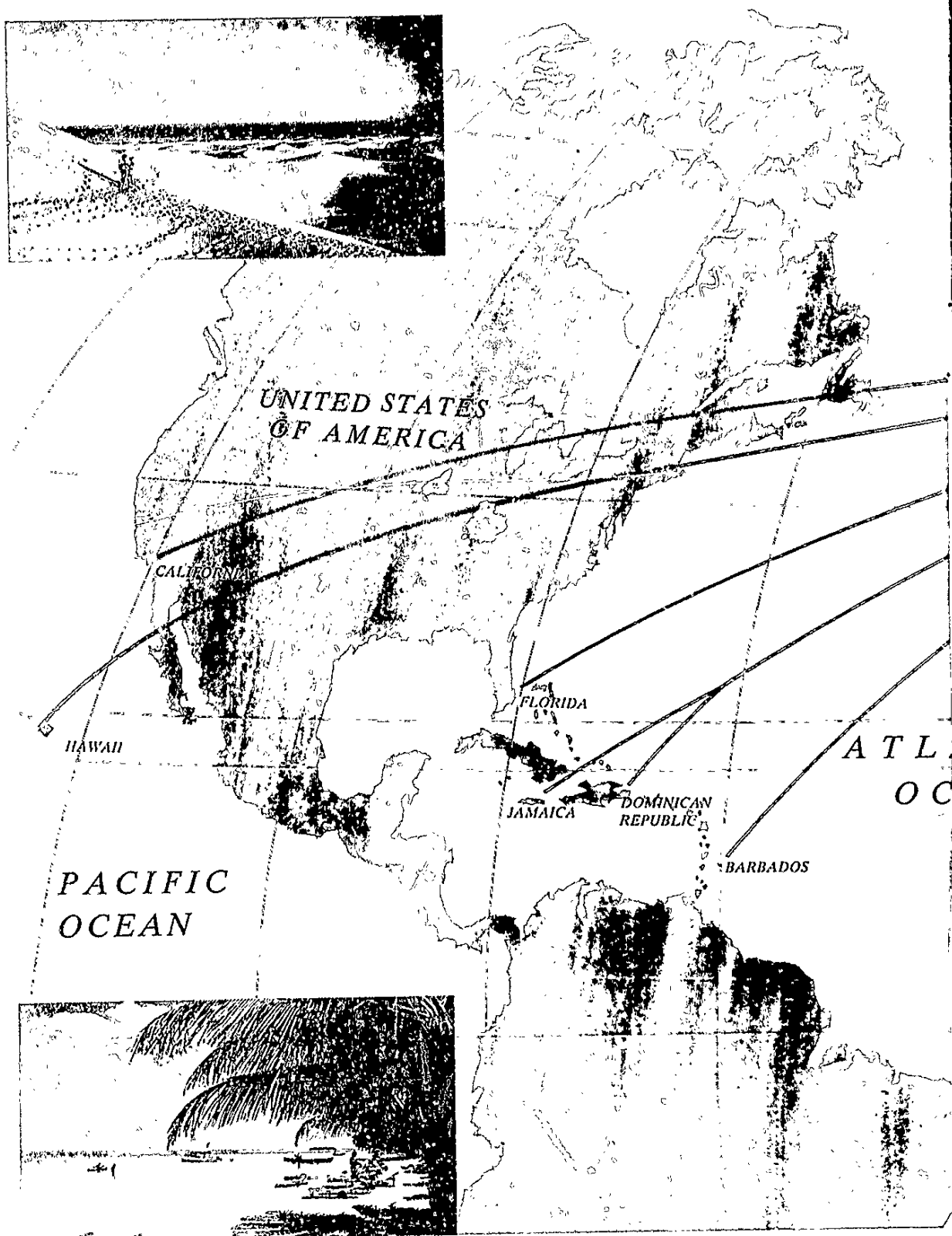


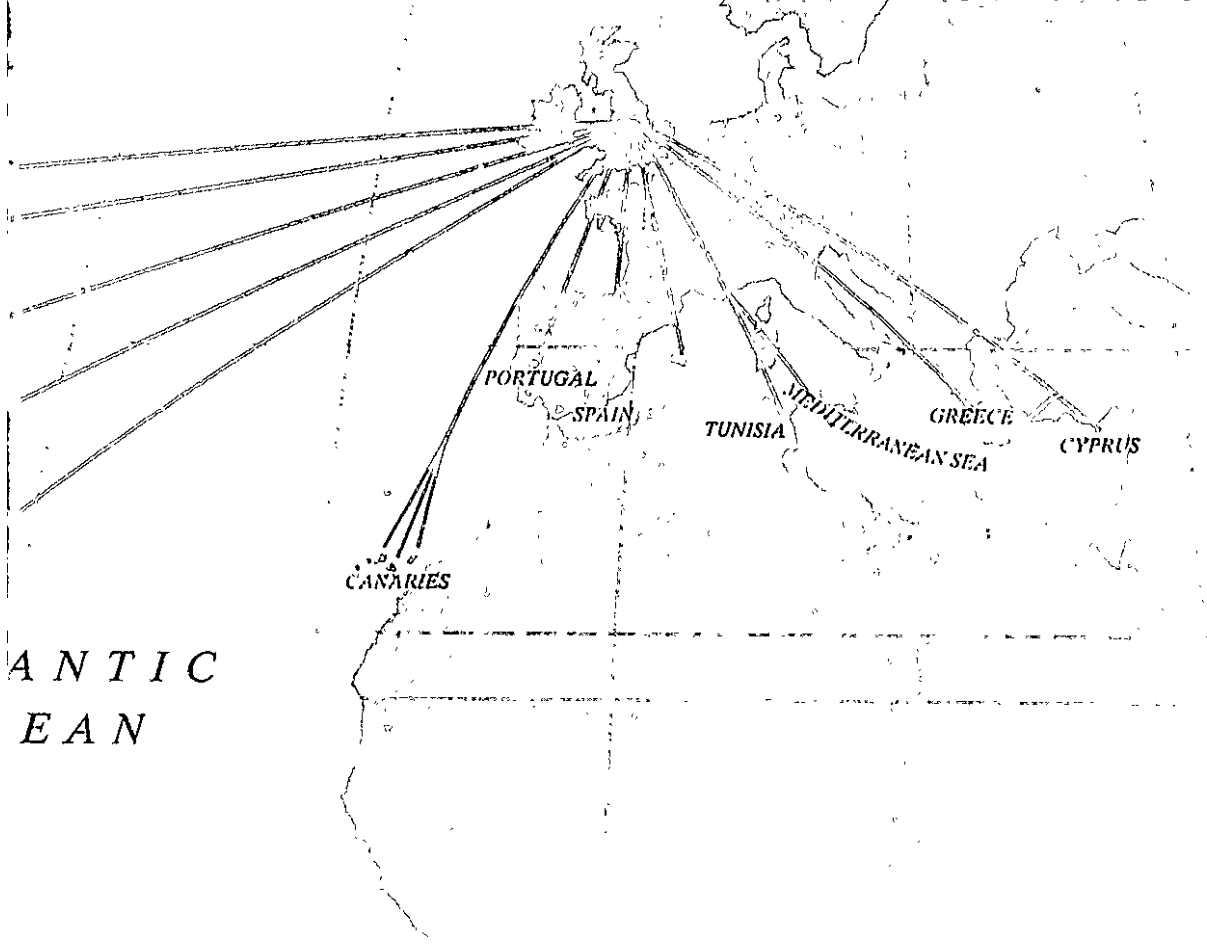
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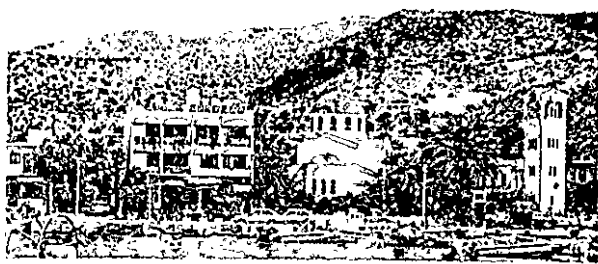
DOUGLAS HOUSE
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REPORT ON THE





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WINTER SUN

GUARANTEED PRICES

£69 £74 £79 £84

ADDS CAROUSEL

CARIBBEAN
JAMAICA • BARBADOS • DOMINICAN REP.

