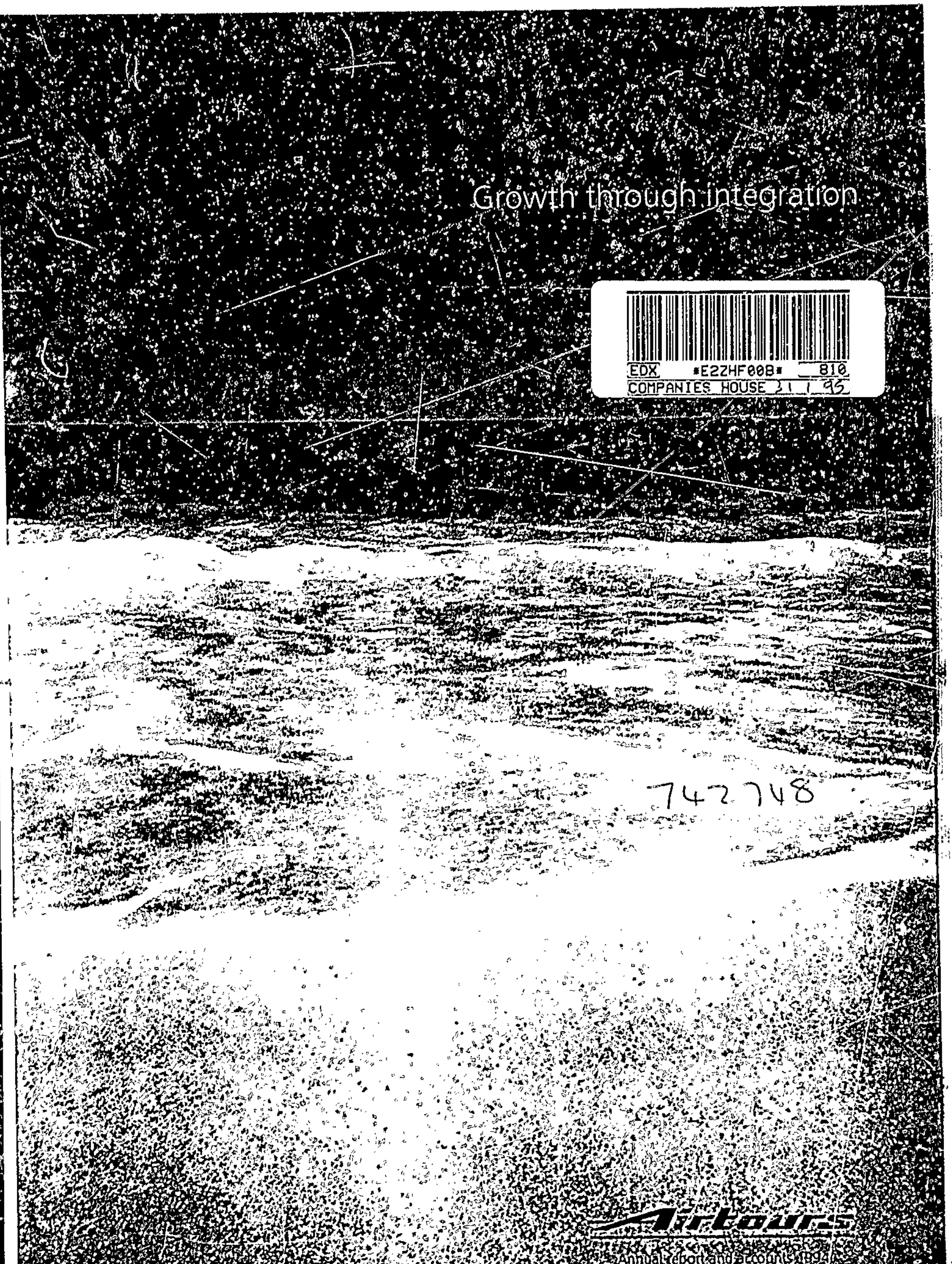
Growth through integration
Airtours
Annual report and accounts 1994

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Retail Going Places is the UK's second largest travel agency with a network of 605 shops across the UK. This provides invaluable support for the distribution of Airtours' own products together with those of other major tour operators.

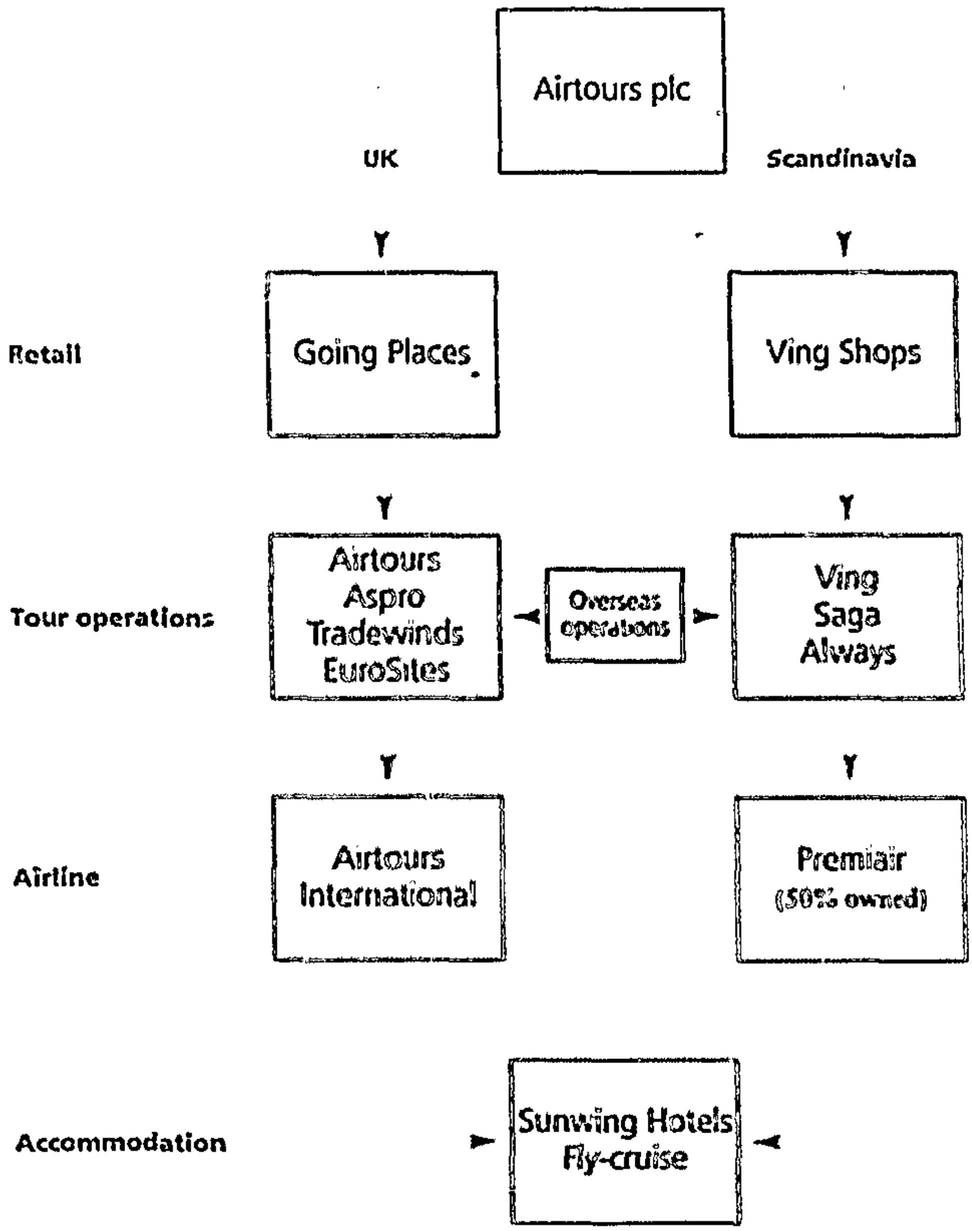
Airline With profitable utilisation of its aircraft guaranteed by Airtours Holidays, Airtours International has maintained its position as the UK's most efficient leisure airline with the highest utilisation of its fleet and the highest load factors on its aircraft.

Tour operations Building upon the support provided by Going Places, Airtours Holidays has further increased its market share and consolidated its position as the second largest tour operator in the UK. The recent acquisition of Scandinavia's largest tour operator has resulted in a significant increase in total customers carried and in cost saving opportunities.

Hotels The Group now controls 16 hotels and holiday complexes located in the principal resorts served by the Group's tour operators. This keeps within the Group a higher percentage of the money spent in resort by its customers as they utilise on-site facilities and services.

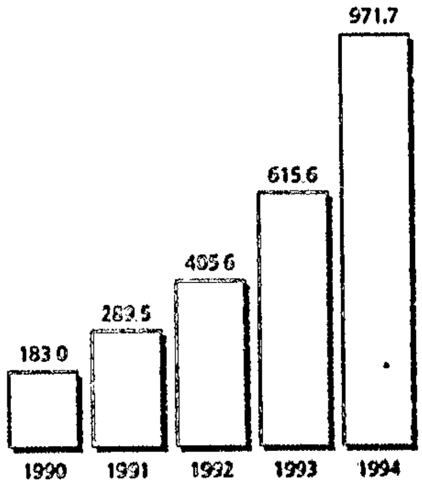
Fly-cruise This latest venture derives substantial added value from the Group's existing cost structure. The fly cruise product is marketed by Airtours Holidays in the UK and by Ving in Sweden. Passengers fly to their embarkation points on existing Airtours International and Premiair flights.

Inside this year's annual report we examine the integrated nature of our operations and show how this is a key factor in the Group's risk management policies and in the achievement of profitable growth.

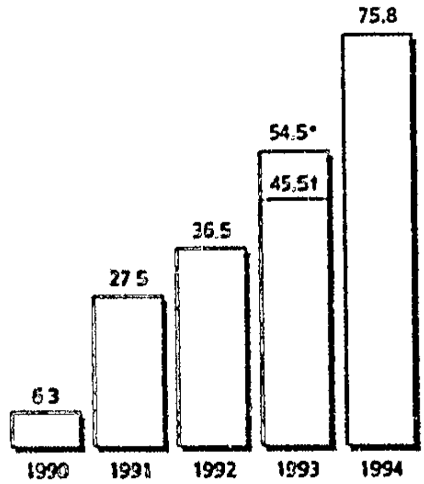


Financial highlights

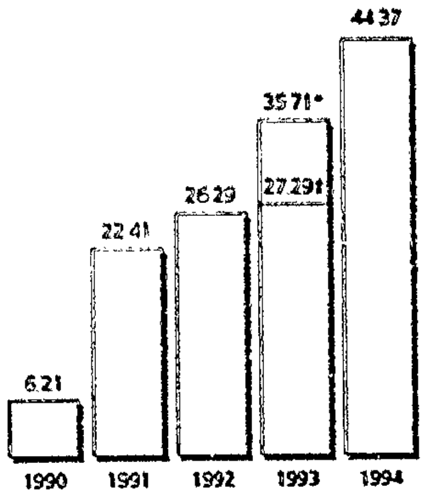
	1994 £000	1993 £000	% increase
Turnover	971,742	615,563	57.9
Profit before tax and abortive bid costs	75,762	54,520	39.0
Profit before tax	75,762	45,529	66.4
Dividends	16,875	10,359	62.9
Net assets	145,611	72,002	102.2
Fully diluted eps before abortive bid costs	44.37p	35.71p	24.3
Fully diluted eps	44.37p	27.29p	62.6
Dividend per ordinary share	12.00p	8.81p	36.2
Assets per share	128.01p	76.33p	67.7



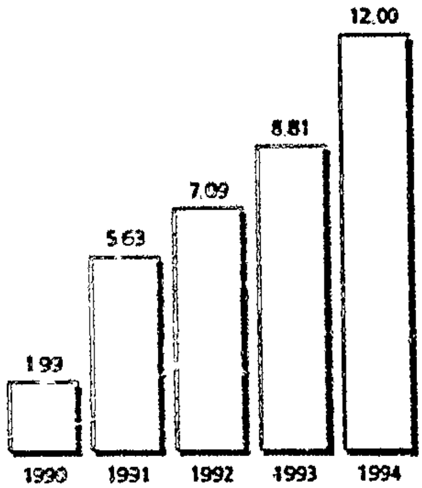
Turnover £million



Profit before tax £million



Fully diluted earnings per ordinary share pence



Dividend per ordinary share pence

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

Chairman's statement

Results

Since coming to the Stock Market in 1987, Airtours plc has delivered uninterrupted growth in profits, earnings and dividends. The year to 30th September 1994 has maintained this trend with turnover rising by 57.9% to £971.7m and profits before tax rising by over 66% to £75.8m. Earnings per share, on a fully diluted basis, rose by 62.6%. Even after adjusting the prior year figure to exclude the costs of the abortive bid for Owners Abroad Group plc, there is still an increase of 39% in profits before tax and 24.3% in earnings per share.

