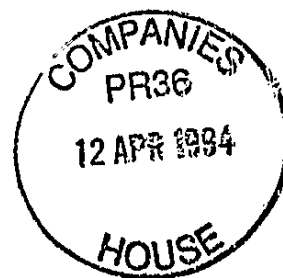


AIRTOURS PLC

ANNUAL REPORT AND ACCOUNTS 1993

Registration Number : 742748



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**Airtours**

Annual report and accounts 1993

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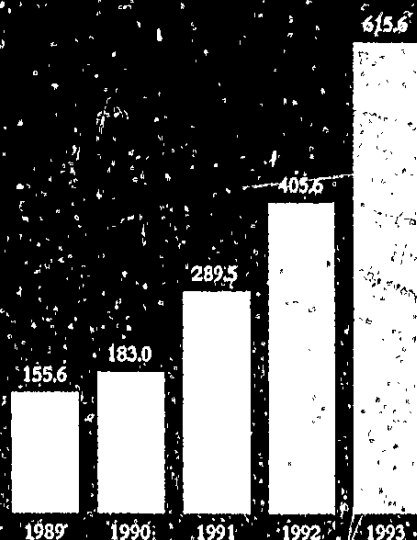
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**Airtours** is the United Kingdom's  
**fastest growing** holiday company  
operating in the world's **largest and**  
**still expanding industry.**

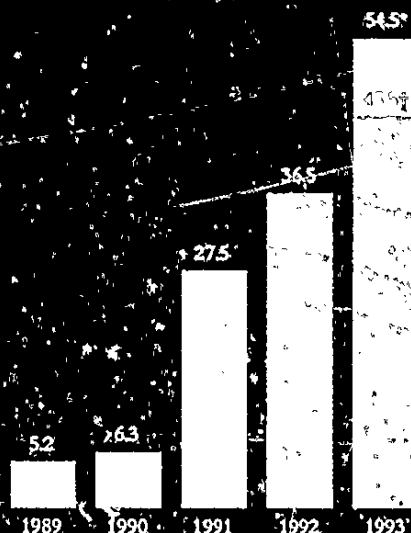
## Financial highlights

	1993 £'000	1992 £'000	% Increase
Turnover	<b>615,563</b>	405,553	51.8
Profit before tax and abortive bit costs	<b>54,520</b>	36,535	49.2
Profit before tax	<b>45,529</b>	36,535	24.6
Dividends	<b>10,359</b>	6,696	54.7
Net assets	<b>72,002</b>	55,124	30.6
Earnings per share before abortive bid costs	<b>39.00p</b>	27.47p	42.0
Earnings per share	<b>29.22p</b>	27.47p	6.4
Dividends per share	<b>9.00p</b>	7.25p	24.1
Assets per share	<b>78.01p</b>	59.92p	30.2

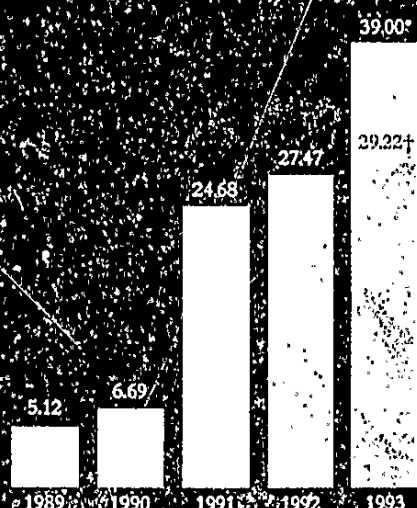
- 
- **Seventh successive year** of record profits
  - **2.2 million** passengers carried
  - Summer 1993 market share increased from **13.9% to 21.0%**
  - Winter 1992/93 market share increased from **12.6% to 17.0%**
  - Acquisitions of **Hogg Robinson Leisure Travel** and **Aspro Travel Group**
  - Cash balances exceed **£220 million**
-



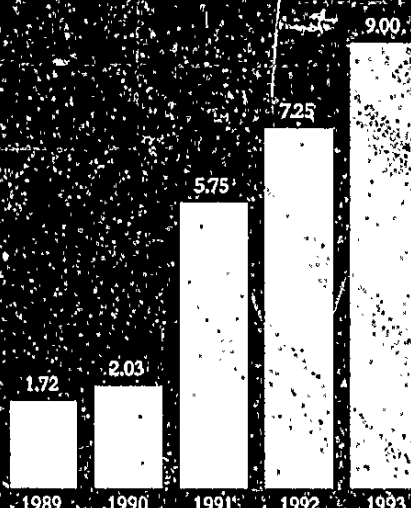
Turnover (£ million)



Profit before tax (£ million)



Earnings per share (pence)



Dividends per share (pence)

\* before charging abortive bid costs  
† after charging abortive bid costs

## **Chairman's statement**

The 1992/93 financial year has been one of **further growth and intense corporate activity** with the bid for Owners Abroad Group plc and the subsequent acquisitions of the **Aspro Travel Group** and **Hogg Robinson Leisure Travel**. It is a tribute to all concerned that I am able to report that the **resulting integration plans** which affect each of our major divisions are **proceeding well** and are **ahead of schedule**.

### **Results**

Whilst our acquisitions have enhanced earnings and greatly improved our competitive position in the market place, the pressures upon management time brought about by the corporate activity did not deflect us from the profitable exploitation of the businesses under our stewardship. Profits before the £9.0m charge for costs associated with the bid for Owners Abroad rose by 49.2% to £54.5m. Earnings per share, after adjustment for the bid costs, rose by 42.0% to 39.00p.

### **Owners Abroad**

In early January, we launched a hostile take-over bid for Owners Abroad. Although we secured a majority of the 'free' shares, ie. those not held by the Directors of Owners Abroad or their associates, we did not secure sufficient acceptances for us to declare our offer unconditional and accordingly the bid lapsed in March.

### **Aspro Travel Limited**

On 27th June 1993 we announced that we had completed the purchase of Aspro Travel and its subsidiary company Inter European Airways for a consideration of £20.1m, satisfied by the issue of unsecured loan notes. Aspro has particular strength in Cyprus and the Eastern Mediterranean which, coupled with a loyal customer base in South West England, Wales and Northern Ireland, complements the traditional strengths of Airtours Holidays.

### **Hogg Robinson Leisure Travel Limited**

On 30th June 1993 we announced that we had acquired the leisure travel business of Hogg Robinson for a cash consideration of £24.8m. Apart from increasing the national coverage of the branch network, the 210 Hogg Robinson branches utilise advanced computer systems and a sophisticated retail foreign exchange service, both of which are being adopted across the enlarged Retail Group.



### Staff

Our staff have again responded magnificently to the various developments over the last year. On behalf of the Board I would like to express our appreciation of their efforts.

### Board

In July we appointed Mike Lee to the Board of Airtours plc in recognition of his role in establishing Airtours International as a leading leisure airline.

I am now pleased to report that on 1st March 1994 Roger Davies, former Chairman and Chief Executive of Thomson Travel Group, will join the Board of Airtours plc and become Chairman of our Retail Division.

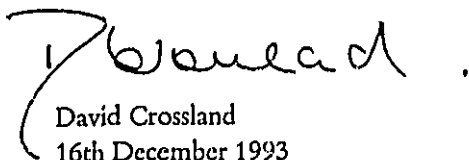
### Outlook

Airtours Holidays bookings for winter 1993/94 are currently 38% ahead of the previous year and early bookings for summer 1994 are 53% ahead. Load factors across winter and summer are ahead of last year. EuroSites bookings are 5% ahead but with a marked increase in bookings for mobile homes. Our market shares are also showing an improvement, partly as a consequence of the acquisition of Aspro with winter share currently at 19% (1992/93 17%) and summer 1994 share at 24% (1993 21%). This autumn has seen a significant increase in booking volumes across the industry, created in part at least by the incentives for early bookings offered by most of the major travel agency groups. Given this market background, it is difficult at this stage of the booking cycle to form definitive views on the underlying trends although we believe that 1994 will show an overall increase in passengers of 5% - 10%, thus continuing the market growth which has been seen over recent years.

Whilst the first two months of the current financial year have produced results in line with budget, shareholders should expect a significant increase in half year losses as our recent acquisitions, like our existing businesses, incur winter losses before making their profits in the summer months.

One unresolved issue at the time of writing remains the informal enquiry by the Office of Fair Trading into certain aspects of the holiday industry. We have made clear to the OFT our view that this is a competitive industry which operates for the benefit of the consumer and we currently await the result of their deliberations.

Your Company is now a major force in this industry and, with our recent acquisitions and the delivery next spring of two new Boeing 767s, is well positioned to maintain its record of profitable growth.

  
David Crossland  
16th December 1993



## Managing Director's review

The last year has seen **major growth** and **expansion** within each of the Group's principal divisions.

### Retail

In June of this year we acquired the retail travel business of Hogg Robinson which consisted of a head office at Woking in Surrey and 210 retail branches with a market share of some 3.5%. The physical moves and the integration of management structures and systems with our existing Pickfords business are virtually complete apart from the roll-out of the Hogg Robinson foreign exchange systems into Pickfords branches. The re-launch of the Retail Division under its new name "Going Places" is currently underway and over the next few weeks all branches will change their signage to reflect this new trading style.



### Airline

Airtours International has continued to build upon its reputation for quality of service whilst contributing increased profits to the Group. The latest available figures from the Civil Aviation Authority show that Airtours International obtained higher utilisation of its fleet and flew with better load factors than any other airline in the UK.

Following the acquisition of Inter European Airways which came as part of the Aspro Group three Boeing 737s have been returned to their lessors and the disposal of the final 737 is currently under negotiation. This leaves a short haul fleet of eight McDonnell Douglas MD83s and two Airbus A320s. We are progressing the evaluation of our future short haul flying requirements and discussions are on-going with all manufacturers with the intention of rationalising the short haul fleet. The Boeing 757s operate on a mixture of short haul and long haul routes. From spring 1994 the 757s long haul operations will be primarily from regional airports

with our new Boeing 767s, which have commonality of flight crews with the 757s, providing long haul flying out of Manchester and Gatwick..

The Airtours philosophy has always been that the airline was there to service the Group's tour operations, being fully utilised on Airtours business, and not dependent upon third party customers. This philosophy has been extremely successful and is fundamental to any future expansion of the airline. The current fleet, including the 767s to be delivered in spring 1994, will provide approximately 85% of our flying requirements for winter 1994/95 and approximately 55% of the summer 1994 requirements.

#### **Tour Operations**

Tour Operations remain at the core of the Group's activities and it is pleasing to report another successful year with increased profits in both Airtours Holidays and EuroSites. Increases in market share were also achieved by both of these businesses. Following the acquisition and subsequent integration of Aspro Travel, new brochures have been launched for winter 1993/94 and for summer 1994, both with an enhanced range of departure points and destinations.

