reducing balance method and aims to write down their cost to their estimated residual value over their expected useful lives as follows:

Freehold buildings	40 years
Short leasehold properties	Periods of lease
Aircraft	20 years
Aircraft spares	15 years
Cruise ships	10 to 15 years
Other fixed assets	3 to 15 years

7) Investments

Investments are included at cost less amounts written off.

8) Purchased goodwill

Purchased goodwill is eliminated from the financial statements by immediate write-off against reserves.

9) Stocks

Stocks are stated at the lower of cost and net realisable value.

10) Deferred tax

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse.

11) Foreign currencies

The results of overseas subsidiaries are translated using weighted average exchange rates. The balance sheets of overseas subsidiaries are translated at year end exchange rates or, where appropriate, at the rate of exchange in a related forward exchange contract. The resulting exchange differences are dealt with through reserves.

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities held at year end are translated at year end exchange rates or the exchange rate of a related forward exchange contract where appropriate. The resulting exchange gain or loss is dealt with in the profit and loss account.

12) Brochure and promotional costs

Brochure and promotional costs are charged to the profit and loss account in the season to which they relate.

13) Leased assets

Assets held under finance leases are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

14) Pension costs

Pension costs charged against profits in respect of the Company's defined contribution scheme represent the amount of the contributions payable to the scheme in respect of the accounting period.

The Group also operate a number of defined benefit schemes, principally in Scandinavia, and the pension costs charged against profits are based on actuarial methods and assumptions prescribed in accordance with local practice and legislation.

Group profit and loss account

Year ended 30th September 1995	Notes	1995 £000	1995 £000	1994 £000
Turnover	1			
Continuing operations		1,296,274		971,742
Acquisitions		21,517		-
			1,317,791	971,742
Cost of sales	2		1,172,000	842,306
Gross profit			145,791	129,436
Net operating expenses	2		101,676	65,167
Share of profits of associated undertakings			5,581	426
Operating profit				
Continuing operations		49,024		64,695
Acquisitions		672		-
			49,696	64,695
Profit on disposal of subsidiary undertaking	3		-	3,500
Profit on ordinary activities before interest	1		49,696	68,195
Net interest receivable	4		9,370	7,567
Profit on ordinary activities before tax	5		59,066	75,762
Tax on profit on ordinary activities	6		16,263	23,038
Profit on ordinary activities after tax			42,803	52,724
Minority interests - equity			1	269
Profit for the financial year	7		42,802	52,455
Dividends	8			
Equity		16,106		13,649
Non-equity		3,223		3,226
			19,329	16,875
Profit retained	21		23,473	35,580
Basic earnings per ordinary share	9		34.74p	49.24p
Fully diluted earnings per ordinary share	9		32.59p	44.37p

Statement of total recognised gains and losses

Year ended 30th September 1995	1995 £000	1994 £000
Profit for the financial year	42,802	52,455
Currency differences on foreign currency net investments	4,415	663
Total recognised gains and losses for the financial year	47,217	53,118

The accounting policies on pages 36 and 37 and notes on pages 42 to 61 form part of these financial statements.

Group balance sheet

At 30th September 1995	Notes	1995 £000	1995 £000	1994 £000
Fixed assets				
Tangible assets	11		197,941	109,054
Investments	12		4,957	2,842
			202,898	111,896
Current assets				
Stocks	13	3,583		2,744
Debtors: amounts falling due within one year	14	113,330		107,316
Debtors: amounts falling due after one year	15	55,304		56,206
Investments	16	4,752		4,679
Cash at bank and in hand		304,504		291,909
		481,473		462,854
Creditors: amounts falling due within one year	17	437,455		384,256
Net current assets			44,018	78,598
Total assets less current liabilities			246,916	190,494
Creditors: amounts falling due after one year	18	68,897		9,328
Provisions for liabilities and charges	19	50,725		35,555
			119,622	44,883
Net assets			127,294	145,611
Capital and reserves				
Called up share capital	20		21,640	21,494
Share premium account	21		80,613	79,906
Capital redemption reserve	21		13	–
Profit and loss account	21		24,845	44,032
Shareholders' funds	22		127,111	145,432
Minority interests – equity			183	179
			127,294	145,611
Shareholders' funds				
Equity shareholders' funds			77,947	96,187
Non-equity shareholders' funds			49,164	49,245
			127,111	145,432

The financial statements were approved by the Board of Directors on 15th December 1995.

A H Coe
Director

The accounting policies on pages 36 and 37 and notes on pages 42 to 61 form part of these financial statements.

Company balance sheet

At 30th September 1995	Notes	1995 £000	1995 £000	1994 £000
Fixed assets				
Tangible assets	11		22,383	18,361
Investments	12		76,352	180,638
			98,735	198,999
Current assets				
Stocks	13	511		-
Debtors: amounts falling due within one year	14	239,514		71,012
Debtors: amounts falling due after one year	15	27,028		32,086
Cash at bank and in hand		207,938		146,560
		474,991		249,658
Creditors: amounts falling due within one year	17	308,452		272,772
Net current assets/(liabilities)			166,539	(23,114)
Total assets less current liabilities			265,274	175,885
Creditors: amounts falling due after one year	18	575		565
Provisions for liabilities and charges	19	1,664		1
			2,239	566
Net assets			263,035	175,319
Capital and reserves				
Called up share capital	20		21,640	21,494
Share premium account	21		80,613	79,906
Capital redemption reserve	21		13	-
Other reserves	21		51,175	51,175
Profit and loss account	21		109,594	22,744
			263,035	175,319
Shareholders' funds				
Equity shareholders' funds			213,871	126,074
Non-equity shareholders' funds			49,164	49,245
			263,035	175,319

The financial statements were approved by the Board of Directors on 15th December 1995.

A H Coe
Director



The accounting policies on pages 36 and 37 and notes on pages 42 to 61 form part of these financial statements.