The year to 30th September 1994 included a number of notable events in the Group's development:

Scandinavian Leisure Group (SLG)

This business was acquired from SAS on 2nd June 1994 for a consideration of £80m. It has had a successful summer season and made a contribution to pre-tax profits of £13.7m which was substantially ahead of budget.

Fly-cruise

On 28th April 1994 we announced that we had entered into a contract to purchase the 800 berth MS Southward, to be re-named MS Seawing, for £16m, which included the cost of a complete refit. The MS Seawing enables Airtours to offer a totally new product for the UK holiday market and is part of our on-going development of additional value added products and businesses which can benefit from our existing infrastructure. The fly-cruise concept has been enthusiastically embraced by the market and 94% of the capacity for 1995 on the MS Seawing has already been sold. Accordingly, we are increasing our investment in this sector and on 17th October 1994 we announced the purchase of the 1,062 berth MS Nordic Prince, to be renamed MS Carousel, for £35m.

Staff

Airtours excellent record could not be achieved without exceptional and dedicated staff. On behalf of the Board I would like to express to all of them our sincere appreciation of their efforts.

Board

On 20th January 1994 Tom Trickett retired from executive duties with the Group. He remains on the Board in a non-executive capacity where his long experience of the industry is invaluable to the Group.

I am pleased to welcome to the Board as a non-executive Director Tom Farmer, who is the Chairman and Chief Executive of Kwik-Fit Holdings plc.

I am also pleased to welcome to the Board Roger Davies, former Chairman and Chief Executive of Thomson Travel Group, who assumed the position of Chairman of our Retail Division on 1st March 1994.

Outlook

Bookings taken by Airtours Holidays for winter 1994/95 are currently 26.9% ahead of the previous year and early bookings for summer 1995 are 13.0% ahead. Capacity on our second cruise ship is selling well and ahead of budget. We have increased our share of both the winter and summer markets to 21.9% and 24.8% respectively. Whilst these market shares show

- Acquisition of Scandinavian Leisure Group
- Delivery of two new Boeing 767 aircraft
- Acquisition of Tradewinds
- Launch of fly-cruise programme
- Acquisition of Binimar Hotel

significant increases as a consequence of highly successful brochure launches, we would anticipate some decline as the seasons develop.

EuroSites bookings are also 50.3% ahead of the previous year.

Our Retail division, Going Places, has also recorded increases in bookings for both winter 1994/95 and for summer 1995, representing further increases in market share.

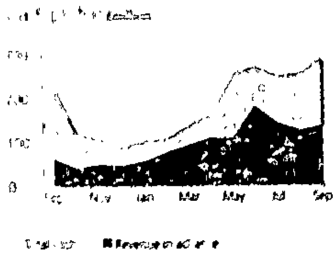
In Scandinavia, holidays for summer 1995 are traditionally not introduced to the market until late December but bookings for winter are 11.3% ahead of the previous year.

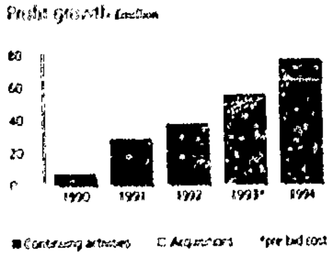
We consider that vertical integration is essential to profitable growth in the leisure travel industry and that the growth is driven by distribution capability. It is for that reason that we have stated our intention to further expand the number of Going Places branches. An increase in the number of in-house agencies and the development of the Late Escapes telesales operation will assist the sale of Airtours' holidays which in turn will generate additional profit opportunities for the in-house airline, hotel and fly-cruise divisions.

We believe that this strategy, coupled with the further expansion of EuroSites and the realisation of further opportunities arising from the SLG acquisition, places Airtours in a favourable position for the future.

David Crossland
Chairman

Financial review





The last financial year has seen a continuation of the Group's historic growth trends in the UK and a substantial profit contribution from a major overseas acquisition. Although the increased size of the Group will inevitably result in a substantial increase in seasonal losses during the first half, the Group enters the new year in excellent financial condition.

Results

Turnover for the year rose by 57.9% to £971.7m. Within this total, £151.4m is attributable to the acquisition of the Scandinavian Leisure Group.

Profits before tax at £75.8m were 66.4% ahead of the previous year's reported profit, or 39% ahead after adjusting the prior year figure in respect of the £9.0m costs incurred in the course of the bid for Owners Abroad Group plc. Included in the current year's profits is a contribution of £13.7m from SLG.

Basic earnings per share rose by 72.2% to 49.24p or, on a fully diluted basis, by 62.6% to 44.37p. Perhaps a more meaningful comparison is achieved by excluding the abortive bid costs from the previous year's fully diluted earnings per share figure which would give an adjusted increase of 24.3%.

Dividend

Reflecting the strong earnings growth and a commitment to a progressive dividend policy,

- Eighth successive year of record profits
- Fully diluted earnings increased by 62.6% to 44.37p
- Dividend increased by 36.2% to 12.00p
- Shareholders' funds exceed £145m

your Board is recommending a final dividend of 10.9p per share which, with the interim dividend of 1.1p, makes a total for the year of 12p net per ordinary share. This represents a 36.2% increase over the previous year. Dividend cover is over four times earnings.

It is the Board's intention, when contemplating the dividend policy for 1995, to consider increasing the percentage of the total anticipated dividend which may be paid out as an interim dividend.

Balance Sheet

Shareholders' funds more than doubled over the financial year. This was partly due to the raising of £82m of new equity capital, net of expenses, to assist in the funding of the acquisition of SLG and the MS Southward. Goodwill of £43.9m resulting from the acquisition has been written off against reserves. Out of the current year's profit, £35.6m was retained within the business for future investment.

Other capital expenditure during the year included £15.9m upon aircraft spares, reflecting the growth in the size of the fleet. Other items of note are the purchase of the Binimar hotel in Menorca for £6.8m and the continuing investment in information technology in order to maintain competitive advantage.

Despite these substantial investments, cash balances at the end of the year had increased by £71.3m to £291.9m.

Treasury Management

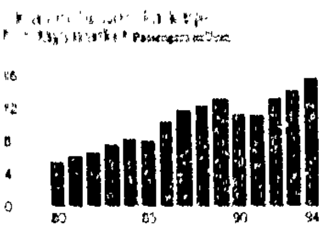
Airtours minimises its operating exposures to exchange or interest rate movements or to changes in the price of aviation fuel by effecting a range of forward contracts and options at the time each of the Group's brochures are costed and priced.

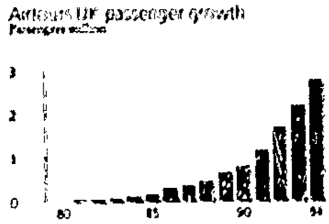
Bonding

The ability to obtain facilities for the provision of bonds or guarantees to the Civil Aviation Authority in the UK and to similar bodies overseas is a major factor affecting the growth of tour operators.

On 8th November 1994 Airtours announced that it had negotiated a new five year bonding facility on a totally unsecured basis in the amount of £200m. This will cover all of the enlarged Group's bonding requirements for the foreseeable future.

Harry Coe
Finance Director





Airtours plc is now a large multi-national group, employing over eight thousand people operating in twelve countries. The various operations are grouped into six principal operating divisions each of which is featured separately in the following pages.

A measure of our size is that during the year ended 30th September 1994 Group companies handled the following volumes of people:

Retail:	3.6 million
Tour operations:	3.5 million
Airline:	2.6 million
Hotels:	0.2 million

The most significant event for Airtours plc over the last twelve months has undoubtedly been the acquisition in June 1994 of the Scandinavian Leisure Group which is the largest leisure travel company in Scandinavia. SLG gives the Group a leading position in a totally new market, albeit one which mainly serves the same destinations as the UK market. This provides a range of opportunities for profit improvement, all of which are being actively pursued. Post-acquisition, SLG contributed profits before tax of £13.7m, which was substantially ahead of budget.

In the UK, the holiday industry experienced strong growth in demand in winter 1993/94. Exceptional and slightly artificial early demand occurred in respect of summer 1994 as a result of the discounting campaigns of various travel agency groups including our own Going Places. As we have publicly stated on various occasions

- Increased market share in retail division
- Increased market share in UK tour operations
- Recovery in Scandinavian economy
- Additional capacity in airline
- Improved occupancy levels in hotels

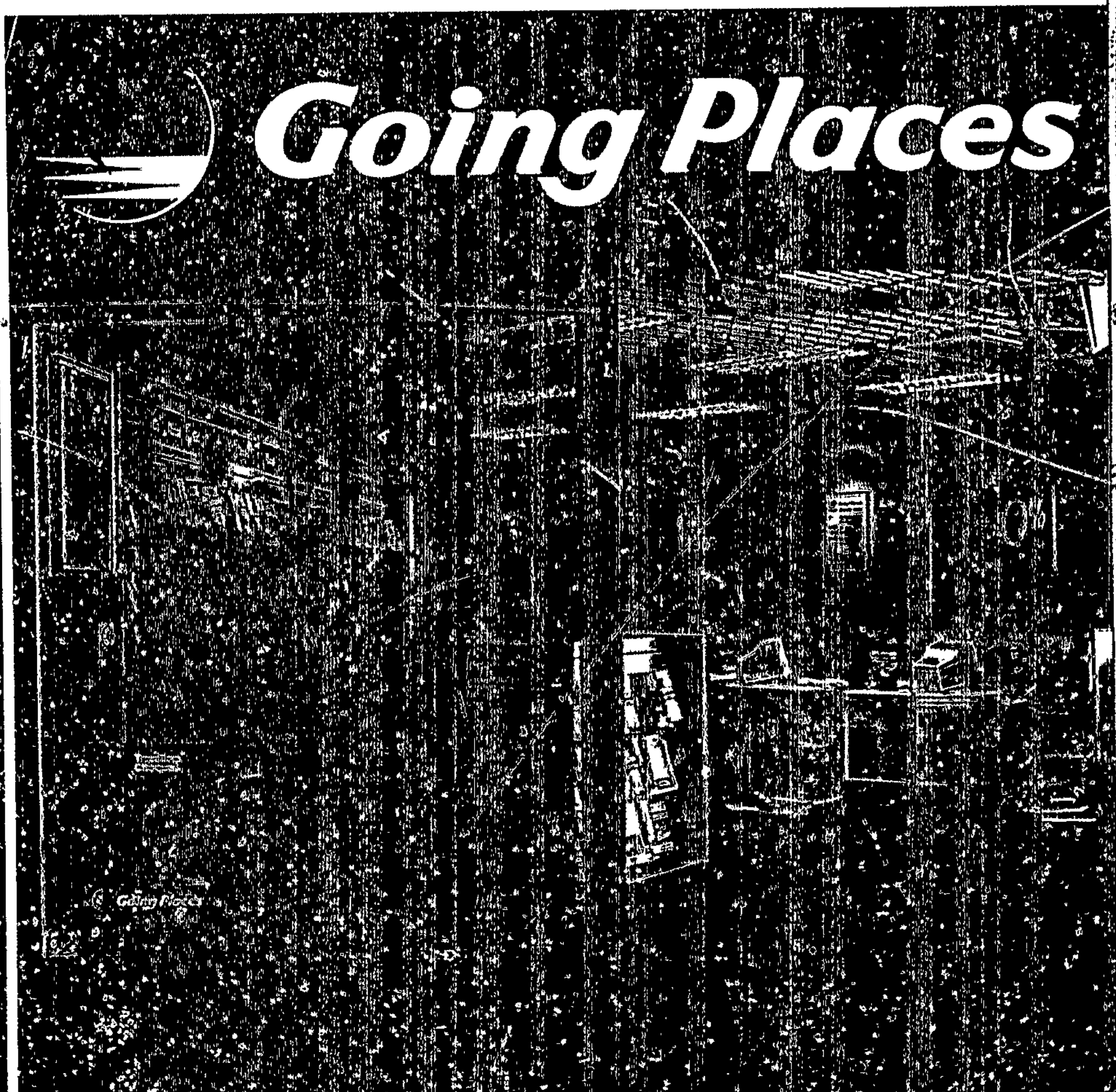
during the year, the increase in the industry's early bookings could not be sustained, but they nevertheless finished 19% ahead of the previous year. There were inevitably some difficulties encountered along the way with cost pressures from overseas hoteliers, who were enjoying the benefits of increased demand from a number of European countries. Exceptional UK weather in late summer also adversely affected demand in peak season. Whilst not immune from these problems, Airtours' performance in the peak booking periods gave it the necessary cushion to ride out the difficulties of late summer 1994.