#### **Holiday Parks**

The latest step in the development of Airtours was the leasing of the Bouganvilla Park leisure complex in Majorca. This property has for some time been at the heart of our programmes to the island although representing only 7% of our total accommodation requirements there. Our philosophy with regard to the operation of our own accommodation requirements is that we shall only commit ourselves to capacity which is less than 20% of our requirements in a particular resort, thus ensuring maximum occupation of the property and improving our on-site earnings from bars, restaurants, etc.



Hugh Collinson



## Finance Director's review

The last financial year was one of **continued progress** in obtaining the benefits arising from a vertically integrated Group of Companies within a **cash generative** industry.

### Results

Turnover for the year rose by 51.8% to £615.6m of which 16.8% came from businesses acquired during the year. The profit for the year, before accounting for bid costs of £9.0m, rose by 49.2% to £54.5m and earnings per share before bid costs rose by 42.0% to 39.00p. Included in the profits is £0.8m attributable to acquisitions in the year. The profit to sales ratio calculated before bid costs was 8.9% compared with 9.0% in the previous year. Under previously accepted accounting practice bid costs would have been treated as extraordinary items but this year the profit and loss account has been presented in accordance with the requirements of the new Financial Reporting Standard 3. This shows that profits before tax, after charging bid costs, have grown by 24.6% to £45.5m and earnings per share have grown by 6.4% to 29.22p.

Profit per passenger achieved within the Tour Operations and Airline was £22.78, compared with £21.60 in 1991/92 which is a clear demonstration that growth in volume and market share has not been achieved at the expense of profitability.

Taxation for the year of £16.6m represents 36.5% of pre-tax profits. The difference from the standard rate is primarily attributable to the bid costs which are not deductible for tax purposes.

### Dividend

Your Board is recommending a final dividend of 8.00p which, with the interim dividend of 1.00p makes a total for the year of 9.00p net per ordinary share. This represents a 24.1% increase over the 7.25p paid in the previous year.

### Balance Sheet

In January of this year the Company raised £49.3m of new capital (net of expenses) by the issue of convertible preference shares. After writing off to reserves the goodwill of £51.1m arising on the acquisitions of Aspro Travel and Hogg Robinson, shareholders' funds at the end of the year had increased to £72.0m compared with £55.1m at the beginning of the year.

Capital expenditure during the year was mainly upon computer equipment designed to maintain our leading position in the industry.

Net cash flow from operations was £45.1m before bid costs and before allowing for the proceeds of share issues and net cash outflows of £12.9m arising on the acquisition of businesses.

Net cash balances at the end of the year amounted to over £220m all of which is maintained on short and medium term deposit with a range of banks.

### Treasury Management

Airtours has substantial foreign exchange requirements, particularly for American dollars and Spanish pesetas. It is the Company's policy to control such exposure to currency fluctuations by taking out a combination of options and forward contracts at the time each of its products is costed and priced. Similar covers are effected to hedge the Company's exposure to fluctuations in aviation fuel costs and also to interest rates where lease rentals are variable by reference to interest rates. As a result of such policies, the Company's cost base is substantially insulated against fluctuations in exchange rates and fuel costs after a brochure has been launched.

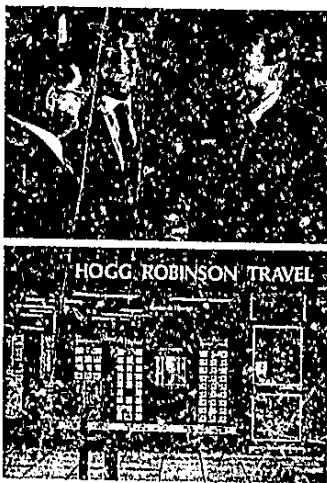


Harry Coe



## Retail

**Significant changes** took place in the Retail Division during the year. The leisure travel business of **Hogg Robinson plc** was acquired on 30<sup>th</sup> June 1993 adding a further **210 retail branches** to the **333 Pickfords Travel branches** acquired last year. The Group currently has the **second largest travel agency** in the UK with **545 branches** and **national coverage**.



1 David Blackledge (Finance Director), Stephen Baynard (Managing Director), and Bryn Jones (Sales Director)

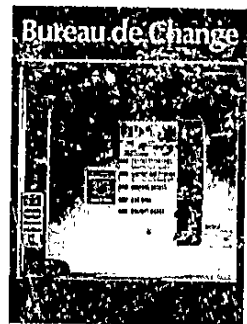
2 Hogg Robinson's Cheltenham branch, one of 210 branches acquired in June 1993.

3 Bureau de Change facilities which will be extended throughout the Retail chain.

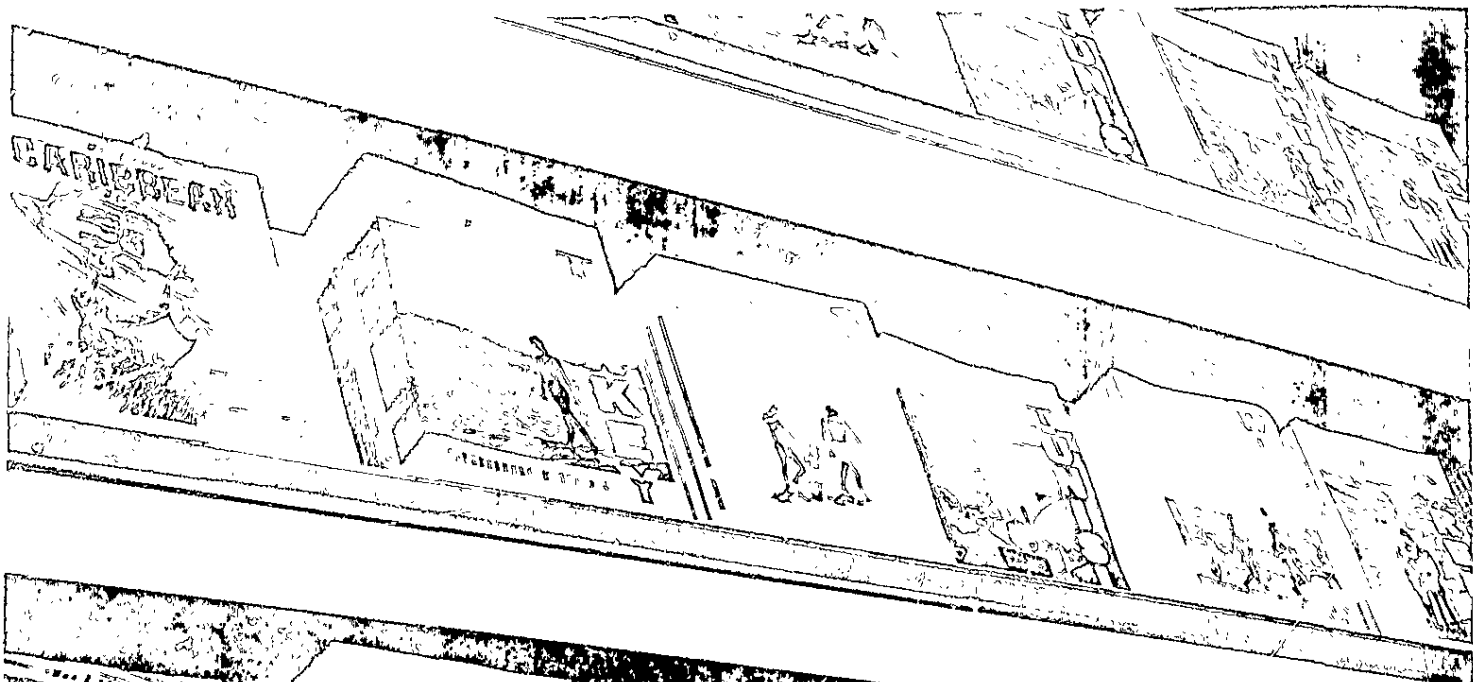
A new Board and management structure has been established effective from 1st October 1993 and the integration of the two Retail head offices is now virtually complete. The merged businesses are now operating on a single set of Head Office systems based at Woking and all branches now operate under common sales and marketing policies.

Pickfords has significantly benefited from the acquisition through the use of Hogg Robinson's systems to accelerate retail automation throughout its branches. By the end of September 1993 all Pickfords shops had been equipped with appropriate hardware on which the new systems would be based. Full implementation of Hogg Robinson's systems into Pickfords branches is currently progressing at the rate of forty-five branches per week and will be completed by mid December.

Additionally, the majority of Hogg Robinson branches have the benefit of fully automated retail foreign exchange operations. This represents a new business stream for Pickfords and will be extended across the enlarged network over the coming year.

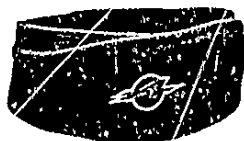


Work now continues with the rebranding of the retail business under the name of "Going Places". This positions the Airtours Group as a major retailer for all travel and holiday services whilst also providing significant support in distributing the Group's own products.



## Airline

To match the **continued increase** in the flying requirements of Airtours' tour operations, there was **considerable expansion** in the Airline division during the year. The fleet of **8 MD 83 aircraft** was supplemented by the lease for summer 1993 only of a **further two** identical aircraft.



In June 1993 the Airtours Group acquired Inter European Airways as part of its acquisition of Aspro Travel. This increased the fleet by a further 8 aircraft, 3 of which have since been

returned to lessors and one of which is in the process of disposal.

Much of the July to September period was taken up with the absorption of IEA during what is always the busiest time of the year. At the same time operations were in progress for the airline to operate its first transatlantic flights using the newly acquired Boeing 757s. All licences and operating clearances were duly obtained and the first flight to Barbados departed on 1st November. By this time all of the IEA aircraft being retained had been converted to Airtours' livery.

During the year the airline placed orders for two new Boeing 767 aircraft which will be delivered in spring 1994. These modern wide bodied aircraft will further enhance the quality of the Company's product and fly non-stop to our long haul destinations in Florida and the Caribbean.

As a further convenience to passengers, Airtours opened a new Departure Hall at Manchester Airport, shown opposite, in September 1993. This provides a speedy, unique and enhanced check-in facility which is unmatched by any of our competitors.

1. Mr. T. J. (left) and Mr. J. (right) of the Board of Directors, and Mr. J. (right) of the Board of Directors, and Mr. J. (right) of the Board of Directors.