Group cash flow statement

Year ended 30th September 1995	Notes	1995 £000	1995 £000	1994 £000
Net cash inflow from operating activities	23		89,087	83,941
Returns on investments and servicing of finance				
Interest received		11,838		10,384
Interest element of finance leases		(726)		(41)
Interest paid		(5,570)		(2,776)
Dividends paid		(19,040)		(11,861)
Net cash outflow from returns on investments and servicing of finance			(13,498)	(4,294)
Tax				
UK Corporation tax paid		(16,099)		(13,323)
Overseas tax paid		(2,276)		(1,224)
Tax paid			(18,375)	(14,547)
Investing activities				
Net decrease/(increase) in longer term bank deposits	26	37,916		(32,078)
Purchase of tangible fixed assets		(101,708)		(40,656)
Purchase of investments		(8,765)		(4,708)
Sale of tangible fixed assets		2,318		11,150
Sale of investments		8,553		—
Payments of unsecured loan stock		(14,060)		(6,082)
Net cash (outflow)/inflow on purchase of subsidiary undertakings	24	(35,453)		2,901
Sale of subsidiary undertaking		—		3,500
Purchase of goodwill		—		(931)
Acquisition expenses		(786)		(2,954)
Net cash outflow from investing activities			(111,985)	(69,858)
Net cash outflow before financing			(54,771)	(4,758)
Financing				
New bank loan	25	99,625		—
Issue of share capital	25	866		83,618
Expenses paid in connection with share issues	25	—		(1,568)
Minority interests		3		(90)
Capital element of finance lease rental payments	25	(459)		(181)
Loan repayments	25	(1,647)		(35,077)
Net cash inflow from financing			98,388	46,702
Increase in cash and cash equivalents	26		43,617	41,944

The accounting policies on pages 36 and 37 and notes on pages 42 to 61 form part of these financial statements.

Notes to the financial statements

1) Segmental information

	Total 1995 £000	Total 1994 £000	Tour operating 1995 £000	Tour operating 1994 £000	Retail 1995 £000	Retail 1994 £000
Turnover						
United Kingdom						
– continuing	909,502	820,365	788,533	701,525	120,969	118,840
– acquisitions	13,988	–	–	–	13,988	–
Scandinavia	386,772	151,377	386,772	151,377	–	–
Canada						
– acquisitions	7,529	–	7,529	–	–	–
	1,317,791	971,742	1,182,834	852,902	134,957	118,840
Profit/(loss) before interest and tax						
United Kingdom						
– continuing	22,358	52,957	20,533	50,334	1,825	2,623
– acquisitions	1,047	–	–	–	1,047	–
Scandinavia	26,666	15,238	26,666	15,238	–	–
Canada						
– acquisitions	(375)	–	(375)	–	–	–
	49,696	68,195	46,824	65,572	2,872	2,623
Net interest receivable/(payable)						
United Kingdom						
– continuing	11,000	9,146	6,900	5,268	4,100	3,878
– acquisitions	60	–	–	–	60	–
Scandinavia	(1,559)	(1,579)	(1,559)	(1,579)	–	–
Canada						
– acquisitions	(131)	–	(131)	–	–	–
	9,370	7,567	5,210	3,689	4,160	3,878
Profit/(loss) before tax						
United Kingdom						
– continuing	33,358	62,103	27,433	55,602	5,925	6,501
– acquisitions	1,107	–	–	–	1,107	–
Scandinavia	25,107	13,659	25,107	13,659	–	–
Canada						
– acquisitions	(506)	–	(506)	–	–	–
	59,066	75,762	52,034	69,261	7,032	6,501
Net assets						
United Kingdom	51,307	98,636	36,233	77,430	15,074	21,206
Scandinavia	72,936	46,975	72,936	46,975	–	–
Canada	3,051	–	3,051	–	–	–
	127,294	145,611	112,220	124,405	15,074	21,206

2) Cost of sales and net operating expenses

	Continuing operations 1995 £000	Acquisitions 1995 £000	Total 1995 £000	Total 1994 £000
Cost of sales	1,153,580	18,420	1,172,000	842,306
Net operating expenses				
Selling costs	10,548	1,384	11,932	5,324
Administrative expenses	70,884	965	71,849	46,922
Other charges	17,819	76	17,895	12,921
	99,251	2,425	101,676	65,167

3) Profit on disposal of subsidiary undertaking

	1995 £000	1994 £000
Profit on sale of subsidiary undertaking	–	3,500

The profit in 1994 related to the disposal of Moon Leasing Limited. The taxable gain arising was offset by available capital losses.

4) Net interest receivable

	1995 £000	1994 £000
Interest payable on bank loans, overdrafts and other loans repayable within five years, otherwise than by instalments	4,672	2,776
Finance charges in respect of finance leases	726	41
	5,398	2,817
Bank interest receivable	14,768	10,384
	9,370	7,567

5) Profit on ordinary activities before tax

The profit on ordinary activities is stated after charging:

	1995 £000	1994 £000
Operating lease payments		
– hire of aircraft and aircraft spares	48,681	37,178
– hire of other plant and machinery	591	449
– other	28,242	18,172
Auditors' remuneration		
– audit services – continuing operations	338	259
– audit services – acquisitions	17	–
– non-audit services	207	123
Depreciation of tangible fixed assets		
– owned	19,944	13,323
– held under finance leases	219	355

Notes to the financial statements .

6) Tax on profit on ordinary activities

The tax charge is based on the profit for the year and is made up as follows:

	1995 £000	1994 £000
United Kingdom:		
Corporation tax	3,759	16,643
Deferred tax	7,324	3,604
	11,083	20,247
Overseas:		
Corporation tax	3,053	4,307
Deferred tax	1,465	(732)
Tax on share of profits of associated companies	700	-
	16,301	23,822
Adjustments in respect of prior years:		
United Kingdom:		
Corporation tax	(80)	84
Deferred tax	42	(868)
	16,263	23,038

Corporation tax at 33% (1994: 33%) has been charged on the United Kingdom profits, and tax on overseas profits has been charged at the rates appropriate to each country.

7) Profit for the financial year

The Parent Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The profit after tax of the Company amounted to £106,179,000 (1994: £11,873,000). A substantial part of this profit arose from the inter company transfer of shareholdings in Group companies.

8) Dividends

	1995 £000	1994 £000
Equity dividends: Ordinary		
Interim dividend of 3.0p per share paid 28th July 1995 (1994: 1.1p)	3,416	1,251
Proposed final dividend of 11.0p per share payable 20th February 1996 (1994: 10.9p)	12,690	12,398
	16,106	13,649
Non-equity dividends: Convertible Cumulative Preference dividend of 6.375p per share (1994: 6.375p per share)		
3.1875p per share paid 1st April 1995	1,613	1,613
3.1875p per share payable 1st October 1995	1,610	1,613
	3,223	3,226
	19,329	16,875

9) Earnings per share

Basic earnings per ordinary share is based on the profit for the financial year, after deducting minority interests and preference dividends, of £39,579,000 (1994: £49,229,000) and on 113,940,948 ordinary shares of 10p each, being the weighted average number of ordinary shares in issue during the year ended 30th September 1995 (1994: 99,974,666).