TWO WEEKS PRICES FROM
£299

TWO WEEKS PRICES FROM
£299

£349

AIRTOURS
MAY/OCTOBER 99

Hawaii

£399

SOL
Hoteles

AIRTOURS
ANTICIPATE THE BEST TRAVEL



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DIRECTORS AND ADVISERS

Directors

David Crossland (*Chairman*)
Michael David Bishop, CBE (*Non-Executive*)
Albert Henry Coe, FCA, ATII (*Finance*)
Harold Hugh Collinson, FCA (*Managing*)
Eric Fenton Sanderson, CA (*Non-Executive*)
Thomas Trickett

Secretary and Registered Office

Tadeusz Stephen Detko, ACA
Wavell House, Holcombe Road, Helmshore,
Rossendale, Lancashire BB4 4NB.

Auditors

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

Solicitors

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

Principal Bankers

Barclays Bank PLC,
PO Box 357,
17 York Street,
Manchester M60 2AU.

The British Linen Bank Limited,
19/21 Spring Gardens, Manchester M2 1EB.

Financial Advisers

The British Linen Bank Limited,
4 Melville Street, Edinburgh EH3 7NZ.

Stockbrokers

Parclays de Zoete Wedd Limited,
Ebbgate House, 2 Swan Lane, London EC4R 3TS.

Henry Cooke, Lumsden Limited,
No. 1 King Street, Manchester M60 3AH.

Registrars and Transfer Office

Bank of Scotland,
Registrar Department,
26A York Place, Edinburgh EH1 3EY.

RESULTS IN BRIEF

	1988 £000	1987 £000
Turnover	102,508	68,313
Profit before taxation	4,084	2,031
Dividends	1,000	127
Net assets	8,033	5,791
Earnings per share	17.43p	8.55p
Dividends per share	6.25p	2.70p
Assets per share	50.21p	36.77p

Note—The Company did not pay an interim dividend in 1987. The prospectus issued in March 1987 stated that had the shares been listed for the whole of 1987 the Directors would have expected to pay a dividend of 5.4p per share.

CHAIRMAN'S STATEMENT



My second statement as Chairman since Airtours plc became listed comes at the end of a year that has seen the Company return to its familiar pattern of steady profit growth, building new markets on the firm foundations of its core business.

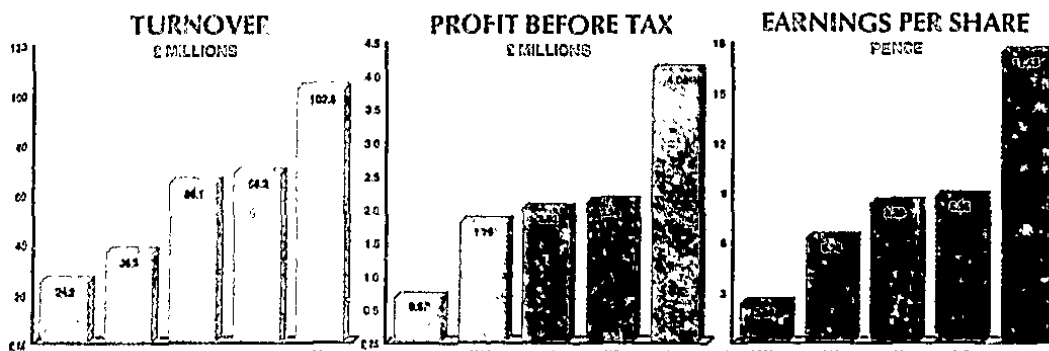
In my report last year I referred to the problems in the marketplace and their adverse effect upon our results. As other tour companies presented their

own results, it was some consolation to note that we had come through this difficult period better than most of our competitors.

At the start of our financial year, autumn and winter programmes continued to be affected by the difficulties of 1987. It is to be hoped that this experience has made the industry fully aware of the problems which are created when excess capacity is placed upon the market. Certainly the problems of the previous year were not evident in summer 1988 although demand remained static and the market was highly competitive. Exchange rate movements during 1988 were generally favourable to the industry.

In view of these market conditions, it gives me great pleasure to record pre-tax profits and earnings per share both more than doubled at almost £4.1m and 17.43p respectively. A 28% increase in the number of passengers carried brought an increase in turnover of more than 50% from £68.3m to £102.5m. Shareholders' funds rose from £5.8m to £8.0m, and at the year end the Company had cash and bank balances of £15.7m compared with £5.0m last year.