Being a vertically integrated Group brings major benefits to Airtours. It is important to ensure that there is no imbalance of resource at the various levels of this productive chain. For this reason, the Airtours Group has not expanded the flying capacity of Airtours International beyond the level at which its profitability can be guaranteed by demand from Airtours Holidays. Similarly, whilst there may be further investment in overseas accommodation, this will not increase our in-house accommodation capacity above 20% of our requirements in any resort.

Hugh Collinson
Managing Director

Retail

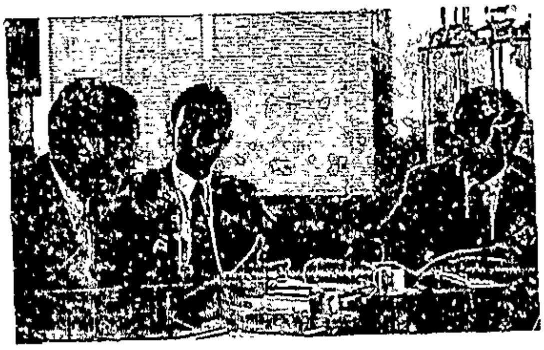
Going Places is the UK's second largest travel agency with a network of 605 shops across the UK. This provides invaluable support for the distribution of Airtours' own products together with those of other major tour operators.



Using advanced technology, the Group obtains invaluable market information from its retail network

Going Places benefits from the guaranteed availability of a wide range of products from Group companies

Richard Carrick of Airtours Holidays outlines plans for product development to Colin Savery and Stephen Baynard of Going Places



The last financial year has been one of continuing change and development within the Retail Division. The integration of the separate Head Offices of Pickfords Travel and Hogg Robinson Leisure Travel was completed and the combined business located in Woking.

Having completed the physical integration, a major re-branding exercise was undertaken and the "Going Places" name was announced on 16th December 1993. Within seven days, every one of the Company's 545 retail shops had been fitted out with new facias, signage and stationery. This was a logistical exercise of great complexity and it is a tribute to all concerned that it went so smoothly and according to plan.

The merging of two large retail branch networks inevitably results in a degree of duplication with some shops being closer to others than would be considered ideal. As long as each shop continues to make a satisfactory contribution to central overhead, there is little merit in closure despite the close proximity of a second Going Places outlet. Nevertheless, the profitability of each shop is under constant review.

We have achieved an increase in market share over the year and the number of shops has increased from 545 at the end of September 1993 to 605 following the recent acquisition of Winston Rees (World) Travel. The current financial year will see further increases in the number of shops which will come from a combination of acquisitions and green field site developments.

On 5th October 1994 we announced the acquisition of Late Escapes which is a telephone sales business specialising in the sale of holidays within eight weeks of departure. Late Escapes makes extensive use of the teletext information services for the marketing of its services directly to customers in their homes and employs 85 telephone sales executives. It represents an important extension to our range of distribution services and has important strategic implications as emerging technologies place increasing decision-making power into the home of the customer.

R. O. Davies

Roger Davies
Chairman, Going Places

Airline

With profitable utilisation of its aircraft guaranteed by Airtours Holidays, Airtours International has maintained its position as the UK's most efficient leisure airline with the highest utilisation of its fleet and the highest load factors on its aircraft.

The quality and standard of service of Airtours International brings direct benefits to the customers of Airtours Holidays who consistently award it higher satisfaction ratings than those obtained by any other airline contracted by the tour operator.

Airline finance director Clive Parlaston looks on as Steve Endacott outlines the tour operator's requirements to ground services director Robin Walling

Airtours International

Airtours International commenced operating in 1991 to satisfy part of the flying requirements of Airtours Holidays and to provide a level of quality and service which enhanced the holiday experience. Both of these objectives have been achieved and Airtours International consistently receives higher satisfaction ratings from Airtours Holidays passengers than any other airline utilised by the Group.

During the last financial year, Airtours International has provided 63% of the flying requirements of Airtours Holidays and made a substantial contribution to Group profits. This was made possible by achieving a higher utilisation of its fleet than any other leisure airline in the UK. During the financial year the fleet consisted of two Boeing 767s, two Boeing 757s, eight MD83s and two Airbus A320s.

In spring 1994, the airline took delivery of two new Boeing 767-300s which are based at Gatwick and Manchester airports. They offer non-stop flights to Florida and the Caribbean and during the winter months they also fly to Las Vegas and to Australia. The introduction of these aircraft went smoothly and they have proven to be a great success with passengers.

On 21st October 1994 it was announced that operating leases had been signed for a further four Boeing 757 aircraft, all of which will be brought into service by spring 1995. These aircraft will operate on the more popular medium haul destinations where their 233 seat capacity makes them more economical than smaller aircraft.

On the shorter, or lower density routes from regional airports, the airline will continue to operate either McDonnell Douglas MD-83s or Airbus A-320 aircraft.

Following the delivery of the additional Boeing 757s the fleet will consist of:

Boeing 767s	2
Boeing 757s	6
MD83s	8
A320s	2

In addition to the above, we shall continue to operate a further four aircraft on a summer only basis.

Premiair

SLG has a 50% shareholding in Premiair, which is the Scandinavian joint venture formed out of the merger of SLG's charter airline (Scanair), with the Danish airline Conair. Premiair operates a fleet of four DC10-10s and four Airbus A320s, supplemented by additional aircraft on summer only leases. The improved trading conditions in Scandinavia and the 85% utilisation guaranteed by Premiair's shareholders has resulted in a satisfactory turn around from the losses suffered by its predecessor airlines.

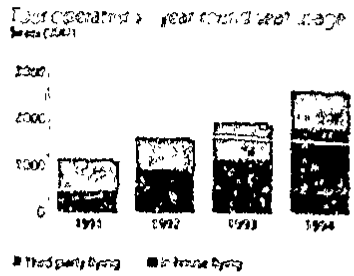
Mike Lee
Managing Director, Airtours International

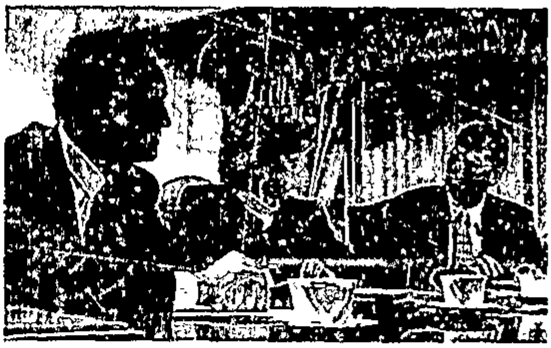

Airtours

al operations

The Going Places travel agency chain provides guaranteed distribution of Airtours Holidays products

Airtours Holidays contracts 63% of its flying requirements with Airtours International. The remaining 37% is purchased from third party airlines on terms which give considerable flexibility and cancellation rights. This provides an important buffer against changes to expected levels of demand





Matthew Cheetham of Eurosites and Anita McErlean of Airtours Holidays discuss future system developments with IT director Terry Sweeney

Tour operations - UK

The UK tour operating industry saw significant growth over the last year with winter 1993/94 bookings ahead by 10% and summer 1994 bookings ahead by 19%. In both of these seasons Airtours Holidays out-performed the market achieving a market share of 20.5% for winter and 21.4% for summer.

Winter performance was assisted by the introduction of the Company's first comprehensive ski programme which, although small compared to the Winter Sun volumes, exceeded its first year objective of a profitable 6% market share.

The initial booking period for summer 1994 saw very strong demand in the market place due partly to the discounting strategies of the leading travel agency chains.

Airtours' performance in the summer market benefited from a new branding strategy. The Aspro brand, acquired in the previous year, was positioned at the value for money or price-led end of the market. Airtours Holidays is the main market brand with particular appeal to families and in December 1993 we acquired the Tradewinds brand which offers more exclusive and exotic holidays, mainly on scheduled flights, to destinations all over the world.

Sales under the Aspro brand were highly satisfactory with a significant contribution being generated. Although Tradewinds sales in 1994 were limited by the time available for brochure production after the acquisition of the brand, it nevertheless made a contribution to profits in the year. The new brochure for 1995 has a significantly enhanced product range and early bookings are encouraging.

As part of its ongoing drive for improved quality and customer satisfaction, Airtours Holidays maintains a full time team of Health and Safety experts whose function is to constantly monitor the quality and content of the Airtours overseas product portfolio.

EuroSites experienced another highly successful year with a further increase in profits. Of particular note was the strong performance of the Dutch and German companies. Despite a planned increase in capacity, which was further augmented as the booking season progressed, demand for the EuroSites product was so strong that virtually all capacity had been sold by the end of March. Demand for the more profitable mobile homes was particularly strong and there has been further investment in this area to increase our capacity for summer 1995.

Airtours Holidays' bookings for winter 1994/95 and summer 1995 are currently ahead of the previous year. There are a number of new products within the portfolio including new destinations such as Australia, Las Vegas and the new fly-cruises on our own ships, all of which are selling well.

Hugh Collinson
Managing Director, Airtours Holidays

The Scandinavian acquisition offers numerous cross marketing opportunities that will benefit other areas of the group: selling the Sunwing Hotel concept into the UK via Airtours and selling UK customers Scandinavia via Ving

Virtually all of the resorts operated by SLG are also covered by Airtours. The substantial increase in customers represented by the combined businesses provides a number of opportunities to increase profits in resorts

Lars Thuesen clarifies a point on the Paradise programme to commercial director Lennart Pelhak and SLG President Christer Sandahl

Tour operations - Scandinavia

The Scandinavian Leisure Group was acquired by Airtours on 2nd June 1994. It is the largest tour operator in Scandinavia with particular strength in Sweden and Norway, where it is the market leader. 70% of sales are made directly to the customer either by telephone sales or through our own direct sales outlets. The remaining 30% of sales are effected via third party travel agents in much the same manner as in the UK.

During the winter of 1993/94, SLG had undertaken a major re-structuring of its operations and this, coupled with an improvement in the Scandinavian economies, resulted in a greatly improved performance in summer 1994.

In the period post-acquisition, SLG carried 9.5% more passengers than in the previous year. Of far greater significance was the strength of the early bookings which resulted in a much smaller percentage of late and discounted sales with a resulting improvement in margins.

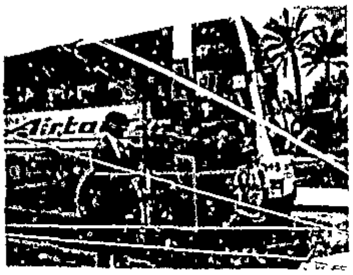
The distribution under our main brands may be summarised:

	Sweden	Norway	Denmark
Direct sales:			
Brand	Ving	Ving	Ving
Own branches	31	17	2
Agency sales:			
Brand	Always	Saga	–
Agency branches	300	200	–

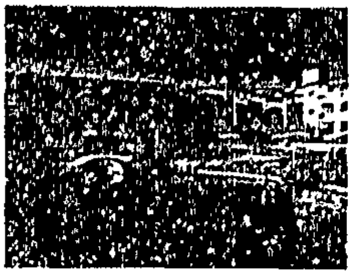
Full advantage is being taken of the synergies between Airtours and SLG. This is particularly true of overseas costs where early initiatives are already showing significant savings.