Fully diluted earnings per ordinary share is based on adjusted earnings of £43,605,000 (1994: £52,835,000) and on 133,813,856 (1994: 119,085,899) ordinary shares of 10p each which takes account of all outstanding share options and the conversion of the convertible cumulative preference shares.

10) Directors and employees

Staff costs during the year were as follows:

	1995 £000	1994 £000
Wages and salaries	107,119	75,395
Social security costs	14,471	8,204
Other pension costs	3,874	3,031
	125,464	86,630

The average number of employees of the Group during the year was as follows:

	1995 Number	1994 Number
Tour operating	5,899	3,188
Travel retailing	3,997	3,149
	9,896	6,337

The remuneration of executive Directors is determined by the remuneration committee of the Board.

The main elements of remuneration are:

(i) Basic salary and benefits

Basic salaries for executive Directors are ordinarily reviewed in April of each year. Benefits generally include the provision of cars, fuel and private health insurance.

(ii) Bonuses

Bonuses are dependent upon the performance of the Group against targets set at the beginning of the financial year by the remuneration committee. No bonuses have been earned in respect of the current year as the performance targets set at the beginning of the year have not been achieved.

(iii) Pension rights

Messrs Coe, Marcall and Waslander are members of the Company's defined contribution scheme. Messrs Collinson and Lee have their own executive pension schemes. With regard to Mr Lee, the Company contributes a fixed percentage of his basic salary into his executive pension scheme whilst Mr Collinson's entitlement is to certain defined benefits, the costs of which are paid by the Company into his executive pension scheme. No additional contributions are due to be paid in respect of the year ended 30th September 1995. No other Directors are entitled to any pension rights under the terms of their service contracts.

(iv) Service contracts

All the executive Directors have rolling two year service contracts with the exception of Mr R O Davies who has a contract for an initial term of two years commencing 1st March 1994 and continuing thereafter until terminated by either party giving to the other after 1st March 1996 not less than 12 months notice.

Notes to the financial statements

10) Directors and employees continued

Remuneration in respect of directors was as follows:

	Salary & fees £000	Annual bonus £000	Benefits £000	Total 1995 £000	Total 1994 £000
Executive					
D Crossland, Chairman	304	–	33	337	496
A H Coe	203	–	16	219	314
H H Collinson	253	–	10	263	393
R O Davies	203	–	1	204	177
M C Lee	164	–	10	174	267
R G Marcall	164	–	9	173	264
T Waslander	164	–	18	182	270
	1,455	–	97	1,552	2,181
Non-Executive					
Sir Michael Bishop	33	–	–	33	30
T Farmer	25	–	–	25	8
E F Sanderson	17	–	–	17	16
T Trickett	33	–	–	33	72
	108	–	–	108	126
Total	1,563	–	97	1,660	2,307
Pension scheme contributions				300	489
Total remuneration				1,960	2,796

The interests, beneficial unless otherwise indicated, of the Directors and their families in the shares of the Company at 1st October 1994 and 30th September 1995 were as follows:

	Ordinary shares 1995	Ordinary shares 1994	Class 1 options over ordinary shares 1995	Class 1 options over ordinary shares 1994	Class 2 options over ordinary shares 1995	Class 2 options over ordinary shares 1994	SAYE scheme options over ordinary shares 1995 and 1994	Preference shares 1995 and 1994
D Crossland*	30,000,000	30,353,510	–	–	–	–	–	–
Sir Michael Bishop	67,200	67,200	–	–	–	–	–	–
A H Coe	49,046†	34,594†	50,000	171,620	90,540	358,372	6,265	–
H H Collinson	1,013,786	1,013,786	277,835	277,835	135,945	135,945	6,265	–
R O Davies	10,000	10,000	–	–	–	–	–	–
T Farmer	25,000	–	–	–	–	–	–	–
M C Lee	96,256	29,814	100,000	221,620	140,540	140,540	6,265	5,000
R G Marcall	40,553	12,889	12,500	134,120	53,040	259,064	6,265	–
E F Sanderson	6,240	6,240	–	–	–	–	–	–
T Trickett	7,000,000	8,000,000	–	–	–	–	–	–
T Waslander	177,863	21,839	12,500	134,120	53,040	259,064	6,265	–

* Under an agreement dated 3rd December 1993, which is effective to 31st December 1995, Mr T Trickett has transferred to Mr D Crossland the voting rights in respect of all of his shares in the Company and has agreed not to sell such shares without Mr Crossland's consent. These shares do not form part of Mr Crossland's holding noted above.

† Of the 49,046 ordinary shares (1994: 34,594) 29,594 represents a non-beneficial interest (1994: 34,594).

In the period between 30th September 1995 and 4th December 1995 there were no changes in the Directors' interests referred to above.

10) Directors and employees continued

At 30th September 1995, the undermentioned Directors had outstanding the following options to acquire ordinary shares of the Company under the terms of the Airtours plc Share Option Scheme (1986) or the Airtours plc Savings Related Share Option Scheme. None of the Directors were granted any share options during the year.

		At 1st Oct 1994	Exercised during year	At 30th Sept 1995	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
A H Coe	Class 1	109,458	109,458	–	106.06p	367.00p	01.07.94	30.06.01
	Class 1	12,162	12,162	–	115.68p	367.00p	05.07.94	04.07.01
	Class 2	267,832	267,832	–	31.32p	367.00p	07.08.95	06.08.00
	Class 2	40,540	–	40,540	115.68p		05.07.96	04.07.01
	SAYE	6,265	–	6,265	275.00p		01.10.98	31.03.99
	Class 1	50,000	–	50,000	448.50p		05.08.97	04.08.04
	Class 2	50,000	–	50,000	448.50p		05.08.99	04.08.04
H H Collinson	Class 1	190,538	–	190,538	106.06p		01.07.94	30.06.01
	Class 1	22,297	–	22,297	115.68p		05.07.94	04.07.01
	Class 2	70,945	–	70,945	115.68p		05.07.96	04.07.01
	SAYE	6,265	–	6,265	275.00p		01.10.98	31.03.99
	Class 1	65,000	–	65,000	448.50p		05.08.97	04.08.04
	Class 2	65,000	–	65,000	448.50p		05.08.99	04.08.04
M C Lee	Class 1	109,458	109,458	–	106.06p	367.00p	01.07.94	30.06.01
	Class 1	12,162	12,162	–	115.68p	430.00p	05.07.94	04.07.01
	Class 2	40,540	–	40,540	115.68p		05.07.96	04.07.01
	SAYE	6,265	–	6,265	275.00p		01.10.98	31.03.99
	Class 1	100,000	–	100,000	448.50p		05.08.97	04.08.04
	Class 2	100,000	–	100,000	448.50p		05.08.99	04.08.04
R G Marcall	Class 1	109,458	109,458	–	106.06p	367.00p	01.07.94	30.06.01
	Class 1	12,162	12,162	–	115.68p	367.00p	05.07.94	04.07.01
	Class 2	206,024	206,024	–	31.32p	367.00p	07.08.95	06.08.00
	Class 2	40,540	–	40,540	115.68p		05.07.96	04.07.01
	SAYE	6,265	–	6,265	275.00p		01.10.98	31.03.99
	Class 1	12,500	–	12,500	448.50p		05.08.97	04.08.04
	Class 2	12,500	–	12,500	448.50p		05.08.99	04.08.04
T Waslander	Class 1	109,458	109,458	–	106.06p	430.00p	01.07.94	30.06.01
	Class 1	12,162	12,162	–	115.68p	430.00p	05.07.94	04.07.01
	Class 2	206,024	206,024	–	31.32p	367.00p	07.08.95	06.08.00
	Class 2	40,540	–	40,540	115.68p		05.07.96	04.07.01
	SAYE	6,265	–	6,265	275.00p		01.10.98	31.03.99
	Class 1	12,500	–	12,500	448.50p		05.08.97	04.08.04
	Class 2	12,500	–	12,500	448.50p		05.08.99	04.08.04