In view of these results, the Board recommends a final dividend of 4.9p per share, making a total of 6.25p for the year. This compares with 2.7p actually paid last year and a notional 5.4p which the prospectus indicated would have been paid had the shares been listed for the whole of 1987.



Chairman's Statement

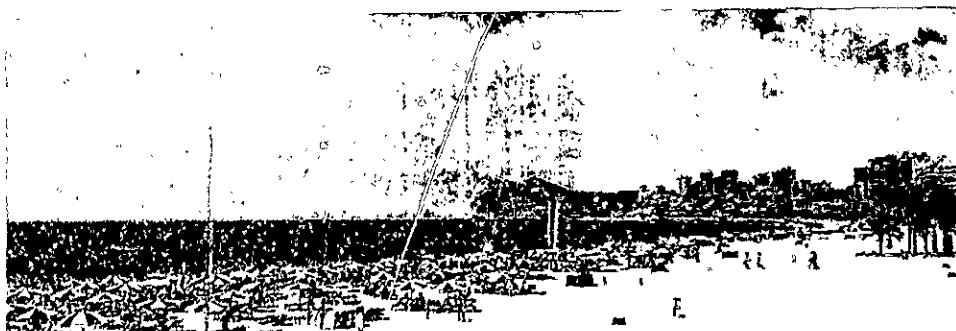
Since my last report, we have built upon the successful launch of our long-haul packages to Barbados, adding the Dominican Republic, Jamaica and Florida and in 1988 we carried almost 66,000 long-haul passengers compared with 13,000 in 1987. These initiatives have proved to be very popular and will be repeated in 1989, when we will introduce the additional destinations of Hawaii and California. Our share of the long-haul market has risen from under 5% to 14% and in the particular market sectors which we have developed, we are the dominant player.



CHAIRMAN'S
STATEMENT
CONTINUED

We have also continued to develop our short-haul business. Following on the successful launch of our first Greek programme in 1987, the 1988 programme included Cyprus and six new Greek destinations. Elsewhere, the Canary Islands enjoyed particularly buoyant demand. In summer 1989, the programme will be extended to include Fuerteventura which has some of the best beaches in the Canary Islands.

At home we developed our national coverage by flying a full programme from Stansted airport to add to our existing services from Glasgow, Newcastle, Manchester, Birmingham and East Midlands. This important development, allowing us to service the south east of the country which provides almost 40% of the inclusive tour market, proved to be most successful with good load factors on both short-haul and long-haul routes. Airtours is now established as the largest tour operator out of Stansted. As the airport completes its £290m expansion in 1991, which will include a direct rail link from central London, we will be well placed to capitalise on the growth of passengers. In 1989 we will also operate from Bristol and Cardiff, making a choice of eight departure points, flying to thirty destination airports.



CHAIRMAN'S
STATEMENT
CONTINUED



The cumulative effect of this growth was to increase our share of the overall holiday market from 3.3% to 4.2%.

In addition to our improved market share, additional profit growth was achieved by better yield management and by firmly adhering to our policy of not sacrificing margins for the sake of higher volumes. Satisfactory margins are obtained through innovative arrangements with carriers and accom-

modation suppliers, and by strict control of our overheads we manage to operate from a lower cost base than most of our competitors.

Whilst it is an essential part of our policy that we will continue to create new markets for future growth and further develop our position as a major tour operator flying all over the world from all over mainland Britain, it is our flexibility which gives us the edge on our competitors.

This flexibility was demonstrated towards the end of the financial year when the Caribbean suffered its worst storm in living memory as Hurricane Gilbert raced through the area. The speed of our response enabled the Company to airlift all our 1,000 passengers to safety long before the airport opened to commercial traffic.

Although it was necessary to cancel the remainder of the 1988 Jamaica programme our good relationships with suppliers enabled us to do this without significant damage to earnings. Demand for holidays in Jamaica has understandably fallen, and the Company's 1989 programme has been planned with this fact in mind.



Bookings for the 1988/89 winter season are already in excess of the total achieved last year and bookings for next summer are also showing a substantial increase. We therefore look to the future with considerable optimism.

The growth and development of Airtours over the years is a reflection of the quite exceptional dedication, commitment and competence of all management and staff. On behalf of the Board, I would like to express a sincere appreciation of their efforts. Finally, I am pleased to welcome to the Board our new Finance Director, Harry Coe, who joined the Company in May from Granada Television where he held a similar position.