2. Airtours International Airways, early 1993, the 1st hour of operation.

3. One of the two A320s acquired, in its new livery.



1

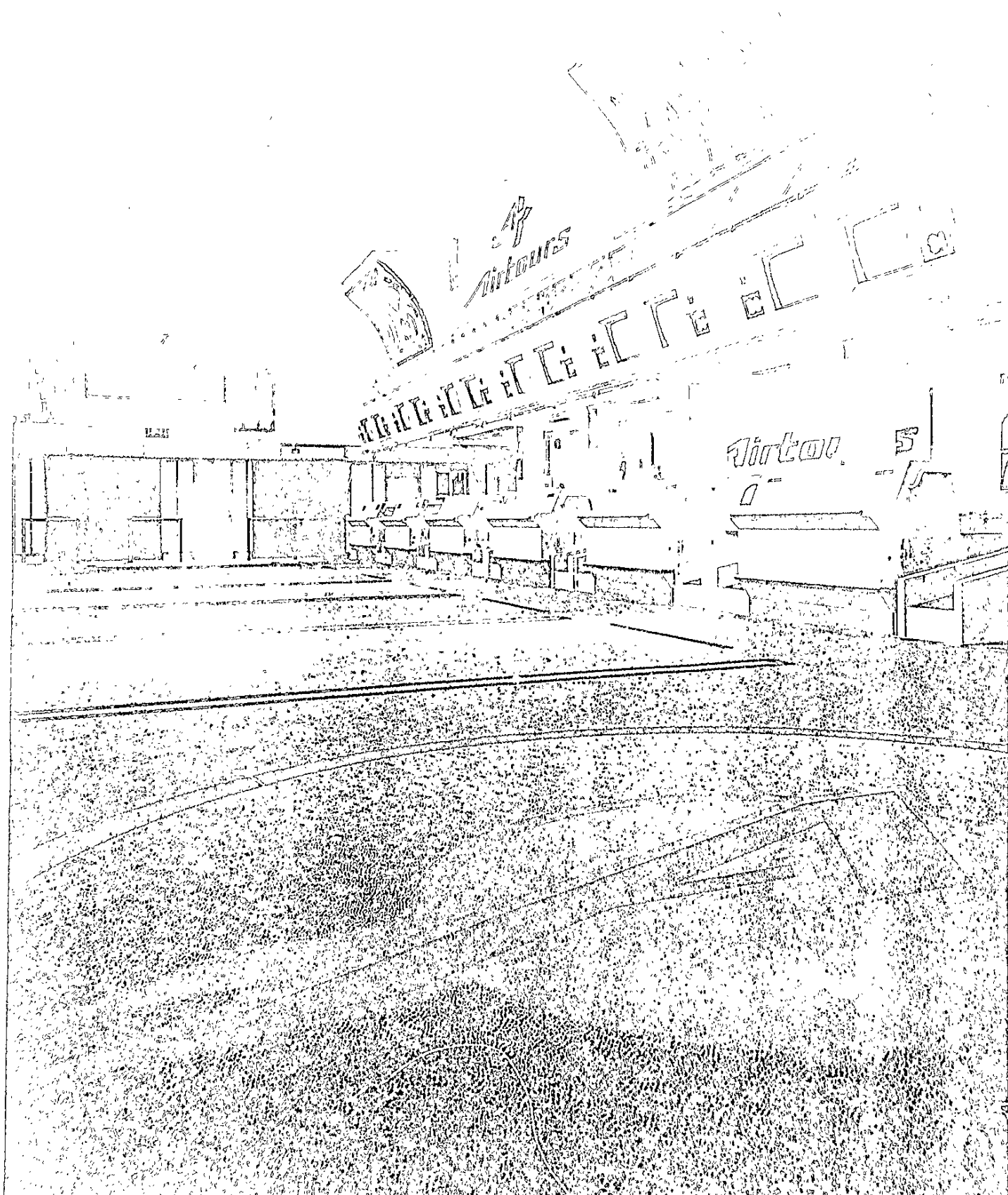


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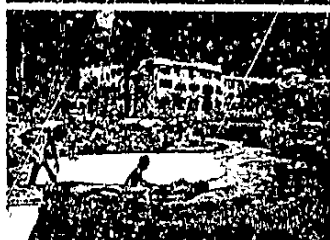


3





## Tour Operations



1 Ton Waslander (Tour Operations Director), Steve Endacott (Commercial Director), and George Marcall (Sales & Marketing Director).

2 Bouganvilla Park in Majorca now under Airtours management control.

3 Airtours clients - Elounda, Crete.

The year of 1992/93 was a **relatively buoyant** one for most companies in the inclusive tour business. Whilst industry bookings for the winter season showed a 1% reduction, bookings for summer 1993 were **ahead by 11.6%**. Within this market, Airtours obtained **further growth in market share**.

Although more difficult to measure, it is believed that EuroSites also achieved further increases in market share with increased bookings and record profits.

Passengers carried by Tour Operations were a record 2.2m and this enabled the division to report another year of profit growth.

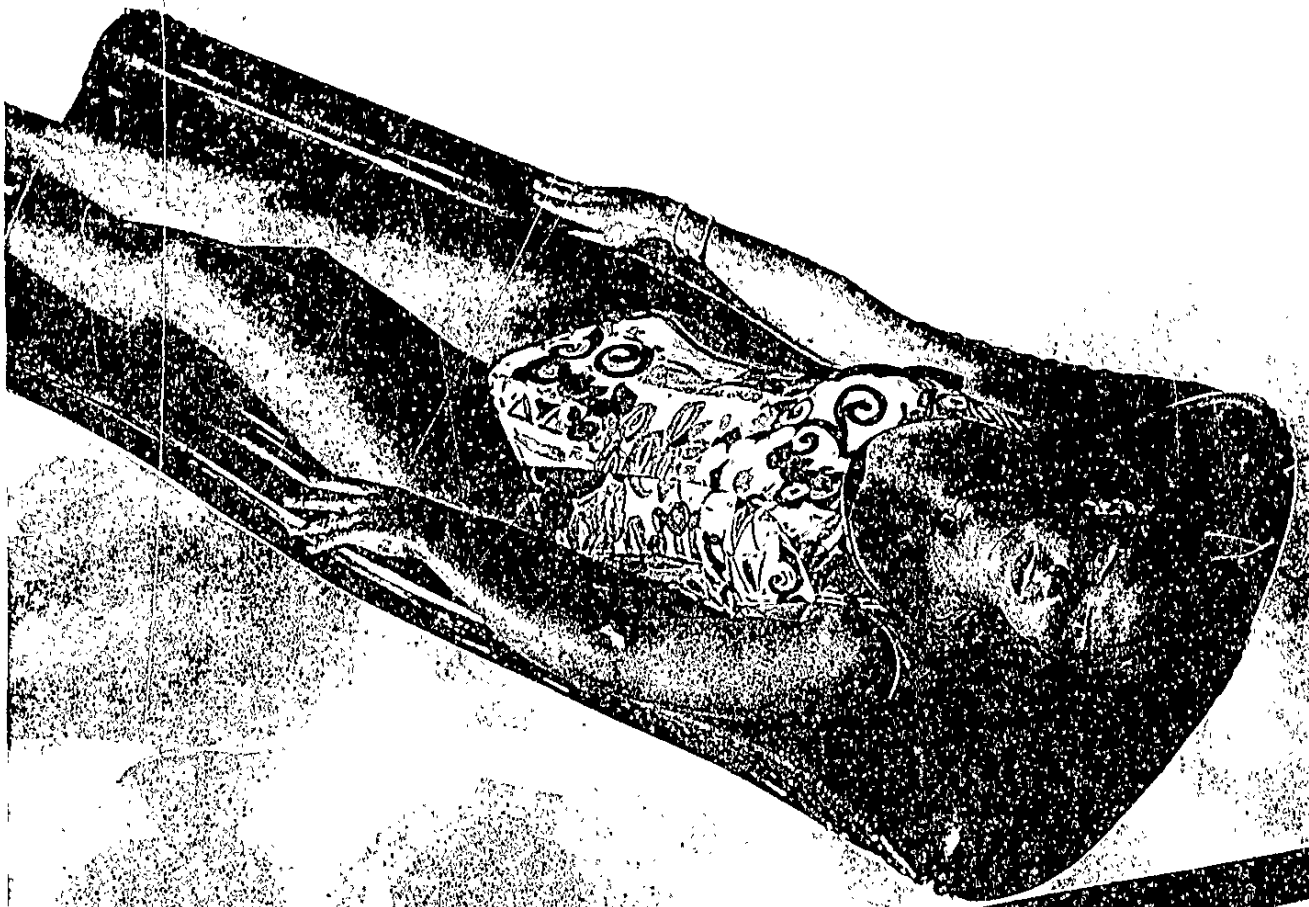
In June 1993 Airtours completed the acquisition of Aspro Travel, a Cardiff based tour operator whose strengths complemented those of Airtours Holidays.

Operations in Cardiff are being continued with the maintenance of a sales office and a reservations service but all other functions have been integrated with those of Airtours Holidays and are now based at Helmshore. All sales of Aspro holidays are now effected using the

Airtours reservation system and substantial benefits are being derived from this.

For winter 1993/94 Airtours has entered the ski market and for summer 1994 we are adding a range of exciting new products to our existing portfolio.





## Board of Directors

### **Eric Sanderson, CA, MCIBS**

Eric joined the Group in 1987 and has since been a key member of the Group's senior management. He has been a member of the Group's Executive Committee since 1995 and has been a member of the Group's Board of Directors since 1997. He has previously held senior positions in the insurance industry and was previously a member of the Institute of Actuaries. He is also a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Directors (IoD).

### **Ton Waslander**

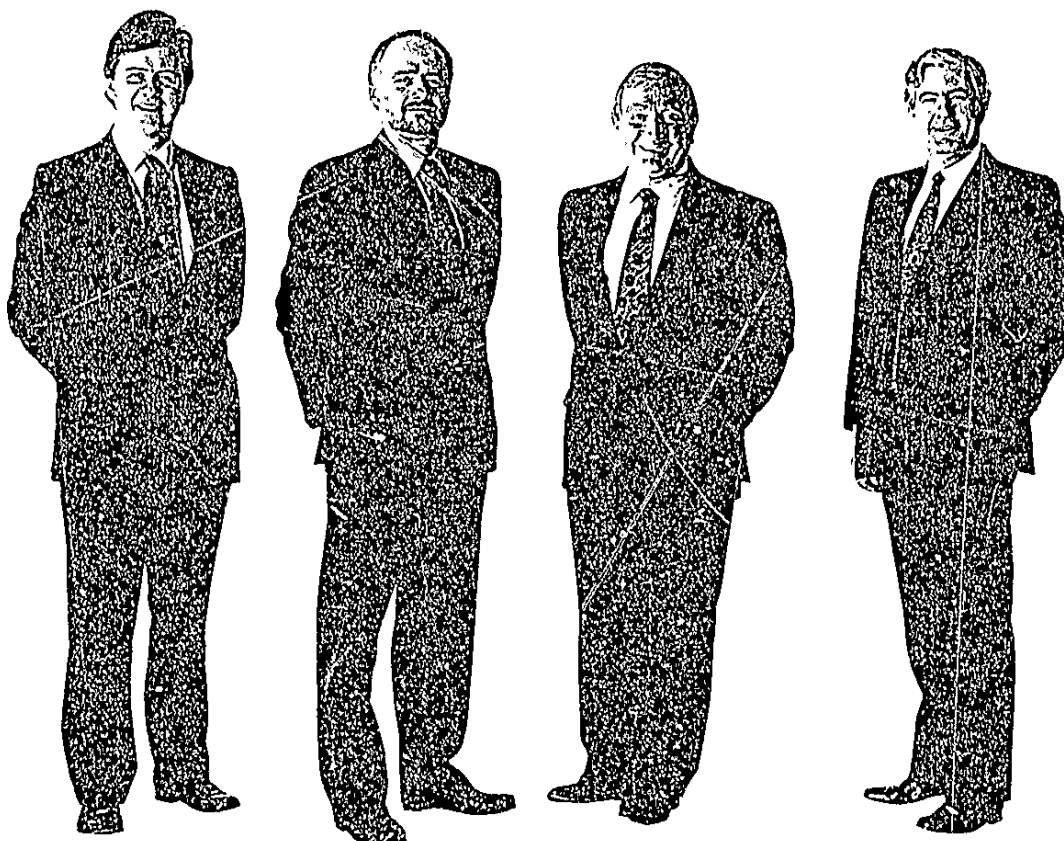
Ton joined the Group in 1995 and has since been a key member of the Group's senior management. He has been a member of the Group's Executive Committee since 1997 and has been a member of the Group's Board of Directors since 2000. He has previously held senior positions in the insurance industry and was previously a member of the Institute of Actuaries. He is also a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Directors (IoD).