The mid market price of the Company's ordinary shares at the close of business on 30th September 1995 was 381p (1994: 450p) and the range during the financial year ended 30th September 1995 was 345p to 457p.

Notes to the financial statements

11) Tangible fixed assets

	Total £000	Freehold land and buildings £000	Short leaseholds £000	Cruise ships £000	Aircraft and aircraft spares £000	Other fixed assets £000
The Group						
Cost						
At 1st October 1994	178,872	51,519	27,143	-	25,810	74,400
Additions	103,251	789	4,996	61,922	13,580	21,964
Acquisition of subsidiary undertakings	12,628	-	2,051	-	5,701	4,876
Exchange differences	3,059	2,463	295	-	(32)	333
	297,810	54,771	34,485	61,922	45,059	101,573
Disposals	6,349	28	707	-	139	5,475
At 30th September 1995	291,461	54,743	33,778	61,922	44,920	96,098
Depreciation						
At 1st October 1994	69,818	7,051	19,574	-	2,971	40,222
Provided in year	20,163	1,355	2,173	1,574	2,545	12,516
Acquisition of subsidiary undertakings	6,838	-	1,766	-	1,992	3,080
Exchange differences	1,035	508	249	-	(11)	289
	97,854	8,914	23,762	1,574	7,497	56,107
Disposals	4,334	-	560	-	30	3,744
At 30th September 1995	93,520	8,914	23,202	1,574	7,467	52,363
Net book value at 30th September 1995	197,941	45,829	10,576	60,348	37,453	43,735
Net book value at 30th September 1994	109,054	44,468	7,569	-	22,839	34,178

The Company

Cost						
At 1st October 1994	35,258	2,235	1,995	-	-	31,028
Additions	11,406	354	238	-	-	10,814
	46,664	2,589	2,233	-	-	41,842
Disposals	4,192	-	-	-	-	4,192
At 30th September 1995	42,472	2,589	2,233	-	-	37,650
Depreciation						
At 1st October 1994	16,897	-	544	-	-	16,353
Provided in year	6,004	-	125	-	-	5,879
	22,901	-	669	-	-	22,232
Disposals	2,812	-	-	-	-	2,812
At 30th September 1995	20,089	-	669	-	-	19,420
Net book value at 30th September 1995	22,383	2,589	1,564	-	-	18,230
Net book value at 30th September 1994	18,361	2,235	1,451	-	-	14,675

The net book value of capitalised finance leases included above is made up as follows:

	The Group 1995 £000	The Group 1994 £000	The Company 1995 £000	The Company 1994 £000
Land and buildings	5,320	5,086	-	-
Aircraft spares	139	199	-	-
Other fixed assets	154	241	514	839
	5,613	5,526	514	839

12) Fixed asset investments

	Total £000	Associated companies £000	Other investments £000
The Group			
At 1st October 1994	2,842	2,107	735
Additions	101	-	101
Exchange differences	315	259	56
Share of profits of associated undertakings	4,881	4,881	-
	8,139	7,247	892
Provisions	3	-	3
Transfer to provisions (see note 19)	3,179	3,179	-
At 30th September 1995	4,957	4,068	889

Other investments at net book amount include:

	1995 £000	1994 £000
Investments listed on a recognised investment exchange	152	47
Miscellaneous trade investments	737	688
	889	735

The market value of the listed and other investments are not significantly different from the carrying values as stated above.

At 30th September 1995 the Group had equity interests in the following principal associated undertakings, none of which are listed investments:

	Country of incorporation (or registration) and operation	Proportion of equity shares held by the Group (%)	Nature of business
Premiair A/S	Denmark	50	Charter airline
Tenerife Sol SA	Spain	50	Hotel operator

	Shares in Group undertakings £000
The Company	
Cost and net book value	180,638
At 1st October 1994	104,286
Disposals	
At 30th September 1995	76,352

The disposals during the year arise from changes to ownership of subsidiary undertakings within the Group.

A list of principal subsidiary undertakings is shown in note 32. All of the subsidiary undertakings have been consolidated in the Group financial statements.

Notes to the financial statements

12) Fixed asset investments continued

Included as a subsidiary undertaking is The BTN Finance Company, a company in which Airtours plc owns 50% of the issued ordinary share capital. The day to day management and treasury functions of this company are controlled by Airtours plc and as such the Company exercises dominant influence and therefore is consolidated in these financial statements in accordance with Section 258(4a) of the Companies Act 1985.

The BTN Finance Company has a non coterminous year end of 31st March and the Directors believe that to change this year end would be to the disadvantage of the other shareholder. The Company commenced its activities on 12th July 1995 and therefore has not prepared year end financial statements.

During the year the Group acquired various retail businesses and Sunquest Vacations Limited.