Christer Sandahl

President & CEO, Scandinavian Leisure Group

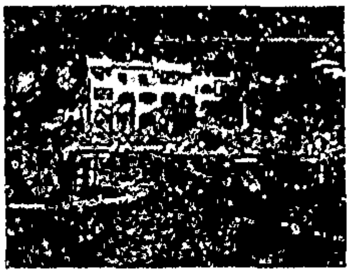


SLG's 'Ving' brand has exclusive rights to market the popular Sunwing Hotel concept in Scandinavia



Hotels

The Group now controls 16 hotels and holiday complexes located in the principal resorts served by the Group's tour operators



This keeps within the Group a higher percentage of the money spent in resort by its customers as they utilise on-site facilities and services

Claes Bernhard discusses accommodation requirements with Paul Evans of Airtours Holidays and Sam Weihagen of SLG

This division consists of 16 accommodation complexes in the principal holiday destinations served by the Airtours Group. The Bouganvilla Park in Majorca was leased by Airtours in 1993. The purchase of the Binimar hotel in Menorca was not completed until November 1994 and it therefore made no contribution to profits in the financial year. The remaining 14 properties were acquired as part of the Scandinavian Leisure Group and mainly operate under the Sunwing brand name. All of these hotels have now been brought under one experienced management team in the Sunwing Hotels division.

The benefit from the ownership or management of these hotels is that they are used almost exclusively by the Group's tour operating businesses and in many cases can justify premium prices. It also enables the Group to control important quality issues and provides significant opportunities for generating additional in-resort income which is lost when passengers stay in third party-owned accommodation.

The summer of 1994 saw a significant improvement in the profitability of the Sunwing hotels, with occupancy levels increasing from 73% in 1993 to over 90% in 1994. All of the SLG hotels, other than the two in Sweden, are now featured in the Airtours Holidays brochures for summer 1995 and these occupancy levels should therefore be sustained.

The Group's portfolio consists of the following:

Hotel	Freehold/ leasehold	Rooms
Sunwing Alcudia, Majorca	L	429
Sunwing Cala Bona, Majorca	F	394
Bouganvilla Park, Majorca	L	609
Mimosa, Majorca	F	287
Binimar, Menorca	F	404
Sunwing Arguineguin, Gran Canaria	F	266
Sunwing Playa Ingles, Gran Canaria	L	250
Sunwing Sandy Bay, Cyprus	L	342
Sun Garden, Cyprus	L	259
Sunwing Rhodes	F	359
Beach Hotel, Rhodes	F	168
Helios, Rhodes	L	31
Sunwing Crete	F	355
Sunwing Åre (Ski), Sweden	L	206
Sunwing Ekerum (Golf), Sweden	Management contract	65
Sunwing Gambia	L	200

Tenerife Sol

In addition to the above, the Group owns a 50% share of Tenerife Sol SA which owns and operates three hotels with a total of 1,136 rooms in the Canary Islands. Tenerife Sol SA is a joint venture with the Sol Hotels Group of Spain.

Claes Bernhard

Claes Bernhard
Managing Director, Sunwing Hotels

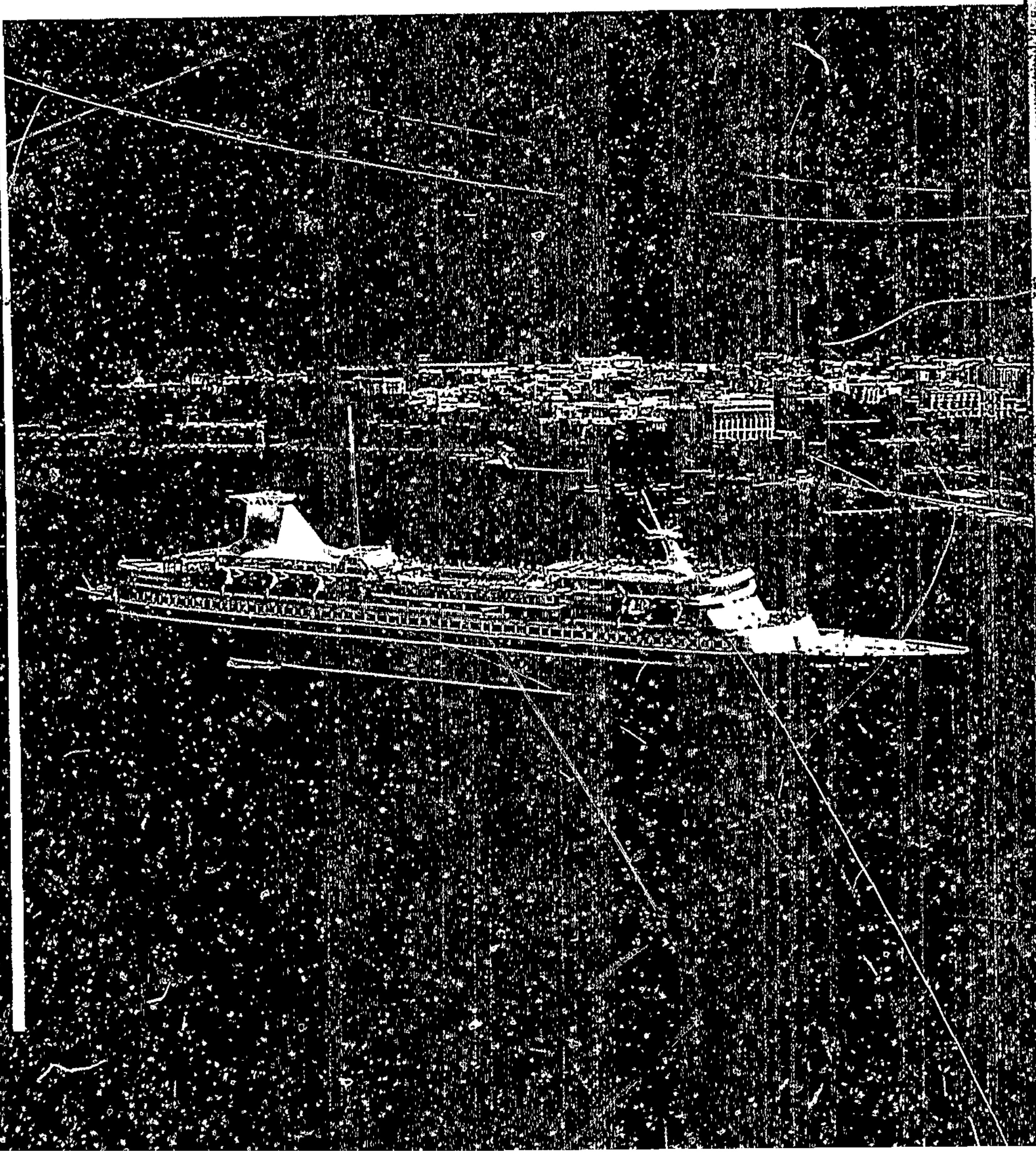
[illegible]

The [illegible] are an important element of the holiday experience which may have started with the booking at Going Places followed by a flight with Airtours International. Management of the hotels is an aid to the [illegible] of quality of the holiday

Fly-cruise

This latest venture derives substantial added value from the Group's existing cost structure. The fly-cruise product is marketed by Airtours Holidays in the UK and by Ving in Scandinavia

Passengers fly to their embarkation points on existing Airtours International and Premiair flights



Sales are significantly helped by the Going Places distribution network

Group financial controller Tim Byrne with John Drysdale and Phil Mitchell as they explain the fly-cruise concept

In recent years cruising has grown in popularity in most of the western economies and in the UK it is expected to double in size by the year 2000. In the UK it will still be a relatively small market of some 0.5m passengers as a result of its image of high cost and exclusivity.

The market in the United States has developed differently and more rapidly with a much younger clientele enjoying a high value but competitively priced product.

On 28th April 1994 Airtours announced its intention of creating for the UK market a product priced at a level which would appeal to its existing customer base. Airtours' invested £16m in the 800 berth MS Seawing which will cruise the Mediterranean in the summer months and the Canary Islands in the winter. The holidays are marketed by Airtours Holidays which is responsible for all operational and customer related matters other than the actual running of the ship. Using the existing Airtours Holidays infrastructure enables considerable cost savings in the operation of this new venture. Passengers fly on existing Airtours International and Premiair flights from their local airports in the UK and Scandinavia to their point of embarkation. The operational management of the ship is sub-contracted to an experienced cruise operator.

Customer demand for this new product has been very strong and for summer 1995, 94% of the capacity on the MS Seawing is already sold. As a consequence of this, a £35m investment in a second cruise ship, the 1,062 berth MS Nordic Prince was announced on 17th October 1994. This ship will be re-named the MS Carousel and, although it has only been on sale for a few weeks, demand has been very encouraging and ahead of budget.

The first cruises commence on 25th March 1995 for the MS Seawing and on 6th May 1995 for the MS Carousel.

John Drysdale

John Drysdale
Chief Executive, Fly-cruise

Board of Directors

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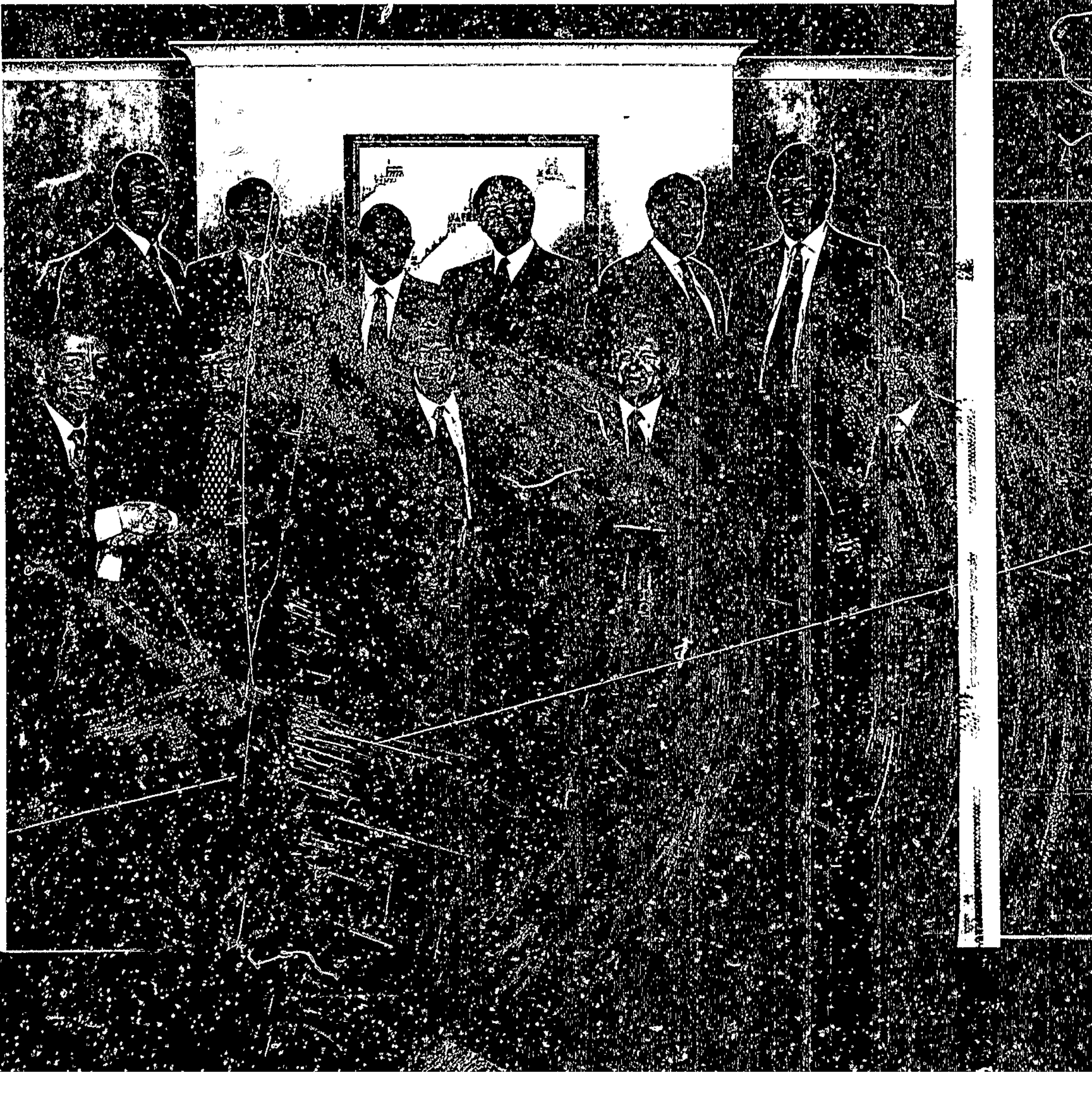

David Crossland†
Aged 47. Chairman and principal shareholder of the Company since 1972. Over 30 years experience in the travel industry.