### **Tom Trickett**

Tom joined the Group in 1995 and has since been a key member of the Group's senior management. He has been a member of the Group's Executive Committee since 1997 and has been a member of the Group's Board of Directors since 2000. He has previously held senior positions in the insurance industry and was previously a member of the Institute of Actuaries. He is also a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Directors (IoD).

### **Hugh Collinson, FCA**

Hugh joined the Group in 1995 and has since been a key member of the Group's senior management. He has been a member of the Group's Executive Committee since 1997 and has been a member of the Group's Board of Directors since 2000. He has previously held senior positions in the insurance industry and was previously a member of the Institute of Actuaries. He is also a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Directors (IoD).



**David Crossland**

Chairman of the Board  
and Managing Director  
of the Group  
since 1991

**Harry Coe FCA, ATII**

Chief Executive of the  
Group since 1991  
and Chairman of the  
Board since 1995. He has  
previously held senior  
positions in the insurance  
industry, including  
Chief Executive of the  
London and Lancashire  
Insurance Company and  
Chairman of the  
London and Lancashire  
Insurance Company.

**George Marcell**

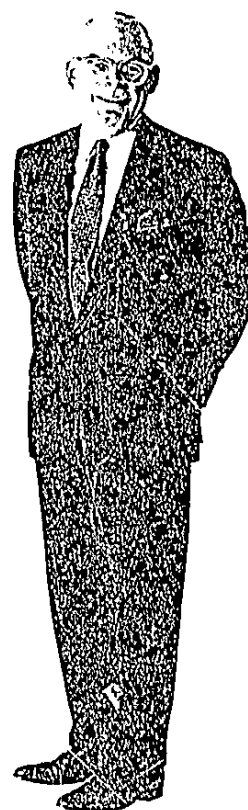
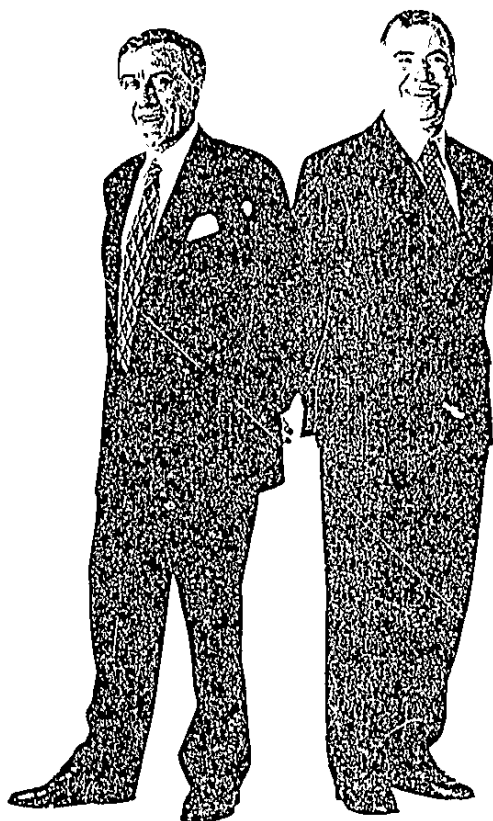
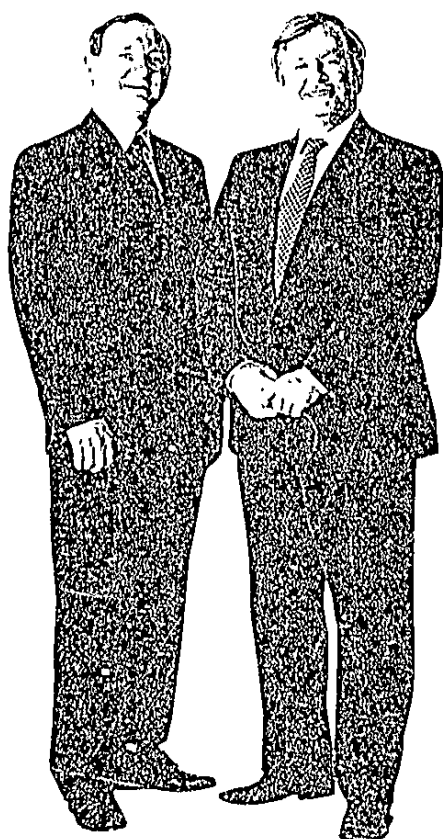
Chairman of the Board  
of the Group since 1991  
and Chairman of the  
Board since 1995. He has  
previously held senior  
positions in the insurance  
industry, including  
Chief Executive of the  
London and Lancashire  
Insurance Company and  
Chairman of the  
London and Lancashire  
Insurance Company.

**Mike Lee FCA**

Chief Executive of the  
Group since 1991  
and Chairman of the  
Board since 1995. He has  
previously held senior  
positions in the insurance  
industry, including  
Chief Executive of the  
London and Lancashire  
Insurance Company and  
Chairman of the  
London and Lancashire  
Insurance Company.

**Sir Michael Bishop CBE**

Chairman of the Board  
of the Group since 1991  
and Chairman of the  
Board since 1995. He has  
previously held senior  
positions in the insurance  
industry, including  
Chief Executive of the  
London and Lancashire  
Insurance Company and  
Chairman of the  
London and Lancashire  
Insurance Company.



## Directors' report

The Directors present their report together with financial statements for the year ended 30th September 1993.

### Principal activities

Airtours is a fully integrated Group of Companies operating within the holiday industry. The Group consists of the United Kingdom's second largest chain of retail travel agents, the second largest tour operating business and a substantial charter airline dedicated to serving the requirements of the in-house tour operator.

### Business review

The year ended 30th September 1993 was one of continued growth in all areas of the Group's operations.

The tour operating business was increased with the acquisition of Aspro Travel in June 1993. The airline operation was expanded by the acquisition of Inter European Airways which came as part of the Aspro acquisition. Retail travel agency operations grew substantially with the acquisition of Hogg Robinson Leisure Travel. All of these new businesses are being rapidly assimilated into the Group's operations.

The profit for the year after taxation was £28,947,000 (1992: £24,615,000) from which the preference dividend, payable in respect of the period 10th February 1993 to 30th September 1993, amounting to £2,055,000 has been deducted. The Directors recommend a final dividend of 8.00p (1992: 6.70p) per ordinary share amounting to £7,384,000, in addition to the interim dividend of 1.00p (1992: 0.55p) per ordinary share, amounting to £920,000, paid on 29th July 1993. The retained profit of £18,588,000 has been added to reserves.

### Directors

The Directors who were in office at the end of the year are listed in note 8 to the financial statements. All served throughout the year apart from Mr M C Lee who was appointed to the Board on 5th July 1993. In accordance with the Articles of Association Mr Lee retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Sir Michael Bishop and Mr A H Coe retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Mr Coe's service contract is terminable by the Company at any time on two years notice. Sir Michael Bishop does not hold a service contract.

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.

### Share capital

The Directors' limited authority to allot shares for cash other than in accordance with statutory pre-emption rights, which was granted at the Extraordinary General Meeting held on 8th February 1993, expires at the forthcoming Annual General Meeting. Accordingly, a Special Resolution will be proposed at the Annual General Meeting to renew this authority in similar terms.

Also, at the Annual General Meeting a Special Resolution will be proposed in relation to the cancellation of the Company's share premium account. This Resolution is explained in detail in the separate letter from the Chairman which is enclosed with the Annual Report and Accounts.

### 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 computer equipment (£10,081,000).

The net book value of fixed assets sold or scrapped during the year was £4,732,000.

**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 an employee newsletter.

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. 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 £7,000 during the year. No political donations were made.

**Close Company status**

The Directors consider that the Company is not a close Company for the purposes of the Income and Corporation Taxes Act 1988.

**Substantial shareholders**

At 22nd November 1993 Schroder Investment Management Limited had notified the Company of an interest in 6,450,000 ordinary shares being 6.99% of the nominal value of the Company's issued ordinary share capital. With this exception and that of the Directors' listed in note 8 to the financial statements the Company has not been notified of any other person who is interested in 3% or more of the issued ordinary share capital in the Company.

**Auditors**

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

By order of the Board

T S Delko, Secretary  
16th December 1993

*T. S. Delko*

Registered Office  
Wavell House  
Holcombe Road  
Helmshore  
Rossendale  
Lancashire BB4 4NB

## Corporate governance

In December 1992 the Committee on the Financial Aspects of Corporate Governance ("the Cadbury Committee") published a Code of Best Practice ("the Code"). The Code contains nineteen recommendations as to best practice relating to the constitution of Boards of Directors and their control and reporting functions. On two of those recommendations, relating to the effectiveness of internal controls and confirmation that the business is a going concern, guidance on compliance is awaited from the accountancy profession. For financial years ending after 30th June 1993 the London Stock Exchange requires all listed Companies registered in the United Kingdom to state in their annual report and accounts whether or not they have complied with the Code.

Ever since the flotation of the Company in 1987 the Board has recognised the importance of effective corporate governance and is pleased to report that (with the exception of the number of Non-Executive Directors appointed to the Board) the Company complies with the seventeen recommendations of the Code which are not subject to the outstanding guidance from the accountancy profession. The Board is confident that the Company will be able to comply with the two remaining recommendations of the Code when the outstanding guidance has been published. In addition, the Board is currently considering the number of Non-Executive Directors both in the context of the current composition of the Board and the recommendations of the Cadbury Committee.

The Board meets monthly and comprises seven Executive and two Non-Executive Directors, both of whom were appointed prior to the Company's flotation in 1987, with Mr D Crossland as Executive Chairman, and exercises control over the Company by the measurement of current and anticipated performance and by the determination of strategic issues. The Board considers that adequate internal control procedures are in place and have agreed a schedule of matters specifically reserved to the Board for decision. In addition, the services of the Company Secretary and independent professional advice are available to all Board members, if required. The Board considers that its composition provides an appropriate blend of industry experience and professional management.

Executive Directors have two year rolling contracts and their emoluments are set by a remuneration committee, comprising the Chairman and both Non-Executive Directors. The committee meets at least annually. The analysis of Directors' emoluments on page 30 has been expanded in accordance with the requirements of the Code.

On 7th June 1993 the Board formally established an audit committee comprising both Non-Executive Directors, although, as has always been the case, all Directors continue to have access to the Company's auditors as required.