The following table sets out the major classes of assets and liabilities acquired:

	Retail Book value and fair value to the Group £000	Sunquest Vacations Limited Book value £000	Alignment of accounting policy £000	Fair value adjustment £000	Total Fair value to the Group £000
Tangible fixed assets	1,025	6,180	—	(1,415)	5,790
Goodwill	—	1,604	(1,604)	—	—
Stock	10	—	—	—	10
Debtors	938	7,505	—	—	8,443
Tax	(94)	869	—	—	775
Cash at bank and in hand	3,557	2,374	—	—	5,931
Creditors	(4,536)	(10,095)	—	—	(14,631)
Finance leases	—	(1,606)	—	—	(1,606)
Deferred tax	(9)	(363)	—	619	247
Net assets	891	6,468	(1,604)	(796)	4,959
Goodwill					47,075
Total consideration					52,034

The total consideration of £52,034,000 is made up as follows:

	Retail £000	Sunquest Vacations Limited £000	Total £000
Cash	4,255	37,129	41,384
Loan notes	9,000	—	9,000
Deferred consideration	250	614	864
Costs	380	406	786
	13,885	38,149	52,034

The fair value adjustment in Sunquest Vacations Limited represents the write down of the carrying value of an aircraft.

12) Fixed asset investments continued

The pre-acquisition results of the retail acquisitions made during the year were not material.

The results of Sunquest Vacations Limited have been consolidated with effect from 22nd August 1995.

	Loss after tax from date of acquisition to 30th September 1995 £000	Loss after tax from 1st May 1995 to date of acquisition £000	Profit after tax for year ended 30th April 1995 £000
Subsidiary undertaking			
Sunquest Vacations Limited	388	795	2,013

The undertakings have been accounted for by the acquisition method of accounting.

13) Stocks

	The Group 1995 £000	The Group 1994 £000	The Company 1995 £000	The Company 1994 £000
Goods held for resale	2,850	2,308	511	-
Airline consumables	715	400	-	-
Other stocks	18	36	-	-
	3,583	2,744	511	-

14) Debtors: amounts falling due within one year

	The Group 1995 £000	The Group 1994 £000	The Company 1995 £000	The Company 1994 £000
Trade debtors	27,910	24,423	8,465	3,125
Amounts owed by subsidiary undertakings	-	-	201,681	32,686
Amounts owed by associated undertakings	605	8,656	-	-
Other debtors	21,830	12,261	6,169	4,907
Deposits and prepayments	62,985	48,611	21,574	30,294
Current taxation	-	-	1,625	-
Aircraft held for resale	-	13,365	-	-
	113,330	107,316	239,514	71,012

Notes to the financial statements

15) Debtors: amounts falling due after one year

	The Group 1995 £000	The Group 1994 £000	The Company 1995 £000	The Company 1994 £000
Amounts owed by associated undertakings	6,639	868	-	-
Advance corporation tax recoverable	-	1,433	1,159	3,503
Other debtors	5,607	1,855	-	-
Deposits and prepayments	43,058	52,050	25,869	28,583
	55,304	56,206	27,028	32,086

16) Current asset investments

	The Group 1995 £000	The Group 1994 £000
At 1st October	4,679	-
Additions	8,664	4,679
	13,343	4,679
Disposals	8,556	-
	4,787	4,679
Provisions	35	-
At 30th September	4,752	4,679
Investments listed on a recognised investment exchange	4,752	4,679

All of these investments are British Government Securities and as such are freely traded on The London Stock Exchange. The market value of the listed investments is not significantly different from the carrying values as stated above.

17) Creditors: amounts falling due within one year

	The Group 1995 £000	The Group 1994 £000	The Company 1995 £000	The Company 1994 £000
Unsecured loan stock	-	14,060	-	14,060
Loans and overdrafts (see note 18)	35,281	1,977	-	-
Trade creditors	176,948	137,956	33,768	40,411
Amounts owed to subsidiary undertakings	-	-	185,607	112,831
Amounts owed to associated undertakings	3,828	331	-	-
Current taxation	12,116	26,235	-	7,555
Social security and other taxes	6,830	5,874	2,190	851
Other creditors	12,463	14,835	5,442	6,172
Dividends	14,300	14,011	14,300	14,011
Accruals	64,109	38,857	8,976	4,116
Amounts due under finance leases (see note 18)	595	296	272	322
Revenue received in advance	110,985	129,824	57,897	72,443
	437,455	384,256	308,452	272,772

18) Creditors: amounts falling due after one year

	The Group 1995 £000	The Group 1994 £000	The Company 1995 £000	The Company 1994 £000
Loans (see below)	43,958	1,414	-	-
Trade creditors	-	854	-	-
Amounts owed to subsidiary undertakings	-	-	53	53
Taxation	-	227	-	-
Other creditors	5,839	-	218	-
Accruals	12,683	1,642	-	-
Amounts due under finance leases	6,417	5,191	304	512
	68,897	9,328	575	565

Finance leases

Total outstanding	7,012	5,487	576	834
Less: amounts falling due within one year	595	296	272	322
Amounts falling due after one year	6,417	5,191	304	512
Analysis of repayments				
Between one and two years	1,241	128	304	256
Between two and five years	1,174	4,208	-	256
After five years	4,002	855	-	-
	6,417	5,191	304	512

	The Group 1995 £000	The Group 1994 £000
Loans and overdrafts		
Bank loans	70,174	1,797
Unsecured loan notes	9,000	-
Overdrafts	65	1,594
	79,239	3,391
Less: amounts falling due within one year	35,281	1,977
Amounts falling due after one year	43,958	1,414
Analysis of repayments		
Between one and two years	8,966	537
Between two and five years	34,992	347
After five years	-	530
	43,958	1,414

Of the bank loans £69,984,000 are unsecured loans, with a floating interest rate, denominated in Greek Drachma which are repayable on 5th July 2000 with the lenders having an option to require repayment of 50% of the principal on 5th July 1996. The capital repayments are hedged and the loans are stated at the hedged rate. The difference between the sterling equivalent at the spot rate on the date of draw down and the hedged rate is included in accruals and released to the profit and loss account over the term of the loans.

The interest rate on the unsecured loan notes of £9,000,000 is payable at bank base rate.