Sir Michael Bishop CBE†*
Aged 52. Non-Executive Director appointed in 1987. Chairman, Airlines of Britain Holdings plc, the parent company of British Midland Airways, Manx Airlines and Loganair. Also a Non-Executive Director of Williams Holdings plc and the Channel Four Television Corporation where he is Chairman.

Harry Coe FCA, ATII
Aged 50. Joined the Company in 1988 as Finance Director. After leaving professional practice held Board level appointments in a diverse range of industries including electronics, printing, financial services and commercial television.

Hugh Collinson FCA
Aged 50. Managing Director since July 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 49. Appointed Director in March 1994, Chairman of the retail division. Has 25 years experience in the travel industry, 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 54. Non-Executive Director appointed in July 1994. Chairman of Kwik-Fit Holdings plc. Also Chairman of Investors in People Scotland as well as being a board member of Scottish Enterprise and Investors in People UK.

Mike Lee FCCA
Aged 47. Joined Airtours in 1990 and appointed to the Board in 1993. Managing Director of Airtours International. Has 29 years airline industry experience.

George Marcall
Aged 44. Joined Airtours in 1986 and appointed to the Board in 1991. Responsible for Sales and Marketing. Previously with Marks & Spencer plc for thirteen years.

Eric Sanderson CA, FCIBS†*
Aged 43. 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 63. Non-Executive Director of the Company since his retirement from executive duties in January 1994. Has been a Director since 1972. Prior to 1977 was in the engineering industry with Lucas Electrical.

Ton Waslander
Aged 46. Joined Airtours in 1986 and appointed to the Board in 1991. Responsible for Group overseas operations. Has over 20 years experience in the travel industry.

†member of remuneration committee
*member of audit committee

Directors' report

The Directors present their report together with financial statements for the year ended 30th September 1994.

Principal activities

Airtours is a fully integrated Group of Companies operating within the leisure travel 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 servicing the requirements of the in-house tour operator.

On 2nd June 1994 the Group acquired SAS Leisure AB, which is the largest tour operator in Scandinavia, and which also owns or manages 14 resort hotels mainly operating under the Sunwing brand name.

During the year the Group's activities have been expanded further by its entry into the fly-cruise market. On 28th April 1994 the Group announced its proposed acquisition of the MS Southward, to be re-named the MS Seawing, and on 17th October 1994 announced its proposed acquisition of the MS Nordic Prince, to be re-named the MS Carousel.

A review of the Group's activities and its financial position at 30th September 1994 are reported in the Chairman's statement and in the financial, operational and business reviews on pages 4 to 21.

Results and dividends

There was a profit for the year after taxation and minority interests amounting to £52,455,000 (1993: £28,947,000) from which the preference dividend amounting to £3,226,000 has been deducted. The Directors recommend a final dividend of 10.90p (1993: 7.83p) per ordinary share amounting to £12,398,000, in addition to the interim dividend of 1.10p (1993: 0.98p) per ordinary share, amounting to £1,251,000, paid on 28th July 1994. The retained profit of £35,580,000 has been added to reserves.

Directors

The Directors 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 R O Davies and Mr T Farmer who were appointed to the Board on 1st March 1994 and 4th July 1994 respectively. In accordance with the Articles of Association Mr Davies and Mr Farmer retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr D Crossland and Mr R G Marcall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Their service contracts are terminable by the Company at any time on two years notice.

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.

Corporate governance

The Directors are of the opinion that, with the exception of the number of Non-Executive Directors appointed to the Board, 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 other than with paragraph 4.5 for which official guidance on compliance has not yet been issued. The Board is confident that the Company will be able to comply with the outstanding recommendation of the Code when guidance has been published.

With the retirement from executive duties of Mr T Trickett on 20th January 1994 and the appointment to the Board of Mr T Farmer on 4th July 1994, the Board now has sufficient Non-Executive Directors to meet the requirements of the Code.

Although guidance on the use of the going concern basis in preparing the accounts was only issued in November 1994 the Directors are able to state that after making appropriate enquiries, they believe that the company 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 accounts.

The Company's auditors, Grant Thornton, have reviewed this compliance statement in relation to corporate governance as specified for their review by the London Stock Exchange.

They have confirmed that the comments on going concern set out above comply with the guidance issued to directors on reporting on going concern in accordance with the Code and are consistent with the information of which they are aware based on their normal audit work on the financial statements, and the statement appropriately reflects the Company's compliance with the other paragraphs of the Code specified for their review.

Insurance effected for Directors and officers

The Company has maintained insurance for the Directors and certain officers of the Group against liability arising for 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 aircraft spares (£15,865,000), computer equipment (£6,386,000) and the Binimar hotel (£6,800,000).

The net book value of fixed assets sold or scrapped during the year was £11,991,000.

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 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 has been made during 1994. 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 £8,000 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 25th November 1994, the Company had been notified of the following shareholdings, in addition to those of Directors listed in note 8 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	15,996,618	14.06
GE Investments	5,226,008	4.59

Annual General Meeting

The Directors are taking the opportunity at the forthcoming Annual General Meeting to be held at the Belfry Hotel, Wilmslow, Cheshire, on 26th January 1995 to propose the adoption of new articles of association for the Company. The existing articles were adopted over 7 years ago and the Directors believe that it is appropriate to bring the articles into line with the present day requirements of corporate governance having regard, inter alia, to The Cadbury Committee Report and the requirements of such bodies as the Association of British Insurers. A summary of the material changes proposed to be made to the articles of association is contained in the separate circular accompanying this document.

Auditors

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

Registered office
Wavell House, Holcombe Road
Helmshore, Rossendale
Lancashire BB4 4NB

By order of the Board
D C Burns
Secretary
14th December 1994

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 1994. 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) 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. Where audited financial statements are not co-terminous with those of the Group, the share of profits less losses of the associated undertakings has been arrived at from the last audited financial statements available and unaudited management accounts for the period up to the Group's balance sheet date.

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 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.

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 air frames 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
Computer equipment	4 years
Aircraft spares	15 years
Other fixed assets	3 to 15 years

7) Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

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 and is accounted for to the extent that it is probable that a liability or asset will crystallise.

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 1994	Notes	1994 £000	1994 £000	1993 £000
Turnover	1			
Continuing operations		820,365		615,563
Acquisitions		151,377		–
			971,742	615,563
Cost of sales			842,306	529,661
Gross profit			129,436	85,902
Net operating expenses	1		64,741	42,254
Operating profit before abortive bid costs			64,695	43,648
Abortive bid costs			–	8,991
Operating profit	1			
Continuing operations		49,457		34,657
Acquisitions		15,238		–
			64,695	34,657
Profit on disposal of subsidiary undertaking	2		3,500	–
Profit on ordinary activities before interest			68,195	34,657
Net interest	3		7,567	10,872
Profit on ordinary activities before tax	1		75,762	45,529
Tax on profit on ordinary activities	4		23,038	16,582
Profit on ordinary activities after tax			52,724	28,947
Minority interests – equity			269	–
Profit for the financial year	5		52,455	28,947
Dividends	6			
Equity		13,649		8,304
Non-equity		3,226		2,055
			16,875	10,359
Profit retained	19		35,580	18,588
Basic earnings per ordinary share	7		49.24p	28.59p
Fully diluted earnings per ordinary share	7		44.37p	27.29p

Statement of total recognised gains and losses

Year ended 30th September 1994	1994 £000	1993 £000
Profit for the financial year	52,455	28,947
Currency differences on foreign currency net investments	663	–
Total recognised gains and losses for the year	53,118	28,947

The accounting policies on pages 26 and 27 and notes on pages 32 to 48 form part of these financial statements.

Group balance sheet

At 30th September 1994	Notes	1994 £000	1994 £000	1993 £000
Fixed assets				
Tangible assets	9		109,054	38,154
Investments	10		2,842	–
			111,896	38,154
Current assets				
Stocks	11	2,744		–
Debtors: mounts falling due within one year	12	107,316		86,703
Investments	13	4,679		–
Cash at bank and in hand		291,909		220,615
		406,648		307,318
Creditors: amounts falling due within one year	14	384,256		275,270
		22,392		32,048
Debtors: amounts falling due after one year	15	56,206		18,850
Net current assets			78,598	50,898
Total assets less current liabilities			190,494	89,052
Creditors: amounts falling due after one year	16	32,934		16,807
Provisions for liabilities and charges	17	11,949		243
			44,883	17,050
Net assets			145,611	72,002
Capital and reserves				
Called up share capital	18		21,494	19,350
Share premium account	19		79,906	51,175
Profit and loss account	19		44,032	1,477
Shareholders' funds			145,432	72,002
Minority interests – equity			179	–
			145,611	72,002
Shareholders' funds				
Equity shareholders' funds			96,187	22,757
Non-equity shareholders' funds			49,245	49,245
			145,432	72,002

The financial statements were approved by the Board of Directors on 14th December 1994.

A H Coe
Director

The accounting policies on pages 26 and 27 and notes on pages 32 to 48 form part of these financial statements.

Company balance sheet

At 30th September 1994	Notes	1994 £000	1994 £000	1993 £000
Fixed assets				
Tangible assets	9		18,361	12,450
Investments	10		180,638	65,568
			198,999	78,018
Current assets				
Debtors: amounts falling due within one year	12	71,012		65,058
Cash at bank and in hand		146,560		86,762
		217,572		151,820
Creditors: amounts falling due within one year	14	272,772		134,251
		(55,200)		17,569
Debtors: amounts falling due after one year	15	32,086		2,878
Net current (liabilities)/assets			(23,114)	20,447
Total assets less current liabilities			175,885	98,465
Creditors: amounts falling due after one year	16	565		119
Provisions for liabilities and charges	17	1		75
			566	194
Net assets			175,319	98,271
Capital and reserves				
Called up share capital	18		21,494	19,350
Share premium account	19		79,906	51,175
Other reserves	19		51,175	-
Profit and loss account	19		22,744	27,746
			175,319	98,271
Shareholders' funds				
Equity shareholders' funds			126,074	49,026
Non-equity shareholders' funds			49,245	49,245
			175,319	98,271

The financial statements were approved by the Board of Directors on 14th December 1994.

A H Coe
Director

The accounting policies on pages 26 and 27 and notes on pages 32 to 48 form part of these financial statements.