On 1st November 1993 the Board formally established a nominations committee, comprising both Non-Executive Directors and the Chairman, with responsibility for proposing to the Board any new appointments, whether of Executive or Non-Executive Directors.

The assets of the Airtours plc pension scheme established for the benefit of the Group's employees are held separately from those of the Group. The overall investment strategy is agreed between the trustees and external independent investment managers, who are given full responsibility for the day-to-day investment decisions regarding the scheme's assets.

The Board is fully conscious of, and accepts, its duty to present a balanced and understandable assessment of the Company's position. The Directors explain their responsibility for preparing the financial statements next to the report of the auditors on page 22.

### Auditors' report to Airtours plc

In addition to our audit of the financial statements we have reviewed the Directors' statement above concerning the Company's compliance with the Code of Best Practice, insofar as it relates to the paragraphs of the Code which the London Stock Exchange has specified for our review. We carried out our review having regard to the Bulletin "Disclosures relating to corporate governance" issued by the Auditing Practices Board.

The purpose of the Directors' statement is to give readers information which assists them in forming their own views regarding the governance of the Company. In respect of the paragraphs of the Code specified for our consideration, we are required to draw attention to any aspects of the Company's non-compliance with the Code which the Directors have not properly disclosed. We are not required to review, and have not reviewed, the effectiveness of the Company's governance procedures.

Through enquiry of certain Directors and Officers of the Company, and examination of relevant documents, we have satisfied ourselves that the Directors' statement appropriately reflects the Company's compliance with the specified paragraphs of the Code.

Grant Thornton  
Registered Auditors  
Chartered Accountants  
Manchester

16th December 1993



## Corporate advisers

### Principal Bankers

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

The Royal Bank of Scotland plc  
PO Box 320  
St Ann Street  
Manchester M60 2SS

The British Linen Bank Limited  
19-21 Spring Gardens  
Manchester M2 1EB

N M Rothschild & Sons Limited  
3 York Street  
Manchester M2 2AW

### 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  
26A York Place  
Edinburgh EH1 3EY

### Auditors

Grant Thornton  
Chartered Accountants  
Heron House  
Albert Square  
Manchester M2 5HD

### Solicitors

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

## **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. The Directors confirm that the financial statements for the financial year ended 30th September 1993 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 and that the going concern basis is appropriate.

## **Auditors' report to the members of Airtours plc**

We have audited the financial statements on pages 23 to 40 which have been prepared under the accounting policies set out on page 23.

### **Respective responsibilities of Directors and auditors**

As described above the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based upon our audit, on those financial 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 1993 and of the Group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Grant Thornton*

Grant Thornton  
Registered Auditors  
Chartered Accountants  
Manchester

16th December 1993

## Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. Some comparative figures have been restated to reflect the changes in the format of the accounts introduced by Financial Reporting Standard 3 'Reporting Financial Performance'. None of the restatements of comparative figures has had any effect on shareholders' funds.

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, with the exception of Moon Leasing Limited (see note 10 to the financial statements). The financial statements of each Company in the Group are prepared to 30th September 1993 with the exception of Pickfords Travel Service Limited and its subsidiaries whose financial statements are drawn up to 2nd October 1993. 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.

### 2) Turnover

Turnover represents the aggregate amount of revenue received 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.

### 3) Aircraft overhaul and maintenance costs

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

### 4) Depreciation

Depreciation on short leasehold properties is calculated to write down their cost by equal annual instalments over the period of the leases.

Depreciation on other tangible fixed assets 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 which range from three to fifteen years.

### 5) Purchased goodwill

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

### 6) Deferred tax

Provision is made for deferred tax under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

### 7) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date or, to the extent that foreign currency denominated liabilities are covered by forward exchange contracts, at the appropriate contract rates. All realised exchange differences are dealt with through the profit and loss account.

### 8) Brochure and promotional costs

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

### 9) 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.

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.

### 10) Pension costs

The pension costs charged against profits represent the amount of the contributions payable to the various schemes in respect of the accounting period.

## Group profit and loss account

Year ended 30th September 1993	Notes	1993 £000	1993 £000	1992 £000
<b>Turnover</b>	<b>1</b>			
Continuing operations		<b>547,363</b>		405,553
Acquisitions		<b>66,260</b>		—
			<b>615,563</b>	405,553
Cost of sales		<b>529,661</b>		358,467
Gross profit		<b>85,902</b>		47,086
Net operating expenses		<b>42,254</b>		18,461
<b>Operating profit before abortive bid costs</b>	<b>1</b>	<b>43,648</b>		28,625
Abortive bid costs	<b>2</b>	<b>8,991</b>		—
<b>Operating profit</b>				
Continuing operations		<b>33,934</b>		28,625
Acquisitions		<b>723</b>		—
			<b>34,657</b>	28,625
Net interest	<b>3</b>	<b>10,872</b>		7,910
<b>Profit on ordinary activities before tax</b>	<b>1</b>	<b>45,529</b>		36,535
Tax on profit on ordinary activities	<b>4</b>	<b>16,562</b>		11,920
<b>Profit for the financial year</b>	<b>5</b>	<b>28,947</b>		24,615
Dividends	<b>6</b>	<b>10,359</b>		6,696
<b>Profit retained</b>	<b>17</b>	<b>18,580</b>		17,919
<b>Earnings per share</b>	<b>7</b>	<b>29.22p</b>		27.47p
<b>Earnings per share excluding abortive bid costs</b>	<b>7</b>	<b>39.00p</b>		27.47p

There were no recognised gains or losses other than the profit for the financial year.

The accounting policies on page 23 and notes on pages 28 to 40 form part of these financial statements.

## Group balance sheet

At 30th September 1993	Notes	1993 £000	1993 £000	1992 £000
<b>Fixed assets</b>				
Tangible assets	9		38,154	24,790
<b>Current assets</b>				
<b>Debtors:</b> amounts falling due within one year	11	86,703		38,587
Cash at bank and in hand		220,615		155,599
		307,318		194,186
<b>Creditors:</b> amounts falling due within one year	12	275,270		165,815
			32,048	28,371
<b>Debtors:</b> amounts falling due after more than one year	13		18,850	8,458
<b>Net current assets</b>			10,898	36,829
<b>Total assets less current liabilities</b>			89,052	61,619
<b>Creditors:</b> amounts falling due after more than one year	14	16,807		6,278
<b>Provisions for liabilities and charges</b>	15	243		217
			17,050	6,495
<b>Net assets</b>			72,002	55,124
<b>Capital and reserves</b>				
Called up share capital	16		19,350	9,200
Share premium account	17		51,175	11,980
Profit and loss account	17		1,477	33,944
			72,002	55,124

The financial statements were approved by the Board of Directors on 16th December 1993.

A H Coe, Director



The accounting policies on page 23 and notes on pages 28 to 40 form part of these financial statements.

## Company balance sheet

At 30th September 1993	Notes	1993 £000	1992 £000	1991 £000
<b>Fixed assets</b>				
Tangible assets	9	12,150	10,102	
Investments	10	65,868	17,048	
		<b>78,018</b>	<b>27,150</b>	
<b>Current assets</b>				
<b>Debtors:</b> amounts falling due within one year	11	65,056	35,752	
Cash at bank and in hand		86,762	74,883	
		<b>151,820</b>	<b>110,635</b>	
<b>Creditors:</b> amounts falling due within one year	12	134,251	89,030	
		<b>17,569</b>	<b>21,605</b>	
<b>Debtors:</b> amounts falling due after more than one year	13	2,878	2,306	
<b>Net current assets</b>		<b>20,447</b>	<b>23,911</b>	
<b>Total assets less current liabilities</b>		<b>98,465</b>	<b>51,061</b>	
<b>Creditors:</b> amounts falling due after more than one year	14	119	210	
<b>Provisions for liabilities and charges</b>	15	75	-	
		<b>194</b>	<b>210</b>	
<b>Net assets</b>		<b>98,271</b>	<b>50,851</b>	
<b>Capital and reserves</b>				
Called up share capital	16	19,350	9,200	
Share premium account	17	51,175	11,980	
Profit and loss account	17	27,746	29,671	
		<b>98,271</b>	<b>50,851</b>	

The financial statements were approved by the Board of Directors on 16th December 1993.

A H Coe, Director



The accounting policies on page 23 and notes on pages 28 to 40 form part of these financial statements.

## Group cash flow statement

Year ended 30th September 1993	Notes	1993 £000	1993 £000	1992 £000
<b>Net cash inflow from operating activities</b>	19		<b>78,642</b>	<b>36,790</b>
<b>Return on investments and servicing of finance</b>				
Interest received		11,608		8,046
Interest element of finance lease rental payments		(395)		(136)
Interest paid		(341)		-
Dividends paid		(7,526)		(5,056)
<b>Net cash inflow from return on investments and servicing of finance</b>			<b>3,346</b>	<b>2,854</b>
<b>Taxation</b>				
UK corporation tax paid		(13,189)		(5,683)
Overseas tax paid		(2,417)		-
<b>Tax paid</b>			<b>(15,606)</b>	<b>(5,683)</b>
<b>Investing activities</b>				
Abortive bid costs:				
Purchase of shares		(18,895)		-
Cost of bid		(5,044)		-
Sale of shares		14,948		-
		(8,991)		-
Net increase in longer term bank deposits	22	(12,412)		(12,764)
Purchase of tangible fixed assets		(15,846)		(11,359)
Sale of tangible fixed assets		2,839		87
Net cash inflow/outflow on purchase of subsidiary undertakings	20	(12,020)		28,222
Acquisition expenses		(880)		(718)
<b>Net cash inflow/outflow from investing activities</b>			<b>(47,310)</b>	<b>3,468</b>
<b>Net cash inflow before financing</b>			<b>19,072</b>	<b>37,429</b>
<b>Financing</b>				
Issue of share capital (net of expenses)	21	49,345		2,679
Capital element of hire purchase and finance lease rental payments	21	(15,813)		(551)
<b>Net cash inflow from financing</b>			<b>33,532</b>	<b>2,128</b>
<b>Increase in cash and cash equivalents</b>	22		<b>52,604</b>	<b>39,557</b>

The accounting policies on page 23 and notes on pages 28 to 40 form part of these financial statements.

## Notes to the financial statements

## 1) Segmental and operating profit information

	Continuing operations 1993 £000	Acquisitions 1993 £000	Total 1993 £000	Total 1992 £000
<b>Turnover</b>				
Tour operating	482,814	56,403	539,217	405,553
Travel retailing	64,549	11,797	76,346	-
	547,363	68,200	615,563	405,553
Cost of sales	469,107	60,554	529,661	358,467
Gross profit	78,256	7,646	85,902	47,086
Selling costs	3,160	235	3,395	2,880
Administrative expenses	28,640	6,002	34,642	12,588
Other charges	3,531	686	4,217	2,993
Abortive bid costs	8,991	-	8,991	-
<b>Operating profit</b>	<b>33,934</b>	<b>723</b>	<b>34,657</b>	<b>28,025</b>
<b>Profit on ordinary activities before tax</b>				
Tour operating	41,072	6	41,078	36,535
Travel retailing	3,636	815	4,451	-
	44,708	821	45,529	36,535

	1993 £000	1992 £000
<b>Net assets</b>		
Tour operating	54,140	45,704
Travel retailing	17,862	9,420
	72,002	55,124

The 1992 results were all attributable to tour operating. Pickfords Travel Service Limited was acquired on 23rd September 1992 and its results have been consolidated from 4th October 1992.