Notes to the financial statements

19) Provisions for liabilities and charges

	The Group 1995 £000	The Group 1994 £000	The Company 1995 £000	The Company 1994 £000
Deferred tax	17,460	7,791	1,664	1
Other provisions	33,265	27,764	–	–
	50,725	35,555	1,664	1

	The Group 1995 £000	The Company 1995 £000
Deferred tax		
At 1st October 1994	7,791	1
Charged during the year	8,831	2,079
Acquired with subsidiary undertakings	(247)	–
Exchange differences	590	–
Advance corporation tax	495	(416)
At 30th September 1995	17,460	1,664

Deferred tax, for which full provision has been made in the financial statements, comprises:

	The Group 1995 £000	The Group 1994 £000	The Company 1995 £000	The Company 1994 £000
Accelerated capital allowances	17,418	8,255	331	10
Short term timing differences	1,617	1,682	1,749	(9)
Trading losses	–	(76)	–	–
	19,035	9,861	2,080	1
Less: advance corporation tax	1,575	2,070	416	–
	17,460	7,791	1,664	1

Other provisions

	Total 1995 £000	Pension provisions 1995 £000	Aircraft maintenance provisions 1995 £000	Other 1995 £000
The Group				
At 1st October 1994	27,764	4,259	19,347	4,158
Provided during the year	13,430	680	12,750	–
	41,194	4,939	32,097	4,158
Utilised in the year	(5,339)	(102)	(5,237)	–
Exchange differences	589	357	–	232
Transfer from investments in associated companies	(3,179)	–	–	(3,179)
At 30th September 1995	33,265	5,194	26,860	1,211

The other provision represents the Group's share of a deficiency in net assets within an associated company (see note 12).

In 1994 pension provisions and aircraft maintenance provisions were classified as creditors falling due after one year. These items have been reclassified as provisions and the comparative figures adjusted accordingly.

20) Share capital	1995	1994
	£000	£000
Authorised		
16,935,357 (1994: 16,866,450) Unclassified Shares of 20p each	3,387	3,373
50,518,559 (1994: 50,599,350) 6.375p (net) Convertible Cumulative Preference Shares of 20p each	10,104	10,120
171,792,168 (1994: 142,500,000) Ordinary Shares of 10p each	17,179	14,250
	30,670	27,743
<hr/>		
Allotted called up and fully paid	1995	1994
	£000	£000
50,518,559 (1994: 50,599,350) 6.375p (net) Convertible Cumulative Preference Shares of 20p each	10,104	10,120
115,357,452 (1994: 113,744,633) Ordinary Shares of 10p each	11,536	11,374
	21,640	21,494

Authorised share capital

At the Annual General Meeting held on 26th January 1995 the Company's authorised share capital was increased to £30,670,000 by the creation of an additional 29,268,400 ordinary shares of 10p each.

As a result of the consolidation, sub-division and redemption referred to below in relation to the conversion during the year of 80,791 convertible cumulative preference shares of 20p each, the number of authorised convertible cumulative preference shares decreased by 80,791, the number of authorised ordinary shares of 10p each increased by 23,768 and the number of authorised unclassified shares of 20p each increased by 68,907.

Preference shares

The convertible cumulative preference shares are non-equity shares which carry an entitlement to a dividend at the rate of 6.375p (net) per share per annum. They may be converted into fully paid ordinary shares at the option of the shareholder on the basis of 1.471 ordinary shares for every £1.00 in nominal amount of convertible preference shares so converted on 31st May in each year commencing from 1995.

Holders of convertible cumulative preference shares have one vote for every share held but only where a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the preference shareholders, or for the winding-up of the Company or for sanctioning the sale of the undertaking of the Company.

Preference shareholders have the right on a winding-up to be treated as if their conversion rights had been exercisable and had been exercised immediately before the winding-up and shall be entitled to be paid in satisfaction of the amount due to them a sum equal to the amount to which they would have been entitled in such liquidation if they had been the holder of the ordinary shares to which they would have become entitled by virtue of such conversion together with any arrears of dividend.

Should this right to convert not be exercised preference shareholders shall be entitled in priority to any payment to the holders of any other class of shares to the repayment of a sum equal to the nominal capital paid up on the convertible preference shares held by them together with a sum of 80p per convertible preference share together with any arrears of dividend.

Notes to the financial statements

20) Share capital continued

Allotments during the year

On 5th June 1995, a total of 80,791 convertible cumulative preference shares of 20p each, in respect of which conversion notices had been given pursuant to the Company's Articles of Association, were consolidated and subdivided into 23,768 ordinary shares of 10p each and 1,378,140 non voting deferred shares of 1p each. On 18th July 1995 the 1,378,140 1p non voting deferred shares were redeemed for 1p in aggregate.

In addition the following ordinary shares were allotted during the year under the terms of (1) the Airtours plc Share Option Scheme (1986) or (2) the Airtours plc Savings Related Share Option Scheme.

Date of allotment	Number of ordinary shares	Total cash consideration
(2) 19th October 1994	176	£491
(1) 10th January 1995	133,782	£144,229
(2) 17th August 1995	164	£451
(1) 8th September 1995	1,454,929	£721,630

Contingent rights to the allotment of shares

Under the terms of the Airtours plc Share Option Scheme (1986) the Company has during the year granted to certain employees Class 2 options in respect of 350,000 10p ordinary shares; 300,000 at 407.00p per share and 50,000 at 409.00p per share. These options are normally exercisable in the periods as set out below.

At 30th September 1995 the following options to subscribe for ordinary shares of 10p each were outstanding

Date of grant	Option price	Airtours plc Share Option Scheme (1986) Class 1	Airtours plc Share Option Scheme (1986) Class 2	Airtours plc SAYE scheme
1st July 1991	106.06p	190,538	—	—
5th July 1991	115.68p	22,297	233,105	—
15th July 1992	203.24p	—	301,014	—
9th August 1993	373.92p	—	465,704	—
9th August 1993	275.00p	—	—	858,707
5th August 1994	448.50p	240,000	1,207,000	—
14th July 1995	407.00p	—	300,000	—
16th July 1995	409.00p	—	50,000	—

Options are normally exercisable in the following periods:

Class 1: between three years and ten years following the date of grant.

Class 2: between five years and ten years following the date of grant.

Savings related: between five years and five years and six months from the commencement date of the savings contract.

The exercise of Class 2 options is also dependent upon the percentage increase in earnings per share of the Company for any six consecutive accounting periods from (and including) the base year (being the most recent accounting period ending on a date prior to the grant date of such Class 2 options) being equal to or greater than the percentage increase in earnings per share for the same period of the constituent Company which ranks as the lowest of the top quartile in the FTSE 100 Index in terms of earnings per share growth for the same period. The constituent Companies are those Companies that at all times during such six consecutive accounting periods have been members of the FTSE 100 Index.