Group cash flow statement

Year ended 30th September 1994	Notes	1994 £000	1994 £000	1993 £000
Net cash inflow from operating activities	21		*83,941*	*78,642*
Returns on investments and servicing of finance				
Interest received		10,384		11,608
Interest element of finance leases		(41)		(395)
Interest paid		(2,776)		(341)
Dividends paid		(11,861)		(7,526)
Net cash (outflow)/inflow from returns on investments and servicing of finance			(4,294)	3,346
Tax				
UK Corporation tax paid		(13,323)		(13,189)
Overseas tax paid		(1,224)		(2,417)
Tax paid			(14,547)	(15,606)
Investing activities				
Abortive bid costs				
Purchase of shares		–		(18,895)
Cost of bid		–		(5,044)
Sales of shares		–		14,948
Net abortive bid costs		–		(8,991)
Net increase in longer term bank deposits	24	(32,078)		(12,412)
Purchase of tangible fixed assets		(40,656)		(15,846)
Purchase of investments		(4,708)		–
Sale of tangible fixed assets		11,150		2,839
Payments of unsecured loan stock		(6,082)		–
Net cash inflow/(outflow) on purchase of subsidiary undertakings	22	2,901		(12,020)
Sale of subsidiary undertaking		3,500		–
Purchase of goodwill		(931)		–
Acquisition expenses		(2,954)		(880)
Net cash outflow from investing activities			(69,858)	(47,310)
Net cash (outflow)/inflow before financing			(4,758)	19,072
Financing				
Issue of share capital	23	83,618		50,699
Expenses paid in connection with share issues	23	(1,568)		(1,354)
Minority interests		(90)		–
Capital element of finance lease rental payments	23	(181)		(15,813)
Loan repayments	23	(35,077)		–
Net cash inflow from financing			46,702	33,532
Increase in cash and cash equivalents	24		41,944	52,604

The accounting policies on pages 26 and 27 and notes on pages 32 to 48 form part of these financial statements.

Notes to the financial statements

1) Segmental information

	Continuing operations 1994 £000	Acquisitions 1994 £000	Total 1994 £000	Total 1993 £000
Turnover				
Tour operating	701,525	151,377	852,902	539,217
Travel retailing	118,840	–	118,840	76,346
	820,365	151,377	971,742	615,563
Cost of sales	720,149	122,157	842,306	529,661
Gross profit	100,216	29,220	129,436	85,902
Selling costs	4,918	406	5,324	3,395
Administrative expenses	38,352	8,570	46,922	34,642
Other charges	7,489	5,432	12,921	4,217
Share of profits/losses of associated undertakings	–	(426)	(426)	–
Net operating expenses	50,759	13,982	64,741	42,254
Abortive bid costs	–	–	–	8,991
Operating profit	49,457	15,238	64,695	34,657
Profit on ordinary activities before tax				
Tour operating	55,602	13,659	69,261	41,078
Travel retailing	6,501	–	6,501	4,451
	62,103	13,659	75,762	45,529
Net assets				
Tour operating	77,430	46,975	124,405	54,140
Travel retailing	21,206	–	21,206	17,862
	98,636	46,975	145,611	72,002

Continuing operations turnover and profit on ordinary activities before tax is all generated in the United Kingdom whilst that relating to acquisitions in the year is generated in Scandinavia.

The profit on ordinary activities is stated after	1994 £000	1993 £000
Operating lease payments		
– hire of aircraft and aircraft spares	37,178	18,715
– hire of other plant and machinery	449	752
– other	18,172	8,594
Auditors' remuneration		
– audit services – continuing operations	134	149
– audit services – acquisitions	125	–
Depreciation of tangible fixed assets		
– owned	13,323	7,912
– held under finance leases	355	569

Total auditors' remuneration for non-audit services was £123,000 (1993: £333,000).

2) Profit on disposal of subsidiary undertaking

	1994 £000	1993 £000
Profit on sale of subsidiary undertaking	3,500	–

The profit relates to the disposal on 16th March 1994 of Moon Leasing Limited. There is no tax liability on the profit owing to the availability of capital losses.

3) Net interest

	1994 £000	1993 £000
Interest payable on bank loans, overdrafts and other loans repayable within 5 years, otherwise than by instalments	2,776	341
Finance charges in respect of finance leases	41	395
	2,817	736
Bank interest receivable	10,384	11,608
	7,567	10,872

4) Tax on profit on ordinary activities

The tax charge is based on the profit for the year and is made up as follows	1994 £000	1993 £000
United Kingdom:		
Corporation tax	16,643	12,003
Deferred tax	3,604	1,140
	20,247	13,143
Overseas:		
Corporation tax	4,307	3,679
Deferred tax	(732)	–
	23,822	16,822
Adjustments in respect of prior years		
United Kingdom:		
Corporation tax	84	(621)
Deferred tax	(868)	381
	23,038	16,582

Corporation tax at 33% (1993: 33%) has been charged on the United Kingdom profits, and tax on overseas profits has been charged at the rates appropriate to each country.

The 1993 tax charge was affected as a result of the abortive bid costs incurred during that year for which no tax relief was available.

5) 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 £11,873,000 (1993: £8,434,000).

6) Dividends

	1994 £000	1993 £000
Equity dividends: Ordinary		
Ordinary shares – interim dividend of 1.10p per share paid 28th July 1994 (1993: 0.98p)	1,251	920
Ordinary shares – proposed final dividend of 10.90p per share payable 20th February 1995 (1993: 7.83p)	12,398	7,384
	13,649	8,304
Non-equity dividends: Convertible Cumulative Preference dividend of 6.375p per share (1993: 4.06p per share)	3,226	2,055
	16,875	10,359

The comparative figures for ordinary dividend per share have been restated to take account of the Rights Issue to existing shareholders in 1994.

7) 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 £49,229,000 (1993: £26,892,000) and on 99,974,666 ordinary shares of 10p each, being the weighted average number of ordinary shares in issue during the year ended 30th September 1994 (1993: 94,052,483).

Fully diluted earnings per ordinary share is based on adjusted earnings of £52,835,000 (1993: £29,103,000) and on 119,085,899 (1993: 106,657,857) ordinary shares of 10p each which takes account of all outstanding share options and the conversion of the convertible cumulative preference shares.

The comparative figure of ordinary shares in issue has been restated to take account of the Rights Issue to existing shareholders in 1994.

8) Directors and employees

Staff costs during the year were as follows	1994 £000	1993 £000
Wages and salaries	75,395	47,812
Social security costs	8,204	3,910
Other pension costs	3,031	1,682
	86,630	53,404

The average number of employees of the Group during the year was as follows	1994 Number	1993 Number
Tour operating	3,188	1,763
Travel retailing	3,149	2,056
	6,337	3,819

8) Directors and employees continued

Remuneration in respect of Directors was as follows	Chairman and highest paid Director 1994 £000	Chairman and highest paid Director 1993 £000	Total 1994 £000	Total 1993 £000
Management remuneration	279	256	1,351	1,020
Performance related bonuses	192	120	871	489
Benefits in kind	25	15	85	94
	496	391	2,307	1,603
Pension contributions	–	–	489	336
	496	391	2,796	1,939

Bonuses are dependent upon the performance of the Group against 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 other than the Chairman, excluding pension contributions, fell within the following ranges:

	1994 Number	1993 Number
£5,001 – £10,000	1	–
£15,001 – £20,000	1	1
£25,001 – £30,000	–	1
£30,001 – £35,000	1	–
£55,001 – £60,000	–	1
£65,001 – £70,000	–	1
£70,001 – £75,000	1	–
£175,001 – £180,000	1	–
£220,001 – £225,000	–	2
£255,001 – £260,000	–	1
£260,001 – £265,000	1	–
£265,001 – £270,000	1	–
£270,001 – £275,000	1	–
£310,001 – £315,000	1	–
£330,001 – £335,000	–	1
£390,001 – £395,000	1	–

The interests, beneficial unless otherwise indicated, of the Directors and their families in the shares of the Company at 1st October 1993 (or the date of their appointment to the Board if later) and 30th September 1994 were as follows:

	Ordinary shares 1994	Ordinary shares 1993	Class 1 options over ordinary shares 1994	Class 1 options over ordinary shares 1993**	Class 2 options over ordinary shares 1994	Class 2 options over ordinary shares 1993**	SAYE scheme options over ordinary shares 1994 and 1993**	Preference shares 1994 and 1993
D Crossland*	30,353,510	30,007,240	–	–	–	–	–	–
Sir Michael Bishop	67,200	56,000	–	–	–	–	–	–
A H Coe	34,594#	34,200#	171,620	121,620	358,372	308,372	6,265	–
H H Collinson	1,013,786	1,002,172	277,835	212,835	135,945	70,945	6,265	–
R O Davies	10,000	–	–	–	–	–	–	–
T Farmer	–	–	.	–	–	–	–	–
M C Lee	29,814	24,600	221,620	121,620	140,540	40,540	6,265	5,000
R G Marcall	12,889	10,918	134,120	121,620	259,064	246,564	6,265	–
E F Sanderson	6,240	5,200	–	–	–	–	–	–
T Trickett	8,000,000	8,000,000	–	–	–	–	–	–
T Waslander	21,839	18,200	134,120	121,620	259,064	246,564	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 m[illegible]d above.
** The comparative figures have been restated to take account of the Rights Issue to existing shareholders in 1994.
\# Indicates a non-beneficial interest.

In the period between 30th September 1994 and 25th November 1994 there were no changes in the Directors' interests referred to above.

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 at 30th September 1994.

Scheme	Date of Grant	Option Price	Exercisable From	To	A H Coe	H H Collinson	M C Lee	R G Marcall	T Waslander
Class 2	07.08.90	31.32p	07.08.95	06.08.00	267,832	–	–	206,024	206,024
Class 1	01.07.91	106.06p	01.07.94	30.06.01	109,458	190,538	109,458	109,458	109,458
Class 1	05.07.91	115.68p	05.07.94	04.07.01	12,162	22,297	12,162	12,162	12,162
Class 2	05.07.91	115.68p	05.07.96	04.07.01	40,540	70,945	40,540	40,540	40,540
SAYE	09.08.93	275.00p	01.10.98	31.03.99	6,265	6,265	6,265	6,265	6,265
Class 1	05.08.94	448.50p	05.08.97	04.08.04	50,000	65,000	100,000	12,500	12,500
Class 2	05.08.94	448.50p	05.08.99	04.08.04	50,000	65,000	100,000	12,500	12,500
					536,257	420,045	368,425	399,449	399,449

The number of ordinary shares under option and the option prices at which they are exercisable have been restated to take account of the Rights Issue to existing shareholders in 1994. Details of all share options granted to Directors during the year are set out in the table above. No Director exercised any share options during the year ended 30th September 1994.

The mid market price of the Company's ordinary shares at 30th September 1994 was 450p (1993: 400p) and the range during the financial year ended 30th September 1994 was 398p to 578p.

9) Tangible fixed assets

The Group	Total £000	Freehold land and buildings £000	Short leaseholds £000	Computer equipment £000	Aircraft and aircraft spares £000	Other fixed assets £000
Cost						
At 1st October 1993	77,818	-	21,936	24,218	11,458	20,206
Additions	40,672	8,420	2,601	6,386	15,865	7,400
Acquisition of subsidiary undertaking	88,881	44,415	4,029	3,970	15,598	20,869
Reclassifications	-	638	(610)	84	-	(112)
Exchange differences	(1,214)	(490)	(50)	(40)	(299)	(335)
	206,157	52,983	27,906	34,618	42,622	48,028
Disposals	27,285	1,464	763	4,320	16,812	3,926
At 30th September 1994	178,872	51,519	27,143	30,298	25,810	44,102
Depreciation						
At 1st October 1993	39,664	-	14,645	10,769	2,333	11,917
Provided in year	13,678	444	1,846	5,366	2,009	4,013
Acquisition of subsidiary undertaking	32,242	6,909	3,392	2,772	[illegible]	13,355
Reclassifications	-	-	319	1,315	[illegible]	(617)
Exchange differences	(472)	(85)	(42)	(29)	(55)	(261)
	85,112	7,268	20,160	20,193	10,084	27,407
Disposals	15,294	217	586	4,167	7,113	3,211
At 30th September 1994	69,818	7,051	19,574	16,026	2,971	24,196
Net book value at 30th September 1994	109,054	44,468	7,569	14,272	22,839	19,906
Net book value at 30th September 1993	38,154	-	7,291	13,449	9,125	8,289