Profit on ordinary activities is stated after charging:

	1993 £000	1992 £000
Operating lease payments	28,061	9,986
Auditors' remuneration		
- audit services	149	70
Depreciation of tangible fixed assets		
- owned	7,912	3,319
- held under finance leases	569	543
Exceptional item - airline start up costs included in cost of sales	-	1,084

Total auditors' remuneration for non-audit services was £333,000 (1992: £317,000).



**2) Abortive bid costs**

These represent costs of the bid for Owners Abroad Group plc. Of the total amount of £8,991,000, £3,947,000 represents losses incurred on the disposal of Owners Abroad shares acquired during the bid, with the remaining £5,044,000 consisting of two lots of underwriting commissions plus professional fees.

**3) Net interest**

	1993 £000	1992 £000
<b>Interest payable</b>		
On bank loans, overdrafts and other loans repayable within 5 years, otherwise than by instalments	341	-
Finance charges in respect of finance leases	395	136
	736	136
Bank interest receivable	11,608	8,046
	10,872	7,910

**4) Tax on profit on ordinary activities**

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

	1993 £000	1992 £000
United Kingdom corporation tax at 33% (1992: 33%)	12,003	9,268
Deferred tax	1,140	97
	13,143	9,365
Overseas tax	3,679	2,594
	16,822	11,959
Adjustments in respect of prior years:		
United Kingdom corporation tax	(621)	(12)
Deferred tax	381	(27)
	16,582	11,920

The 1993 tax charge has been affected as a result of the abortive bid costs incurred during the year for which no taxation relief is available.

**5) Profit for the financial year**

The Parent Company has taken advantage of Section 230(2) 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 £8,434,000 (1992: £15,107,000).

**6) Dividends**

	1993 £000	1992 £000
<b>Ordinary</b>		
1992 - final dividend of 5.25p per share paid on 127,050 share options exercised in January 1992	-	26
Interim dividend paid 1.00p per share (1992: 0.55p per share)	920	506
Proposed final dividend of 8.00p per share payable 18th February 1994 (1992: 6.70p per share)	7,384	6,164
	8,304	6,696
<b>6.375p (net) Convertible Cumulative Preference</b>		
0.87p per share paid 1st April 1993 (1992: n/a)	442	-
Accrued - 3.1875p per share paid 1st October 1993 (1992: n/a)	1,613	-
	10,359	6,696

**7) Earnings per share**

The calculation of earnings per ordinary share is based on the profit for the financial year, after deducting preference dividends, of £26,892 (1992: £24,615,000) and on 92,018,866 Ordinary Shares of 10p each, being the weighted average number of ordinary shares in issue during the year ended 30th September 1993 (1992: 89,619,568 Ordinary Shares). The fully diluted earnings per share is not materially different.

An adjusted earnings per share has also been presented, based on a profit for the financial year, after deducting preference dividends and adding back the abortive bid costs, of £35,883,000. This basis has been used in order to quantify the effect on earnings of the abortive bid costs incurred.

The effect of the adjustment is as follows:

	1993	1992
Earnings per share	29.22p	27.47p
Adjustment for abortive bid costs	9.78p	-
Adjusted earnings per share	39.00p	27.47p

**8) Directors and employees**

Staff costs during the year were as follows:

	1993 £000	1992 £000
Wages and salaries	47,812	17,663
Social security costs	3,910	1,490
Other pension costs	1,682	501
	53,404	19,654

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

	1993 Number	1992 Number
Tour operating	1,763	1,321
Travel retailing	2,056	-
	3,819	1,321

Remuneration in respect of Directors was as follows:

	1993 £000	1992 £000
Management remuneration	1,020	657
Performance related bonuses	489	405
Benefits in kind	94	90
Pension contributions	336	197
	1,939	1,349

Bonuses are dependent upon the actual profits achieved by the Group as a whole compared to targets set at the beginning of the financial year by the remuneration committee. The figures included in Directors' remuneration for bonuses are the payments earned in respect of the current year's performance.

The emoluments of the Directors, excluding pension contributions, were as follows:

	1993 £000	1992 £000
The Chairman, who was also the highest paid Director	391	290

**8) Directors and employees continued**

	1993 Number	1992 Number
Other Directors:		
£10,001 - £15,000	-	1
£15,001 - £20,000	1	-
£25,001 - £30,000	1	1
£55,001 - £60,000	1	-
£65,001 - £70,000	1	-
£105,001 - £110,000	-	1
£150,001 - £155,000	-	2
£160,001 - £165,000	-	1
£220,001 - £225,000	2	-
£245,001 - £250,000	-	1
£255,001 - £260,000	1	-
£330,001 - £335,000	1	-

The interests, beneficial unless otherwise indicated, of the Directors and their families in the shares of the Company at 1st October 1992 (or the date of their appointment to the Board if later) and 30th September 1993 were as follows:

	Ordinary shares 1993	Ordinary shares 1992	Class I options over ordinary shares 1993	Class I options over ordinary shares 1992	Class II options over ordinary shares 1993 and 1992	SAYE scheme options over ordinary shares 1993	Preference shares 1993
D Crossland*	30,007,240	32,647,240	-	-	-	-	-
Sir Michael Bishop	56,000	56,000	-	-	-	-	-
A H Coe	34,200†	126,248	120,000	302,952	304,264	6,182	-
H H Collinson	1,002,172	1,202,172	210,000	210,000	70,000	6,182	-
M C Lee	24,600	26,600	120,000	120,000	40,000	6,182	5,000
R G Marcall	10,918	10,262	120,000	160,656	243,280	6,182	-
E F Sanderson	5,200	5,200	-	-	-	-	-
T Trickett	8,000,000	9,970,000	-	-	-	-	-
T Waslander	18,200	14,768	120,000	160,656	243,280	6,182	-

\*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.

† Indicates a non-beneficial interest.

In the period between 30th September 1993 and 22nd November 1993 there were no changes in the Directors' interests referred to above.

Apart from options granted under the terms of the Airtours plc Savings Related Share Option Scheme (see above table and also note 16 to the financial statements) there were no grants of share options to any of the Directors during the year.

During the course of the year the following exercises of options by Directors have taken place:

	Class I options over ordinary shares	Option price
A H Coe	60,984	36.00p
A H Coe	121,968	31.75p
R G Marcall	40,656	31.75p
T Waslander	40,656	31.75p

## 9) Tangible fixed assets

	Total £000	Short leaseholds £000	Computer equipment £000	Aircraft spares £000	Other fixed assets £000
<b>The Group</b>					
<b>Cost</b>					
At 1st October 1992	45,041	13,397	11,593	8,693	11,358
Additions	15,846	1,839	10,081	970	2,956
Acquisition of subsidiary undertakings	23,381	9,629	4,127	2,612	7,013
	84,268	24,865	25,801	12,275	21,327
Disposals	6,450	2,929	1,583	817	1,121
<b>At 30th September 1993</b>	<b>77,818</b>	<b>21,936</b>	<b>24,218</b>	<b>11,458</b>	<b>20,206</b>
<b>Depreciation</b>					
At 1st October 1992	20,251	7,399	7,074	701	5,077
Provided in year	8,481	2,748	3,363	602	1,748
Acquisition of subsidiary undertakings	12,650	4,748	1,192	1,030	5,680
	41,382	14,895	11,649	2,333	12,505
Disposals	1,718	250	880	--	588
<b>At 30th September 1993</b>	<b>39,664</b>	<b>14,645</b>	<b>10,769</b>	<b>2,333</b>	<b>11,917</b>
<b>Net book value at 30th September 1993</b>	<b>38,154</b>	<b>7,291</b>	<b>13,449</b>	<b>9,125</b>	<b>8,289</b>
Net book value at 30th September 1992	24,790	5,998	4,519	7,992	6,281
<b>The Company</b>					
<b>Cost</b>					
At 1st October 1992	19,205	1,379	8,540	--	9,286
Additions	6,316	352	4,050	--	1,914
	25,521	1,731	12,590	--	11,200
Disposals	849	--	--	--	849
<b>At 30th September 1993</b>	<b>24,672</b>	<b>1,731</b>	<b>12,590</b>	<b>--</b>	<b>10,351</b>
<b>Depreciation</b>					
At 1st October 1992	9,103	290	4,935	--	3,878
Provided in year	3,643	113	2,017	--	1,513
	12,746	403	6,952	--	5,391
Disposals	524	--	--	--	524
<b>At 30th September 1993</b>	<b>12,222</b>	<b>403</b>	<b>6,952</b>	<b>--</b>	<b>4,867</b>
<b>Net book value at 30th September 1993</b>	<b>12,450</b>	<b>1,328</b>	<b>5,638</b>	<b>--</b>	<b>5,484</b>
Net book value at 30th September 1992	10,102	1,089	3,605	--	5,408

The net book value of computer equipment of the Group and the Company includes an amount of £230,000 (1992: £665,000) in respect of assets held under finance leases on which depreciation of £569,000 has been provided in the year (1992: £543,000).

**10). Fixed asset investments**Shares in subsidiary  
undertakings**The Company**

Cost and net book value

At 1st October 1992

17,048

Additions

48,520

**At 30th September 1993****65,568**

At 30th September 1993 the Group held, directly or indirectly, 100% of the allotted ordinary share capital of the following principal subsidiary undertakings, all of which are incorporated and operate from England and Wales except where indicated:

	Proportion held Company %	Proportion held Group %	Nature of business	Country of incorporation and of operation
Airtours Holidays Limited	100		Dormant	
Airtours International Airways Limited (formerly Inter European Airways Limited)		100	Airline	
Aspro Travel Limited	100		Tour Operator	
Eurosites Limited	100		Dormant	
HRLT Limited	100		Travel Retailer	
Moon Leasing Limited	100		Leasing Company	
Pickfords Travel Service Limited	100		Travel Retailer	
Eurosites GmbH		100	Agency Company	Germany
Airtours International Aviation (Guernsey) Limited		100	Airline	Guernsey
White Horse Insurance Limited		100	Insurance Company	Guernsey
Eurosites BV		100	Agency Company	Holland
Eurosites Holding BV	100		Holding Company	Holland
Hoteles Pancho SL		100	Holiday Parc	Spain

All of the subsidiary undertakings, with the exception of Moon Leasing Limited, have been consolidated in the Group financial statements. The financial statements of Moon Leasing Limited have not been consolidated as it is being held exclusively for resale.

The aggregate amount of the capital and reserves of Moon Leasing Limited was £149,808 at 30th September 1993. The profit for the year was £149,807.