CHAIRMAN'S
STATEMENT
CONTINUED

David Crossland

D Crossland,
Chairman.

22nd December, 1988.



DIRECTORS' REPORT

The Directors present their report together with the financial statements for the year ended 30th September, 1988.

1. Principal activities and business review

The principal activity of the Company is that of a tour operator. Its subsidiaries were dormant throughout the year.

During the year under review the Company has expanded its long haul programme to include Jamaica, the Dominican Republic and Florida. This expansion is being continued into 1989.

The Company also operated a programme out of Stansted Airport for the first time in summer 1988 and the results of this programme in its first season have been highly encouraging. For summer 1989, programmes will be operated out of both Bristol and Cardiff Airports as the Company's policy of regional development is continued.

2. Results and dividend

The profit for the year after taxation and before extraordinary items amounted to £2,770,000 (1987—£1,315,000). The Directors recommend a final dividend of 4.9p (1987—2.7p) per Ordinary Share amounting to £784,000, in addition to the interim dividend of 1.35p (1987—nil) per Ordinary Share amounting to £216,000 paid on 29th July, 1988, leaving a retained profit of £1,770,000 to be added to reserves.

3. Directors

The Directors in office at the end of the year are listed below. Apart from Mr A. H. Coe, who was appointed to the Board on 16th May, 1988, all served on the Board throughout the year.

In accordance with the Articles of Association, Mr A. H. Coe retires and, being eligible, offers himself for re-election. Mr D. Crossland retires by rotation and, being eligible, offers himself for re-election. At 30th September, 1988 the unexpired periods of their service contracts were 12 months and 17 months respectively.

The beneficial interests of the Directors in the Ordinary Shares of the Company and its subsidiaries at 1st October, 1987, (or the date of their appointment to the Board if later) and at 30th September, 1988, as recorded in the register maintained by the Company in accordance with the provisions of the Companies Act 1985, were as follows:

	Ordinary Shares		Options over Ordinary Shares		Warrants over Ordinary Shares	
	1988	1987	1988	1987	1988	1987
D. Crossland	8,157,500	8,032,500	—	—	678,250	—
M. D. Bishop CBE	10,000	10,000	—	—	1,000	—
A. H. Coe	5,000	—	80,000	—	—	—
H. H. Collinson	14,000	14,000	450,000	450,000	1,400	—
E. F. Sanderson	1,000	1,000	—	—	100	—
T. Trickett	3,117,500	2,992,500	—	—	174,250	—

In the period between 30th September, 1988 and 30th November, 1988 there were no changes in these holdings.



○
**DIRECTORS'
REPORT
CONTINUED**
○

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

Messrs Bishop and Sanderson are non-executive Directors. Mr Bishop is Chairman and controlling shareholder of Airlines of Britain Holdings plc, parent company of British Midland Airways, Manx Airlines, Loganair and London City Airways. Mr Sanderson is a Director of The British Linen Bank Limited and is head of its corporate finance department and is also a non-executive Director of English & Overseas Properties plc.

4. Fixed assets

The principal items of capital expenditure were the acquisition of leasehold premises in Palma, Majorca and the purchase of additional computer hardware and software.

5. Tax status

The Directors are of the opinion that the Company is a close Company within the provisions of the Income and Corporation Taxes Act 1988.

6. Substantial shareholders

The Company has not been notified of any shareholdings representing 5% or more of the issued share capital of the Company other than those of Mr D. Crossland and Mr T. Trickett who are Directors of the Company and hold 51% and 19% respectively.

Under an agreement dated 2nd December 1988, which is to be effective for up to 5 years, Mr T. Trickett transferred to Mr D. Crossland the voting rights in respect of 2,200,000 of his shares in the Company and agreed not to sell such shares without Mr Crossland's consent prior to the expiry of such agreement.

7. Charitable and political contributions

A contribution of £500 was made to the Conservative Party during the year (1987—nil).

8. Auditors

Grant Thornton offer themselves for re-appointment as auditors in accordance with Section 384(1) of the Companies Act 1985.

Registered office

Wavell House,
Holcombe Road,
Helmshore,
Rossendale,
Lancashire BB4 4NB.

22nd December, 1988.