21) Reserves

	Share premium account £000	Other reserves £000	Capital redemption reserve £000	Profit and loss account £000
The Group				
At 1st October 1994	79,906	-	-	44,032
Retained profit for the year	-	-	-	23,473
Goodwill written off	-	-	-	(47,075)
Premium on allotments during the year	707	-	-	-
Transfer on redemption	-	-	13	-
Exchange differences	-	-	-	4,415
At 30th September 1995	80,613	-	13	24,845

The Company

At 1st October 1994	79,906	51,175	-	22,744
Retained profit for the year	-	-	-	86,850
Premium on allotments during the year	707	-	-	-
Transfer on redemption	-	-	13	-
At 30th September 1995	80,613	51,175	13	109,594

The cumulative amount of goodwill arising from acquisitions in current and prior years which has been written off to Group reserves amounts to £150,291,000 (1994: £103,216,000).

22) Reconciliation of movements in shareholders' funds

	1995 £000	1994 £000
Profit for the financial year	42,802	52,455
Dividends	(19,329)	(16,875)
	23,473	35,580
Exchange differences	4,415	663
Issue of shares	866	82,050
Goodwill written off to reserves	(47,075)	(44,863)
Net (decrease)/increase in shareholders' funds	(18,321)	73,430
Shareholders' funds at 1st October	145,432	72,002
Shareholders' funds at 30th September	127,111	145,432

Notes to the financial statements

23) Net cash inflow from operating activities

	1995 £000	1994 £000
Operating profit	49,696	64,695
Profits of associated undertakings	(5,581)	(426)
Depreciation charges	20,163	13,678
Provision against investments	38	43
(Profit)/loss on sale of tangible fixed assets	(303)	841
Loss on sale of investments	3	-
Increase in stocks	(689)	(711)
Decrease in debtors	5,839	1,341
Increase in creditors	11,830	803
Provisions	8,091	3,677
	89,087	83,941

As a consequence of the reclassifications detailed in note 19 the comparative figure for the increase in creditors has been restated.

24) Analysis of the net cash (outflow)/inflow on purchase of subsidiary undertakings

	1995 £000	1994 £000
Cash consideration excluding expenses	(41,384)	(76,943)
Cash at bank and in hand	5,931	69,783
Net outflow of cash	(35,453)	(7,160)
Loans and overdrafts	-	10,061
	(35,453)	2,901

25) Analysis of changes in financing

	Share capital 1995 £000	Share capital 1994 £000	Loans 1995 £000	Loans 1994 £000	Finance lease obligations 1995 £000	Finance lease obligations 1994 £000
At 1st October	101,400	70,525	1,797	-	5,487	566
Acquired with subsidiary undertaking	-	-	-	36,790	1,606	5,086
New bank loan	-	-	99,625	-	-	-
Transfer to accruals (see note 18)	-	-	(29,641)	-	-	-
Net cash inflow/(outflow) from financing	866	82,050	(1,647)	(35,077)	(459)	(181)
Transfer to special reserve	-	(51,175)	-	-	-	-
Exchange differences	-	-	40	84	378	-
Inception of finance leases	-	-	-	-	-	16
At 30th September	102,266	101,400	70,174	1,797	7,012	5,487

26) Analysis of changes in cash and cash equivalents

	1995 £000	1995 £000	1994 £000
At 1st October			
Cash at bank and in hand		203,970	164,742
Longer term bank deposits		87,939	55,873
		291,909	220,615
Overdrafts		(1,594)	-
		290,315	220,615
Acquired with subsidiary undertakings		5,931	(5,790)
		296,246	214,825
Movement in the year			
Cash at bank and in hand	42,059		37,624
Overdrafts	1,558		4,320
Increase in cash and cash equivalents per cash flow	43,617		41,944
Longer term bank deposits	(37,916)		32,078
Exchange differences	2,492		1,468
		8,193	75,490
At 30th September			
Cash at bank and in hand	254,507		203,970
Overdrafts	(65)		(1,594)
Longer term bank deposits	49,997		87,939
		304,439	290,315

27) Effects of acquisitions

The effect of the various retail acquisitions made during the year on Group cash flow was not material.

During the year, Sunquest Vacations Limited made the following contributions to, and utilisations of, Group cash flow:

	£000
Net cash inflow from operating activities	3,996
Returns on investment and servicing of finance	50
Investing activities	(329)
Net cash inflow before financing	3,717
Financing	(36)
Increase in cash and cash equivalents	3,681

28) Capital commitments

	The Group 1995 £000	The Group 1994 £000	The Company 1995 £000	The Company 1994 £000
Contracted for but not provided in these financial statements	1,895	14,117	200	-
Authorised by the Directors but not contracted for	6,845	8,347	150	156
	8,740	22,464	350	156

Notes to the financial statements

29) Contingent liabilities and guarantees

At 30th September 1995 there were contingent liabilities under counter indemnities given to the Group's bankers and other third parties in the normal course of business in respect of CAA and other similar bonds, leases for aircraft and spares and other guarantees amounting to £167,000,000 (1994: £147,000,000).

In February 1994 the Company commenced legal action against the former shareholders of Aspro Travel Limited and obtained a Mareva Injunction over £9,800,000 of their assets. The former shareholders have notified the Company that if they successfully defend the claim when the case comes to trial, they will claim damages.

The opinion of the Board based upon legal advice, is that the Company is likely to succeed in its claim and consequently the issue of damages in favour of the former shareholders will not arise.

30) Pensions

Defined contribution pension scheme

Employees of Going Places Leisure Travel Limited and Airtours International Airways Limited participate in the Company's defined contribution pension scheme. The total pension charge for the year amounted to £1,704,000 (1994: £1,620,000).

Defined benefit pension schemes

The Group operates a number of defined benefit pension schemes, principally in Sweden and Norway. The total pension charge for the year amounted to £912,000 (1994: period to 30th September £299,000). In Sweden the pension costs are accrued based on amounts prescribed by the state and in Norway pension costs are accrued based on amounts prescribed by insurance companies with whom the obligation to provide pension benefits is contracted.