In accordance with the agreement made between the Company and National Freight Company Limited dated 23rd September 1992 for the acquisition of the entire issued share capital of Pickfords Travel Service Limited the Company has paid over additional consideration of £1,226,000 in respect of an increase in the net assets acquired as a result of certain provisions in Pickfords Travel accounts proving to be in excess of requirements.

On 27th June 1993, the Company acquired 437,500 ordinary shares of £1 each, being 100% of the issued share capital, in Aspro Travel Limited for a consideration of £20,142,000 satisfied in full by the issuing of Interest Bearing Unsecured Loan Stock. Acquisition costs incurred of £612,000 have been capitalised to the carrying value of the investment.

**10) Fixed asset investments continued**

On 30th June 1993, the Company acquired 4,110,000 ordinary shares of £1 each being 100% of the issued share capital, in HRLT Limited, formerly Hogg Robinson (Travel) Limited, for a cash consideration of £24,772,000. Acquisition costs incurred of £268,000 have been capitalised to the carrying value of the investment.

The acquisition method of accounting has been used and the goodwill arising on the acquisitions has been written off directly to reserves. Net assets acquired are detailed below.

The results of Aspro Travel Limited and HRLT Limited acquired during the year have been consolidated with effect from 28th June 1993 and 1st July 1993 respectively.

	Retained loss for the period from 1st November 1992 to 27th June 1993	Retained profit for year ended 31st October 1992
Aspro Travel Limited	£9,443,000	£2,807,000

Prior to acquisition HRLT Limited comprised two separate businesses of which only the travel retailing business was acquired under the terms of the purchase agreement. Its financial statements have never previously identified the retained profit of the separate businesses and accordingly it has not been possible to disclose the profits of travel retailing prior to its acquisition by the Company.

The following tables set out the fair values at the date of acquisition for each major class of assets and liabilities acquired included in the consolidated financial statements:

	Aspro Travel Limited £000	HRLT Limited £000	Total £000
Tangible fixed assets	5,068	5,663	10,731
Aircraft held for resale	11,886	-	11,886
Debtors	14,409	3,223	17,632
Cash at bank and in hand	12,427	1,551	13,978
Creditors	(38,041)	(7,204)	(45,245)
Hire purchase creditor	(15,855)	-	(15,855)
Corporation tax payable	1,077	(623)	454
Deferred tax	1,158	-	1,158
Net assets/liabilities	(7,871)	2,610	(5,261)
Goodwill arising on consolidation	28,625	22,430	51,055
	<b>20,754</b>	<b>25,040</b>	<b>45,794</b>
Satisfied by:			
Cash	-	24,772	24,772
Unsecured loan stock	20,142	-	20,142
Cash - expenses	612	268	880
	<b>20,754</b>	<b>25,040</b>	<b>45,794</b>

With the exception of the aircraft held for resale in Aspro Travel Limited, which had a carrying value of £16,269,000 at 27th June 1993, there were no other material fair value adjustments.

**11) Debtors**

	The Group 1993 £000	The Group 1992 £000	The Company 1993 £000	The Company 1992 £000
Amounts falling due within one year:				
Trade debtors	19,580	16,942	5,928	5,715
Amounts owed by Group undertakings	—	—	16,051	13,199
Other debtors	27,466	5,186	26,161	3,768
Deposits and prepayments	28,771	16,459	16,918	13,070
Aircraft held for resale	11,886	—	—	—
	<b>86,703</b>	<b>38,587</b>	<b>65,058</b>	<b>35,752</b>

**12) Creditors**

	The Group 1993 £000	The Group 1992 £000	The Company 1993 £000	The Company 1992 £000
Amounts falling due within one year:				
Unsecured loan stock	20,142	—	20,142	—
Trade creditors	118,999	85,828	34,968	29,117
Current taxation	16,904	18,057	7,413	12,421
Social security and other taxes	4,958	1,235	649	237
Other creditors	10,306	7,112	6,374	3,831
Proposed dividends	8,997	5,164	8,997	6,164
Accruals	35,480	12,474	8,134	4,899
Amounts due under finance leases	333	367	95	367
Revenue received in advance	59,151	34,578	47,424	31,994
	<b>275,270</b>	<b>165,815</b>	<b>134,251</b>	<b>89,030</b>

The unsecured loan stock was issued on 27th June 1993. Interest is calculated and payable at 3 month intervals from the date of creation of the stock. The loan stock is redeemable at the option of the loan stock holders on any interest payment date falling on or after 17th June 1994. The final redemption date is 30th September 2001.

**13) Debtors**

	The Group 1993 £000	The Group 1992 £000	The Company 1993 £000	The Company 1992 £000
Amounts falling due after more than one year:				
Advance corporation tax recoverable	2,173	1,953	2,477	1,953
Deposits and prepayments	16,677	6,505	401	353
	<b>18,850</b>	<b>8,458</b>	<b>2,878</b>	<b>2,306</b>

**14) Creditors**

	The Group 1993 £000	The Group 1992 £000	The Company 1993 £000	The Company 1992 £000
Amounts falling due after more than one year:				
Taxation due on 31st December 1994	1,728	1,017	-	-
Amounts owed to Group undertakings	-	-	53	53
Aircraft maintenance provisions	14,846	5,104	-	-
Amounts due under finance leases (all repayable between one and two years)	233	157	66	157
	<b>16,807</b>	<b>6,278</b>	<b>119</b>	<b>210</b>

**15) Provisions for liabilities and charges**

	The Group 1993 £000	The Group 1992 £000	The Company 1993 £000	The Company 1992 £000
Deferred tax				
At 1st October	217	-	-	-
Charged during the year	1,521	70	108	70
Acquired with subsidiary undertaking	(1,158)	217	-	-
Advance corporation tax on proposed dividend	(337)	(70)	(33)	(70)
	<b>243</b>	<b>217</b>	<b>75</b>	<b>-</b>

Deferred tax which has been provided for in the financial statements comprises:

	The Group 1993 £000	The Group 1992 £000	The Company 1993 £000	The Company 1992 £000
Accelerated capital allowances	402	447	260	(164)
Short term timing differences	1,424	(298)	(50)	96
Trading losses	(1,144)	-	-	-
	<b>682</b>	<b>149</b>	<b>210</b>	<b>(68)</b>
Capital gains held over	-	170	-	170
Less: advance corporation tax	(439)	(102)	(135)	(102)
	<b>243</b>	<b>217</b>	<b>75</b>	<b>-</b>



**16) Share capital**

	1993 £000	1992 £000
<b>Authorised</b>		
16,866,450 Unclassified Shares of 20p each (1992: nil)	<b>3,373</b>	–
50,599,350 6.375p (net) Convertible Cumulative Preference Shares of 20p each (1992: nil)	<b>10,120</b>	–
142,500,000 Ordinary Shares of 10p each (1992: 123,050,000 Ordinary Shares of 10p each)	<b>14,250</b>	12,305
	<b>27,743</b>	12,305
<b>Allotted called up and fully paid</b>		
50,599,350 6.375p (net) Convertible Cumulative Preference Shares of 20p each (1992: nil)	<b>10,120</b>	–
92,303,736 Ordinary Shares of 10p each (1992: 91,998,316 Ordinary Shares of 10p each)	<b>9,230</b>	9,200
	<b>19,350</b>	9,200

**Allotments during the year**

On 6th January 1993, a Placing and Open Offer of 50,599,350 Convertible Cumulative Preference Shares of 20p each at 100p per share was made to qualifying shareholders on the basis of 11 Convertible Preference Shares for every 20 Ordinary Shares held at the close of business on 29th December 1992, in order to finance the expansion of the Group's tour operating and travel retailing businesses. These shares, which had already been conditionally placed with institutional investors at the placing price pursuant to an underwriting agreement, were allotted on 10th February 1993.

On 7th September 1993, 304,920 Ordinary Shares were allotted under the terms of the Airtours plc Share Option Scheme (1986) for a total cash consideration of £99,404.

**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 options to certain employees in respect of 469,500 10p ordinary shares at £3.79 per share exercisable normally between 9th August 1998 and 9th August 2003. In addition, under the terms of the Airtours plc Savings Related Share Option Scheme options over 1,049,874 10p ordinary shares were granted to certain Directors and employees within the Group at £2.79 per share exercisable normally between 1st October 1998 and 31st March 1999.

At 30th September 1993, 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 I	Airtours plc Share Option Scheme (1986) Class II	Airtours plc Savings Related Share Option Scheme
7th August 1990	31.75p	–	1,087,548	–
1st July 1991	107.50p	620,000	–	–
5th July 1991	117.25p	70,000	230,000	–
15th July 1992	206.00p	–	317,000	–
9th August 1993	379.00p	–	469,500	–
9th August 1993	279.00p	–	–	1,049,874

Options are normally exercisable in the following periods:

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

Class II: 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.

# 16) Share capital continued

The exercise of Class II options is also dependent on the earnings per share performance of the Company when compared to the FTSE 100 Index over a consecutive five year period commencing with the most recent accounting period ending on a date prior to the date of grant of those Class II options.

# 17) Share premium account and reserves

	Share premium account £000	Profit and loss account £000
<b>The Group</b>		
At 1st October 1992	11,980	33,944
Retained profit for the year	-	18,588
Goodwill written off	-	(51,055)
Premium on allotments during the year	39,195	-
<b>At 30th September 1993</b>	<b>51,175</b>	<b>1,477</b>
<b>The Company</b>		
At 1st October 1992	11,980	29,671
Retained loss for the year	-	(1,925)
Premium on allotments during the year	39,195	-
<b>At 30th September 1993</b>	<b>51,175</b>	<b>27,746</b>

The cumulative amount of goodwill arising from acquisitions in current and prior years which has been written off to Group reserves, net of goodwill on acquired interests since disposed of, amounts to £58,353,000 (1992: £7,298,000).

# 18) Reconciliation of movements in shareholders' funds

	1993 £000	1992 £000
Profit for the financial year	28,947	24,615
Dividends	(10,359)	(6,696)
Profit retained	18,588	17,919
Issue of shares	49,345	2,679
Goodwill written off to reserves	(51,055)	(7,298)
Net increase in shareholders' funds	16,878	13,300
Shareholders' funds at 1st October	55,124	41,824
<b>Shareholders' funds at 30th September</b>	<b>72,002</b>	<b>55,124</b>

# 19) Net cash inflow from operating activities

	1993 £000	1992 £000
Operating profit before abortive bid costs	43,648	28,625
Depreciation charges	8,481	3,862
Loss on sale of tangible fixed assets	1,893	9
Increase/decrease in debtors	(27,544)	(16,279)
Increase/decrease in creditors	52,164	20,573
	<b>78,642</b>	<b>36,790</b>

**20) Analysis of the net inflow/outflow of cash in respect of the purchase of subsidiary undertakings**

	1993 £000	1992 £000
Cash consideration excluding expenses	(25,998)	(16,000)
Cash at bank and in hand	13,978	44,222
Net inflow/outflow of cash	(12,020)	28,222

**21) Analysis of changes in financing**

	Share capital including premium 1993 £000	Share capital including premium 1992 £000	Hire purchase and finance lease obligations 1993 £000	Finance lease obligations 1992 £000
At 1st October	21,180	18,501	524	1,075
Acquired with subsidiary undertaking	-	-	15,855	-
Net cash inflow/outflow from financing	49,345	2,679	(15,813)	(551)
At 30th September	70,525	21,180	566	524

**22) Analysis of changes in cash and cash equivalents**

	1993 £000	1992 £000	1992 £000
At 1st October			
Cash and cash equivalents		112,138	72,581
Longer term bank deposits		43,461	30,697
		155,599	103,278
Movement in the year			
Cash and cash equivalents	52,604		39,557
Longer term bank deposits	12,412		12,764
		65,016	52,321
At 30th September			
Cash and cash equivalents	164,742		112,138
Longer term bank deposits	55,873		43,461
		220,615	155,599

**23) Major non-cash transactions**

The consideration for the purchase of Aspro Travel Limited comprised unsecured loan stock. Further details of this transaction are given in note 10 above.