The Company	Total £000	Freehold land and buildings £000	Short leaseholds £000	Computer equipment £000	Aircraft and aircraft spares £000	Other fixed assets £000
Cost						
At 1st October 1993	24,672	-	1,731	12,590	-	10,351
Additions	10,926	2,235	264	3,456	-	4,971
Intra group transfers	363	-	-	214	-	149
	35,961	2,235	1,995	16,260	-	15,471
Disposals	703	-	-	-	-	703
At 30th September 1994	35,258	2,235	1,995	16,260	-	14,768
Depreciation						
At 1st October 1993	12,222	-	403	6,952	-	4,867
Provided in year	4,811	-	141	2,535	-	2,135
Intra group transfers	238	-	-	132	-	106
	17,271	-	544	9,619	-	7,108
Disposals	374	-	-	-	-	374
At 30th September 1994	16,897	-	544	9,619	-	6,734
Net book value at 30th September 1994	18,361	2,235	1,451	6,641	-	8,034
Net book value at 30th September 1993	12,450	-	1,328	5,638	-	5,484

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

	The Group 1994 £000	The Group 1993 £000	The Company 1994 £000	The Company 1993 £000
Freehold land and buildings	5,086	-	-	-
Computer equipment	71	230	817	230
Aircraft spares	199	258	-	-
Other fixed assets	170	274	22	-
	5,526	762	839	230

10) Fixed asset investments

The Group	Total £000	Associated companies £000	Other investments £000
At 1st October 1993	–	–	–
Additions	29	–	29
Additions on acquisition of subsidiary undertaking	(1,756)	(2,514)	758
Exchange differences	28	37	(9)
Share of profits of associated undertakings	426	426	–
	(1,273)	(2,051)	778
Provision	43	–	43
Transfer to provisions (see note 17)	(4,158)	(4,158)	–
At 30th September 1994	2,842	2,107	735

Other investments at net book amount include:

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

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

At 30th September 1994 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 held by the Group (%)	Nature of business
Premiair A/S	Denmark	50	Charter airline
Plusresor AB	Sweden	33	Tour operator
Tenerife Sol SA	Spain	50	Hotel operator

The Company	Shares in Group undertakings £000
Cost and net book value	
At 1st October 1993	65,568
Additions	115,070
At 30th September 1994	180,638

The additions during the year arise as a result of increased capital contributions to existing subsidiary undertakings, newly created subsidiary undertakings and changes to ownership of subsidiary undertakings within the Group.

A list of principal subsidiary undertakings is shown in note 31. All of the subsidiary undertakings have been consolidated in the Group financial statements.

10) Fixed asset investments continued

The results of SAS Leisure AB acquired during the year have been consolidated with effect from 2nd June 1994.

The undertaking has been accounted for by the acquisition method of accounting.

Subsidiary undertaking	Profit after tax from 1st January 1994 to date of acquisition £000	Profit after tax from date of acquisition to 30th September 1994 £000	Loss after tax for year ended 31st December 1993 £000
Scandinavian Leisure Group AB (formerly SAS Leisure AB)	6,171	9,015	(9,161)

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

	Book value £000	Alignment of accounting policy £000	Fair value adjustments £000	Fair value to the Group £000
Tangible fixed assets	56,854	–	(215)	56,639
Investments	(897)	–	(859)	(1,756)
Stocks	2,033	–	–	2,033
Aircraft held for resale	13,365	–	–	13,365
Debtors	42,522	4,584	(429)	46,677
Tax	(452)	–	–	(452)
Cash at bank and in hand	79,844	–	–	79,844
Creditors	(100,857)	–	(4,687)	(105,544)
Finance lease obligations	(5,086)	–	–	(5,086)
Loans and overdrafts	(42,580)	–	–	(42,580)
Deferred tax	(5,887)	(1,288)	–	(7,175)
Net assets	38,859	3,296	(6,190)	35,965
Goodwill				43,932
				79,897
Satisfied by:				
Cash (inclusive of costs of £2,954,000)				79,897

11) Stocks

	The Group 1994 £000	The Group 1993 £000
Goods held for resale	2,308	–
Airline consumables	400	–
Other stocks	36	–
	2,744	–

12) Debtors

Amounts falling due within one year	The Group 1994 £000	The Group 1993 £000	The Company 1994 £000	The Company 1993 £000
Trade debtors	24,423	18,580	3,125	5,928
Amounts owed by Group undertakings	–	–	32,686	16,051
Amounts owed by associated undertakings	8,656	–	–	–
Other debtors	12,261	27,466	4,907	26,161
Deposits and prepayments	48,611	28,771	30.294	16,918
Aircraft held for resale	13,365	11,886	–	–
	107,316	86,703	71,012	65,058

13) Current asset investments

	The Group 1994 £000	The Group 1993 £000
Investments listed on a recognised investment exchange	4,679	–

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

14) Creditors

Amounts falling due within one year	The Group 1994 £000	The Group 1993 £000	The Company 1994 £000	The Company 1993 £000
Unsecured loan stock	14,060	20,142	14,060	20,142
Loans and overdrafts (see note 16)	1,977	–	–	–
Trade creditors	137,956	118,999	40,411	34,968
Amounts owed to Group undertakings	–	–	112,831	–
Amounts owed to associated undertakings	331	–	–	–
Current taxation	26,235	16,904	7,555	7,413
Social security and other taxes	5,874	4,958	851	649
Other creditors	14,835	10,306	6,172	6,374
Proposed dividends	14,011	8,997	14,011	8,997
Accruals	38,857	35,480	4,116	8,194
Amounts due under finance leases	296	333	322	90
Revenue received in advance	129,824	59,151	72,443	47,424
	384,256	275,270	272,772	134,251

The unsecured loan stock of £14,060,000 (1993: £20,142,000) was issued on 27th June 1993. Interest is calculated and payable at 3 monthly intervals from the date of creation of the stock. An amount of £9,799,000 is the subject of a Mareva Injunction arising out of court proceedings against the vendors of Aspro Travel Limited. The final redemption date is 30th September 2001.

15) Debtors

Amounts falling due after more than one year	The Group 1994 £000	The Group 1993 £000	The Company 1994 £000	The Company 1993 £000
Amounts owed by associated undertakings	868	–	–	–
Advance corporation tax recoverable	1,433	2,173	3,503	2,477
Other debtors	1,855	–	–	–
Deposits and prepayments	52,050	16,677	28,583	401
	56,206	18,850	32,086	2,878

16) Creditors

Amounts falling due after more than one year	The Group 1994 £000	The Group 1993 £000	The Company 1994 £000	The Company 1993 £000
Bank loans (see below)	1,414	–	–	–
Trade creditors	854	–	–	–
Pension provisions	4,259	–	–	–
Accruals	1,642	–	–	–
Taxation due on 31st December 1995	227	1,728	–	–
Amounts owed to Group undertakings	–	–	53	53
Aircraft maintenance provisions	19,347	14,846	–	–
Amounts due under finance leases	5,191	233	512	66
	32,934	16,807	565	119

16) Creditors continued

Finance leases	The Group 1994 £000	The Group 1993 £000	The Company 1994 £000	The Company 1993 £000
Total outstanding	5,487	566	834	156
Less: creditors due within one year	296	333	322	90
Creditors due after more than one year	5,191	233	512	66
Analysis of repayments				
Between one and two years	128	233	256	66
Between two and five years	4,208	–	256	–
After five years	855	–	–	–
	5,191	233	512	66

Loans and overdrafts	The Group 1994 £000	The Group 1993 £000
Loans	1,797	–
Overdrafts	1,594	–
	3,391	–
Less: creditors due within one year	1,977	–
Creditors due after more than one year	1,414	–
Analysis of repayments		
Between one and two years	537	–
Between two and five years	347	–
After five years	530	–
	1,414	–

There are no loans and overdrafts in the Company at 30th September 1994 (1993: nil).

17) Provisions for liabilities and charges

	The Group 1994 £000	The Group 1993 £000	The Company 1994 £000	The Company 1993 £000
Deferred tax	7,791	243	1	75
Other provisions	4,158	–	–	–
	11,949	243	1	75
Deferred tax				
At 1st October	243	217	75	–
Charged during the year	2,004	1,521	121	108
Acquired with subsidiary undertakings	7,175	(1,158)	–	–
Transferred from subsidiary undertaking	–	–	(330)	–
Advance corporation tax	(1,631)	(337)	135	(33)
At 30th September	7,791	243	1	75

17) Provisions for liabilities and charges continued

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

	The Group 1994 £000	The Group 1993 £000	The Company 1994 £000	The Company 1993 £000
Accelerated capital allowances	8,255	402	10	260
Short term timing differences	1,682	1,424	(9)	(50)
Trading losses	(76)	(1,144)	–	–
	9,861	682	1	210
Less: advance corporation tax	(2,070)	(439)	–	(135)
	7,791	243	1	75

The other provision of £4,158,000 (1993: nil) represents the Group's share of a deficiency in net assets within an associated company (see note 10).

18) Share capital

Authorised	1994 and 1993 £000
16,866,450 Unclassified Shares of 20p each	3,373
50,599,350 6.375p (net) Convertible Cumulative Preference Shares of 20p each	10,120
142,500,000 Ordinary Shares of 10p each	14,250
	27,743

Allotted called up and fully paid	1994 £000	1993 £000
50,599,350 (1993: 50,599,350) 6.375p (net) Convertible Cumulative Preference Shares of 20p each	10,120	10,120
113,744,633 (1993: 92,303,736)* Ordinary Shares of 10p each	11,374	9,230
	21,494	19,350

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 1995 and in each of the following years on the same date. 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.

18) Share capital continued

Allotments during the year

On 28th April 1994, a Rights Issue of 21,438,012 new ordinary shares of 10p each at a price of 390p per new ordinary share was made to qualifying shareholders on the basis of 1 new ordinary share for every 5 ordinary shares and 5.884 new ordinary shares for every 100 convertible preference shares held at the close of business on 22nd April 1994, in order to provide funds for the Group's acquisitions of SAS Leisure AB and of the MS Southward. These shares were allotted on 17th June 1994.

In addition the following ordinary shares were allotted during the year under the terms of the Airtours plc Savings Related Share Option Scheme:

Date of allotment	Number of ordinary shares	Total cash consideration
29th June 1994	1,438	£4,012
20th July 1994	1,447	£4,037

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 1 options in respect of 240,000 10p ordinary shares and Class 2 options in respect of 1,222,000 10p ordinary shares both at 448.50p per share. These options are normally exercisable in the periods as set out below.

At 30th September 1994 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
7th August 1990	31.32p	–	1,102,230	–
1st July 1991	106.06p	628,370	–	–
5th July 1991	115.68p	70,945	233,105	–
15th July 1992	203.24p	–	311,145	–
9th August 1993	373.92p	–	475,838	–
9th August 1993	275.00p	–	–	942,007
5th August 1994	448.50p	240,000	1,222,000	–

The number of ordinary shares under option and the option prices at which they are exercisable have been restated to take account of the Rights Issue to existing shareholders in 1994.

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.

19) Reserves

The Group	Share premium account £000	Other reserves £000	Profit and loss account £000
At 1st October 1993	51,175	–	1,477
Transfer to special reserve	(51,175)	51,175	–
Transfer of goodwill previously written off against profit and loss account	–	(51,175)	51,175
Retained profit for the year	–	–	35,580
Goodwill written off	–	–	(44,863)
Premium on allotments during the year	79,906	–	–
Exchange differences	–	–	663
At 30th September 1994	79,906	–	44,032

The Company	Share premium account £000	Other reserves £000	Profit and loss account £000
At 1st October 1993	51,175	–	27,746
Transfer to special reserve	(51,175)	51,175	–
Retained loss for the year	–	–	(5,002)
Premium on allotments during the year	79,906	–	–
At 30th September 1994	79,906	51,175	22,744

The cumulative amount of goodwill arising from acquisitions in current and prior years which has been written off to Group reserves amounts to £103,216,000 (1993: £58,353,000).

Following the passing of a special resolution at the Company's 1994 Annual General Meeting cancelling the Company's share premium account, the Company applied to and obtained from the High Court an order confirming the cancellation of the share premium account. Accordingly the amount previously credited to the share premium account at 30th September 1993 has been transferred to a special reserve.