31) Leasing commitments

Operating lease payments which are due within one year are as follows:

	Land and buildings 1995 £000	Land and buildings 1994 £000	Aircraft and aircraft spares 1995 £000	Aircraft and aircraft spares 1994 £000	Other 1995 £000	Other 1994 £000
The Group						
Expiring in one year or less	2,923	843	7,216	2,990	62	505
Expiring between one and five years	7,070	8,129	19,438	21,441	1,498	1,337
Expiring in five years or more	20,549	12,865	25,417	7,009	1	-
	30,542	21,837	52,071	31,440	1,561	1,842
The Company						
Expiring in one year or less	-	-	-	-	52	92
Expiring between one and five years	-	-	-	-	27	37
Expiring in five years or more	260	240	-	-	-	-
	260	240	-	-	79	129

32) Principal subsidiary undertakings

At 30th September 1995 the Group held more than 10% of the allotted equity share capital of the following:

	Country of incorporation and operation	Proportion held by parent Company (%)	Proportion held by the Group (%)
Tour operators			
Airtours Holidays Limited	England	100	
Eurosites Limited	England	100	
Scandinavian Leisure Group AB	Sweden		100
Silver Wing Holidays (1995) Limited	Canada		100
Sunquest Vacations Limited	Canada		100
Vingresor AB	Sweden		100
Vingreiser A/S	Norway		100
Vingreiser A/S	Denmark		100
Always AB	Sweden		100
Saga Solreiser A/S	Norway		100
Hotel operators			
Sunwing AB	Sweden		100
Hoteles Vacatio SA	Spain		100
Sunwing Hotels Hellas SA	Greece		100
Sunwing Hotels (Cyprus) Limited	Cyprus		100
Sunwing Hotel (Gambia) Limited	Gambia		100
Cruise operator			
Sun Cruises Limited	England		100
Airlines			
Airtours International Airways Limited	England		100
Airtours International Aviation (Guernsey) Limited	Guernsey		100
Travel retailers			
Going Places Leisure Travel Limited	England	100	
Late Escapes Limited	England		100
Agency companies			
Astral Hellas SA	Greece		70
Eurosites A/S	Denmark		100
Eurosites GmbH	Germany		100
Eurosites BV	Holland		100
Viagens Astral SA	Portugal		100
Viajes Astral SA	Spain		100
Viajes Astral Canarias SA	Spain		70
Insurance company			
White Horse Insurance Limited	Guernsey		100
Investment and/or holding companies			
Blue Sea Investments Limited	England	100	
Blue Sea (Overseas) Investments Limited	England		100
Canadian Leisure Group Inc	Canada		100
Parkway Holdings BV	Holland		100
Scandinavian Leisure Group Holdings AB	Sweden		100
The BTN Finance Company	England		50

Directors' responsibilities for the financial statements

The Directors are required by law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of each financial year and of the profit of the Group for the year ended on that date and such financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985. They are responsible for keeping proper accounting records, for safeguarding assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors confirm that the financial statements for the financial year ended 30th September 1995 comply with these requirements and that appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates have been used in their preparation. The Directors also confirm that applicable accounting standards have been followed.

Auditors' report to the members of Airtours plc

We have audited the financial statements on pages 36 to 61 which have been prepared under the accounting policies set out on pages 36 and 37.

Respective responsibilities of Directors and auditors

As described above the 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.

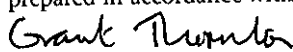
Basis of opinion

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 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 affairs of the Company and the Group at 30th September 1995 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Grant Thornton

Registered Auditors
Chartered Accountants
Manchester

15th December 1995

Shareholder information

Analysis of ordinary shareholders

At 30th September 1995 there were 3,379 shareholders registered compared with 3,332 at 30th September 1994.

Category	Number of holders	Ordinary shares held
Individuals	3,116	47,947,414
Insurance companies	47	13,531,844
Self-managed pension funds	19	7,665,304
Independent fund managers	138	30,799,715
Overseas fund managers	59	15,413,175
	3,379	115,357,452

Preference shares

The 50,518,559 convertible cumulative preference shares are held by 854 shareholders, who receive dividends in preference to the holders of ordinary shares at a rate of 6.375p (net) per annum, plus related tax credit.

Financial calendar

Half yearly preference dividend paid	1st April 1995
Interim results announced	19th June 1995
Interim ordinary dividend paid	28th July 1995
Half yearly preference dividend paid	1st October 1995
Final results announced	11th December 1995
Transfer books closed	23rd January 1996
Annual General Meeting	25th January 1996
Final ordinary dividend payable	20th February 1996

Shareholders' benefits

Concessionary discounts

Individual registered holders of ordinary shares in the Company are eligible for concessionary discounts of 10% off the published price of any "Airtours" holiday (including the Aspro, Tradewinds, Cruising and EuroSites brochures). To obtain the discount the holiday booking should be made through our shareholders holiday advice telephone line on 01706 232827. Shareholders will need to quote their name and shareholder number as shown on their share certificate. There is no minimum shareholding requirement.

Low-cost share dealing service

This service offered by Hoare Govett allows shareholders to buy and sell the Company's shares in a simple and low cost manner. For further details contact Hoare Govett Corporate Finance Limited, 4 Broadgate, London EC2M 7LE or for a brochure telephone 0171 601 0101.

Personal equity plans (PEPs)

General and Single Company PEPs in the ordinary shares of the Company are available for investors wishing to take advantage of preferential tax treatment in relation to their shareholdings. For further details contact The Plan Manager, Bradford & Bingley (PEPs) Limited, PO Box 50, Main Street, Bingley, West Yorkshire BD16 2BR.

Five year review

	1995 £000	1994 £000	1993 £000	1992 £000	1991 £000
Profit and loss account					
Turnover	1,317,791	971,742	615,563	405,553	289,538
Profit on ordinary activities					
before tax	59,066	75,762	45,529	36,535	27,514
Tax on profit on					
ordinary activities	16,263	23,038	16,582	11,920	9,276
Profit for the financial year	42,802	52,455	28,947	24,615	18,238
Dividends	19,329	16,875	10,359	6,696	4,987
Profit retained	23,473	35,580	18,588	17,919	13,251
Balance sheet					
Tangible fixed assets	197,941	109,054	38,154	24,790	10,932
Investments	9,709	7,521	–	–	–
Cash at bank and in hand	304,504	291,909	220,615	155,599	103,278
Stocks	3,583	2,744	–	–	–
Debtors	168,634	163,522	105,553	47,045	13,017
Creditors	506,352	393,584	277,231	166,989	85,403
Provisions for liabilities					
and charges	50,725	35,555	15,089	5,321	–
Net assets	127,294	145,611	72,002	55,124	41,824
Statistics					
Basic eps	34.74p	49.24p	28.59p	26.88p	24.15p
Fully diluted eps	32.59p	44.37p	27.29p	26.29p	22.41p
Dividends per ordinary share	14.00p	12.00p	8.81p	7.09p	5.63p
Net assets per ordinary share	110.35p	128.01p	76.33p	58.63p	47.49p
Ratios					
Dividend cover	2.48	4.10	3.25	3.79	4.29

The figures for earnings, dividends and net assets per share shown for the years 1991 to 1993 have been restated to take account of the Rights Issue to existing shareholders in 1994. In addition the figures shown for 1991 have been restated to take account of the Capitalisation Issue in 1992.

Airtours

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