**24) Effect of acquisitions**

The subsidiary undertakings acquired during the year made the following contributions to, and utilisations of, Group cash flow:

	£000
Net cash inflow from operating activities	36,476
Returns on investment and servicing of finance	98
Investing activities	1,877
Net cash inflow before financing	38,451
Financing	(15,454)
Increase in cash and cash equivalents	22,997

**25) Capital commitments**

	The Group 1993 £000	The Group 1992 £000	The Company 1993 £000	The Company 1992 £000
Contracted for but not provided in these financial statements	<b>7,643</b>	884	<b>797</b>	200
Authorised by the Directors but not contracted for	<b>5,001</b>	195	<b>250</b>	195
	<b>12,644</b>	1,079	<b>1,047</b>	395

**26) Contingent liabilities and guarantees**

At 30th September 1993, there were contingent liabilities under counter indemnities given to the Group's bankers in the normal course of business in respect of TOSG bonds and other guarantees amounting to £83,487,000 (1992: £49,532,000).

**27) Pensions**

The Company operates a defined contribution pension scheme for the benefit of its employees.

For the period up to 31st March 1993, employees of Pickfords Travel Service Limited ("PTS") continued to participate in a number of NFC plc Group pension arrangements, the majority being in a defined contribution scheme with the remainder in a defined benefit scheme. During this period the Company's obligation to pay its appropriate contributions to the NFC pension schemes were met. With effect from 1st April 1993, all eligible PTS employees were offered membership of the Company's defined contribution scheme and no further contributions have been made to the NFC pension schemes.

Presently, employees of HRLT Limited are continuing to participate in Hogg Robinson Group pension schemes, the majority being in a defined benefit scheme with the remainder in a defined contribution scheme. The Company continues to meet its obligation to pay its contributions (as specified in the sale and purchase agreement for HRLT Limited) to the Hogg Robinson Group pension schemes. This participation will cease with effect from 5th April 1994 and proposals for future pension provisions for employees of HRLT Limited are currently being formulated.

Aspro Travel Limited operated a defined contribution scheme for its employees. With effect from 1st November 1993 its employees became employees of Airtours plc and were offered membership of the Company's defined contribution scheme from that date when contributions to the Aspro pension scheme ceased.

**28) Leasing commitments**

Operating lease payments of the Group amounting to £40,104,000 (1992: £22,603,000) are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings 1993 £000	Land and buildings 1992 £000	Others 1993 £000	Others 1992 £000
In one year or less	<b>627</b>	219	<b>1,022</b>	161
In second to fifth year	<b>2,533</b>	1,062	<b>19,364</b>	5,496
In five years or more	<b>8,424</b>	5,028	<b>8,134</b>	10,637
	<b>11,584</b>	6,309	<b>28,520</b>	16,294

## Five year review

	1993 £000	1992 £000	1991 £000	1990 £000	1989 £000
<b>Profit and loss account</b>					
Turnover	615,563	405,553	289,538	183,001	155,637
Profit on ordinary activities before abortive bid costs and before tax	54,520	36,535	27,514	6,307	5,212
Profit on ordinary activities before tax	45,529	36,535	27,514	6,307	5,212
Tax on profit on ordinary activities	16,582	11,920	9,276	1,947	1,880
Profit for the financial year	28,947	24,615	18,238	4,360	3,332
Dividends	10,359	6,696	4,987	1,327	1,120
Profit retained	18,588	17,919	13,251	3,033	2,212
<b>Balance sheet</b>					
Tangible assets	38,154	24,790	10,932	6,096	4,953
Cash at bank and in hand	220,615	155,599	103,278	26,455	20,083
Debtors	105,553	47,045	13,017	12,869	13,792
Creditors	292,077	172,093	85,403	32,405	28,432
Provisions for liabilities and charges	243	217	-	13	226
Net assets	72,002	55,124	41,824	13,002	10,170
<b>Statistics</b>					
Earnings per ordinary share before abortive bid costs	39.00p	27.47p	24.68p	6.69p	5.12p
Earnings per ordinary share	29.22p	27.47p	24.68p	6.69p	5.12p
Dividends per ordinary share	9.00p	7.25p	5.75p	2.03p	1.72p
Net assets per ordinary share	78.01p	59.92p	48.54p	20.20p	15.89p
<b>Ratios</b>					
Dividend cover	3.25	3.79	4.29	3.30	2.97

The figures for earnings, dividends and net assets per share for 1989 to 1991 have been restated to take account of the capitalisation issue to existing shareholders in 1992. In addition the figures shown for 1989 and 1990 have been restated to take account of the placing and offer to existing shareholders in 1991.

## Shareholder information

### Analysis of ordinary shareholders

At 30th September 1993 there were 2,550 shareholders registered compared with 2,352 at 30th September 1992.

Category	Number of holders	Ordinary shares held	Size of holdings	Number of holders	Ordinary shares held
Individuals	2,244	43,334,745	1 - 1,000	1,701	647,675
Insurance companies	19	1,593,416	1,001 - 10,000	593	1,825,896
Pension funds	98	10,392,857	10,001 - 100,000	153	5,741,965
Unit and investment trusts	124	29,109,362	100,000 - 1,000,000	95	27,983,828
Banks and nominee holdings	12	6,342,988	1,000,001 - 5,000,000	4	6,063,744
Other corporate bodies	53	1,530,368	5,000,001 and above	4	50,040,628
	2,550	92,303,736		2,550	92,303,736

### Financial calendar

Convertible cumulative preference shares allotted	10th February 1993
First preference dividend paid	1st April 1993
Interim results announced	28th June 1993
Interim ordinary dividend paid	29th July 1993
Half yearly preference dividend paid	1st October 1993
Final results announced	6th December 1993
Annual general meeting	20th January 1994
Transfer books closed	21st January 1994
Final ordinary dividend payable	18th February 1994

### Shareholders' benefits

Individual registered holders of ordinary shares in the Company are eligible for concessionary discounts, details of which are available on request from the Company. There is no minimum shareholding requirement.

## Notice of meeting

Notice is hereby given that the 1994 Annual General Meeting of the Company will be held at The Stanneylands Hotel, Wilmslow, Cheshire on Thursday, 20th January, 1994 at 11.30am (or so soon thereafter as the business of the Separate General Meeting of the holders of Convertible Cumulative Preference Shares of 20p each in the Company convened for 10.45am on that date shall have been concluded or adjourned) for the following purposes:

- 1) To receive the Directors' Report, Financial Statements and the Auditors' Report for the year ended 30th September, 1993.
- 2) To declare a final dividend.
- 3) To re-elect as a Director of the Company Mr MC Lee who was appointed during the year.
- 4) To re-elect as a Director of the Company Sir Michael Bishop who retires as a Director by rotation.
- 5) To re-elect as a Director of the Company Mr AH Coe who retires as a Director by rotation.
- 6) To re-appoint the auditors.
- 7) To authorise the Directors to fix the remuneration of the auditors.
- 8) As special business, to consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution.

That:

- a) The Directors be and are hereby empowered pursuant to Section 95(1) of the Companies Act 1985 until the close of the next Annual General Meeting of the Company (or, if sooner, until the expiry of fifteen months after the passing of this Resolution) to allot equity securities (as defined by Section 94(2) of that Act) pursuant to the general authority conferred on the Directors in accordance with Section 80 of that Act on 8th February, 1993 as if Section 89(1) of that Act did not apply to the allotment, provided that the power conferred by this Resolution shall be in substitution for all existing powers conferred on the Directors pursuant to the said Section 95(1) and shall be limited to:
  - i) the allotment of equity securities in connection with a rights issue; and
  - ii) the allotment (otherwise pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £459,994;
- b) The Company may at any time prior to the expiry of the authority conferred by sub-paragraph (a) above make an offer or agreement which would or might require equity securities to be allotted pursuant thereto after such expiry.
- c) For the purposes of this Resolution:
  - i) "rights issue" means an offer of equity securities open for acceptance for a period fixed by the Directors to (i) holders on the register on a fixed record date of ordinary shares in the Company in proportion to their respective holdings and (ii) holders on the register on a fixed record date of the 6.375p (net) Convertible Cumulative Preference Shares of 20p each in the Company (on the basis that such shares shall be deemed to have been converted into ordinary shares in the Company in accordance with the provisions of Article 3(A) of the Company's Articles of Association immediately prior to such record date) but subject in both cases to such exclusions or other arrangements as the Directors may deem necessary or desirable to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and
  - ii) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.
- 9) As special business, to consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution.

That, subject to the holders of the Convertible Cumulative Preference Shares of 20p each consenting thereto in accordance with Article 3(A)(6) of the Articles of Association of the Company, the share premium account of the Company at the date of this meeting be cancelled.

By order of the Board

TS Detko, Secretary  
16th December 1993

1 Members of the Company entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on their behalf. A proxy need not be a member of the Company. A form of proxy is enclosed and members who wish to use it should see that it is deposited, duly completed, with the Company's registrars not less than 48 hours before the time fixed for the meeting.

2 All members are entitled to attend the meeting, but only holders of ordinary shares are entitled to vote on the resolutions to be put to the meeting.

3 The register of Directors' interests in the Company's shares and copies of Directors' service agreements will be available for inspection by members at the registered office of the Company during normal business hours from 15th December, 1993 until the date of the Annual General Meeting and at the place of the meeting from 11.15 am

## Corporate officers and Directors of subsidiary Companies

### Corporate officers

D C Burns

*Group Legal Officer*

T R Byrne

*Group Financial Controller*

T S Deiko

*Group Secretary*

B G K Nightingale

*Group Treasurer*

### Tour Operations

H H Collinson

R G Marcall

T Waslander

R J Carrick

M J Cheetham

D Collins

J Drysdale

S Endacott

P Evans

A McElean

W McGrorly

C A L Mottershead

### Airline

M C Lee

J S Colclough

C J M Darlaston

J Einarrson

E Hespeel

G Mashlan

K R Mayne

C R Penny

P A Pleded

R C Walling

### Retail

D Crossland

S Baynard

D A Blackledge

B R Jones

C D Savery

K Welch

P Woods