20) Reconciliation of movements in shareholders' funds

	1994 £000	1993 £000
Profit for the financial year	52,455	28,947
Dividends	(16,875)	(10,359)
	35,580	18,588
Exchange differences	663	–
Issue of shares	82,050	49,345
Goodwill written off to reserves	(44,863)	(51,055)
Net increase in shareholders' funds	73,430	16,878
Shareholders' funds at 1st October	72,002	55,124
Shareholders' funds at 30th September	145,432	72,002

21) *Net cash inflow from operating activities*

	1994 £000	1993 £000
Operating profit (1993 – before abortive bid costs)	64,695	43,648
Profits of associated undertakings	(426)	–
Depreciation charges	13,678	8,481
Provision against investments	43	–
Loss on sale of tangible fixed assets	841	1,893
Increase/decrease in stocks	(711)	–
Increase/decrease in debtors	1,341	(27,544)
Increase/decrease in creditors	4,480	52,164
	83,941	78,642

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

	1994 £000	1993 £000
Cash consideration excluding expenses	(76,943)	(25,998)
Cash at bank and in hand	69,783	13,978
Net outflow of cash	(7,160)	(12,020)
Loans and overdrafts	10,061	–
	2,901	(12,020)

23) Analysis of changes in financing

	Loans 1994 £000	Loans 1993 £000	Share capital including premium 1994 £000	Share capital including premium 1993 £000	Finance lease obligations 1994 £000	Finance lease obligations 1993 £000
At 1st October	–	–	70,525	21,180	566	524
Acquired with subsidiary undertaking	36,790	–	–	–	5,086	15,855
Net cash inflow/(outflow) from financing	(35,077)	–	82,050	49,345	(181)	(15,813)
Exchange differences	84	–	–	–	–	–
Inception of finance leases	–	–	–	–	16	–
At 30th September	1,797	–	152,575	70,525	5,487	566

24) Analysis of changes in cash and cash equivalents

	1994 £000	1994 £000	1993 £000
At 1st October			
Cash and cash equivalents		164,742	112,138
Longer term bank deposits		55,873	43,461
		220,615	155,599
Acquired with subsidiary undertaking		(5,790)	-
		214,825	155,599
Movement in the year			
Cash and cash equivalents	37,624		52,604
Overdrafts	4,320		-
Increase in cash and cash equivalents per cash flow	41,944		52,604
Longer term bank deposits	32,078		12,412
Exchange differences	1,468		-
		75,490	65,016
At 30th September			
Cash and cash equivalents	203,970		164,742
Overdrafts	(1,594)		-
Longer term bank deposits	87,939		55,873
		290,315	220,615

25) Effects of acquisitions

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

	£000
Net cash inflow from operating activities	18,954
Tax paid	167
Returns on investment and servicing of finance	1,227
Investing activities	8,734
Net cash inflow before financing	29,082
Financing	(34,909)
Decrease in cash and cash equivalents	(5,827)

26) Capital commitments

	The Group 1994 £000	The Group 1993 £000	The Company 1994 £000	The Company 1993 £000
Contracted for but not provided in these financial statements	14,117	7,643	-	797
Authorised by the directors but not contracted for	8,347	5,001	156	250
	22,464	12,644	156	1,047

27) Contingent liabilities and guarantees

At 30th September 1994 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 £147,000,000 (1993: £83,487,000).

28) Post balance sheet events

On 5th October 1994 and 2nd December 1994 respectively Going Places Leisure Travel Limited acquired Late Escapes Limited, a specialist "late booking" travel agency, and the retail travel agency business of Winston Rees (World) Travel Limited for considerations of £2,400,000 and £3,600,000 respectively. The consideration for both acquisitions is to be satisfied by cash and the issue of unsecured loan notes. In addition there is a potential further payment of up to £4,000,000 in respect of the Late Escapes acquisition dependent on the level of its profits over the next two years.

The Company announced on 17th October 1994 its commitment to acquire the cruise ship, the MS Nordic Prince, to be renamed the MS Carousel, for a cash consideration of US$55,000,000 (£35,000,000 approximately). Delivery will take place on 4th January 1995 and the first Airtours passenger cruise on the MS Carousel is scheduled for 6th May 1995.

29) Pensions

Defined contribution pension scheme

Employees of Going Places Leisure Travel Limited and Airtours International Aviation (Guernsey) Limited participate in the Company's defined contribution pension scheme. The total pension charge for the year for the defined contribution scheme amounted to £1,620,000 (1993: £1,092,000). No amounts were outstanding at the year end.

On 6th April 1994 employees of Going Places Leisure Travel Limited who were formerly employed by HRLT Limited and members of one of the Hogg Robinson Group pension schemes were invited to join the Company's scheme. Contributions paid to the Hogg Robinson Group pension schemes in the period to 5th April 1994 amounted to £395,000 (period to 30th September 1993: £105,000).

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 period since the acquisition of SAS Leisure AB on 2nd June 1994 amounted to £299,000. No amounts were outstanding at the year end. In Sweden the pension costs are accrued based on amounts prescribed by the state pension authorities and in Norway pension costs are accrued based on amounts prescribed by insurance companies with whom the obligation to provide pension benefits is contracted.

30) Leasing commitments

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

The Group	Land and buildings 1994 £000	Land and buildings 1993 £000	Aircraft and aircraft spares 1994 £000	Aircraft and aircraft spares 1993 £000	Other 1994 £000	Other 1993 £000
Expiring in one year or less	843	627	2,990	886	505	136
Expiring between one and five years	8,129	2,533	21,441	18,957	1,337	407
Expiring in five years or more	12,865	8,424	7,009	8,134	–	–
	21,837	11,584	31,440	27,977	1,842	543

The Company						
Expiring in one year or less	–	234	–	–	92	95
Expiring between one and five years	–	–	–	–	37	110
Expiring in five years or more	240	–	–	–	–	–
	240	234	–	–	129	205

31) Principal subsidiary undertakings

At 30th September 1994 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 (formerly SAS Leisure AB)	Sweden		100
Vingresor AB	Sweden		100
Vingreiser A/S	Norway		100
Vingrejser 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			
Seadram Limited	Cyprus		100
Airlines			
Airtours International Airways Limited	England	100	
Airtours International Aviation (Guernsey) Limited	Guernsey	100	
Travel retailers			
Going Places Leisure Travel Limited (formerly Pickfords Travel Service Limited)	England	100	
Agency companies			
Astral Hellas	Greece		70
Eurosites GmbH	Germany		100
Eurosites BV	Holland		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			
Scandinavian Leisure Group Holdings AB	Sweden		100
Blue Sea Investments Limited	England	100	
Parkway Holdings BV (formerly Eurosites Holding BV)	Holland		100

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 preventing and detecting fraud and other irregularities. The Directors confirm that the financial statements for the financial year ended 30th September 1994 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 26 to 48 which have been prepared under the accounting policies set out on pages 26 and 27.

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 1994 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

Grant Thornton
Registered Auditors
Chartered Accountants
Manchester

14th December 1994

Five year review

	1994 £000	1993 £000	1992 £000	1991 £000	1990 £000
Profit and loss account					
Turnover	971,742	615,563	405,553	289,538	183,001
Profit on ordinary activities before tax	75,762	45,529	36,535	27,514	6,307
Tax on profit on ordinary activities	23,038	16,582	11,920	9,276	1,947
Profit for the financial year	52,455	28,947	24,615	18,238	4,360
Dividends	16,875	10,359	6,696	4,987	1,327
Profit retained	35,580	18,588	17,919	13,251	3,033
Balance sheet					
Tangible fixed assets	109,054	38,154	24,790	10,932	6,096
Investments	7,521	–	–	–	–
Cash at bank and in hand	291,909	220,615	155,599	103,278	26,455
Stocks	2,744	–	–	–	–
Debtors	163,522	105,553	47,045	13,017	12,869
Creditors	417,190	292,077	172,093	85,403	32,405
Provisions for liabilities and charges	11,949	243	217	–	13
Net assets	145,611	72,002	55,124	41,824	13,002
Statistics					
Basic eps	49.24p	28.59p	26.88p	24.15p	6.55p
Fully diluted eps	44.37p	27.29p	26.29p	22.41p	6.21p
Dividends per ordinary share	12.00p	8.81p	7.09p	5.63p	1.99p
Net assets per ordinary share	128.01p	76.33p	58.63p	47.49p	19.76p
Ratios					
Dividend cover	4.10	3.25	3.79	4.29	3.30

The figures for earnings, dividends and net assets per share in earlier years have been restated to take account of the Rights Issue to existing shareholders in 1994. In addition the figures shown for 1990 and 1991 have been restated to take account of the Capitalisation Issue in 1992 and the 1990 figures have also been restated to take account of the Placing and Offer to existing shareholders in 1991.

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 M2 5HD

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

Shareholder information

Analysis of ordinary shareholders

At 30th September 1994 there were 3,332 shareholders registered compared with 2,550 at 30th September 1993.

Category	Number of holders	Ordinary shares held	Size of holdings	Number of holders	Ordinary shares held
Individuals	2,468	41,834,794	1 - 1,000	2,127	705,631
Insurance companies	75	15,007,355	1,001 - 10,000	835	2,542,369
Pension funds	31	6,744,831	10,001 - 100,000	225	8,553,903
Unit and investment trusts	236	39,442,318	100,001 - 1,000,000	132	41,842,106
Banks and nominee holdings	494	9,606,146	1,000,001 - 5,000,000	10	13,507,993
Other corporate bodies	28	1,109,189	Over 5,000,000	3	46,592,631
	3,332	113,744,633		3,332	113,744,633

Preference shares

The 50,599,350 convertible cumulative preference shares are held by 1,095 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 1994
Rights issue	28th April 1994
Interim results announced	27th June 1994
Interim ordinary dividend paid	28th July 1994
Half yearly preference dividend paid	1st October 1994
Final results announced	5th December 1994
Transfer books closed	20th January 1995
Annual general meeting	26th January 1995
Final ordinary dividend payable	20th February 1995

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 Tradewinds, Cruising, EuroSites and Sun Express 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 complete and return the enclosed pre-paid card or write to Amanda Glew, 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 complete and return the enclosed pre-paid card or contact The Plan Manager, Bradford & Bingley (PEPs) Limited, PO Box 50, Main Street, Bingley, West Yorkshire BD16 2BR.

Corporate officers and Directors of subsidiary companies

Corporate officers

D C Burns
Group Secretary

T R Byrne
Group Financial Controller

D Collins
Head of Group IT

B G K Nightingale
Group Treasurer

Retail

R O Davies
S Baynard
D A Blackledge
B R Jones
C D Savery
K Welch
P Woods

Airline

M C Lee
J S Colclough
S D Challis
C J M Darlaston
J Einarrson
E Hespeel
G Mashlan
K R Mayne
C R Penny
P A Plested
R C Walling

Tour operations - UK

H H Collinson
R J Carrick
M J Cheetham
A V Cooper
S Endacott
P Evans
A McErlean
W McGrorty
C A L Mottershead
T Sweeney

Tour operations - Scandinavia

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

Hotels

C Sandahl
C Bernhard
J Anderson
P Asperud
I Ståhl
L Thuesen

Fly-cruise

J Drysdale
C Bernhard
I Gonos
P Mitchell
G Savvides

Designed and produced by Radley Yeldar (London)

AIRTOURS ACQUIRES HOLIDAY COMPLEX IN MENORCA FOR £6.8 MILLION

Airtours plc is pleased to announce the acquisition of the assets of the Binimar Holiday Complex in Menorca for a total consideration of 1.32 billion pesetas (£6.8million) from Promotora Catalunya Mediteranea S.A. The acquisition has been funded from the Airtours existing cash resources.

Contracts were exchanged yesterday and it is anticipated that completion will take place on 31st October 1994.

The Binimar complex consists of 3 swimming pools, 1 restaurant, 2 snack bars and 404 self catering apartments in one of the Mediterranean's most popular resorts.

Commenting on this acquisition David Crossland, Chairman of Airtours plc, said

"This acquisition is in line with our stated policy of securing a percentage of our prime accommodation requirements in key destinations with a record of proven popularity. The Binimar complex is extremely attractive to our clients and will, in the future, be exclusive to them."

Exchange Rate : £1/194 pesetas.

19.07.94

<u>ENQUIRIES:</u>

Harry Coe
Group Finance Director, Airtours plc: 0706 228676

John Bick
Brunswick 071 404 5959