BY ORDER OF THE BOARD

T. S. Detko

Secretary

STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

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

(a) *Basis of consolidation*

The Group financial statements consolidate the financial statements of the Company and of its subsidiaries (see Note 10). The financial statements of each Company in the Group are prepared to 30th September. All unrealised internal profits are eliminated on consolidation.

None of the subsidiaries has traded during the year and consequently no profit or loss arises in their individual financial statements.

(b) *Turnover*

Turnover is the total amount receivable by the Group from the sale of package holidays and other services supplied to customers in the ordinary course of business, net of VAT and trade discounts. Revenues and expenses relating to package holidays are taken to the profit and loss account on flight departure.

(c) *Depreciation*

Depreciation on leasehold properties and computer equipment is calculated to write down their cost or valuation by equal annual instalments over their expected useful lives.

Depreciation on other tangible fixed assets is calculated on the reducing balance method and aims to write down the cost of all such assets over their expected useful lives.

The rates/periods generally applicable are:—

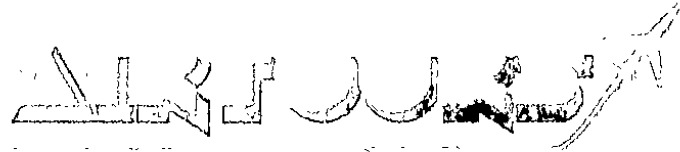
Short leasehold properties	Period of lease
Computer equipment	4 years
Fixtures, fittings and equipment	10%
Motor vehicles	25%

(d) *Deferred taxation*

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements.

Deferred taxation is provided to the extent that it is probable that a liability or asset will crystallise and not provided to the extent that it is probable that a liability or asset will not crystallise. Deferred taxation not provided is disclosed as a contingent liability.

Deferred taxation is calculated at the rate at which it is estimated that the tax will be paid when the timing differences reverse.



Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that it is foreseen that sufficient corporation tax will be assessed in the succeeding period to allow offset.

STATEMENT OF
ACCOUNTING
POLICIES
CONTINUED

(e) *Foreign currencies*

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

(f) *Brochure and promotional costs*

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

(g) *Leased assets*

Where assets are financed by leasing agreements which give risks and rewards approximating ownership ("finance leases") they are treated as if they had been purchased outright on credit. They are therefore initially recorded as a fixed asset and a liability at a sum equal to the fair value of the asset. Leasing payments on such assets are regarded as consisting of a capital element, which reduces the outstanding liability and an interest charge.

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

(h) *Pension costs*

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

GROUP PROFIT
AND
LOSS ACCOUNT

		Year ended 30th September,		
	Notes	1988 £000	1987 £000	1986 £000
Turnover	(1)	102,508	68,313	68,313
Cost of sales		93,482	63,815	63,815
Gross profit		9,026	4,498	4,498
Selling costs		3,475	1,648	1,648
Administrative expenses		1,291	679	679
Other charges		796	542	542
		5,562	2,869	2,869
Operating profit		3,464	1,629	1,629
Interest receivable and sundry income	(2)	620	402	402
Profit on ordinary activities before taxation	(1)	4,084	2,031	2,031
Tax on profit on ordinary activities	(4)	1,314	716	716
Profit on ordinary activities after taxation		2,770	1,315	1,315
Extraordinary item	(5)	—	1,275	1,275
Profit for the financial year	(6)	2,770	2,590	2,590
Dividends	(7)	1,000	127	127
Profit retained	(17)	1,770	2,463	2,463
Earnings per share	(8)	17.43p	8.55p	8.55p

The accounting policies and notes on pages 12 and 13, and 18 to 24 form part of these financial statements.

at 30th September,			
	Notes	1988 £000	1987 £000
Fixed assets			
Tangible assets	(9)	1,793	1,884
Current assets			
Debtors	(11)	10,597	9,254
Cash at bank and in hand		15,656	5,005
		26,253	14,259
Creditors: amounts falling due within one year	(12)	19,868	9,901
Net current assets		6,385	4,358
Total assets less current liabilities		8,178	6,242
Creditors: amounts falling due after more than one year	(13)	145	391
Provisions for liabilities	(14)	—	60
		145	451
Net assets		8,033	5,791
Capital and reserves			
Called up share capital	(16)	1,600	1,575
Share premium account	(17)	1,308	861
Profit and loss account	(17)	5,125	3,355
		8,033	5,791

GROUP
BALANCE SHEET

The financial statements were approved by the Board of Directors on 22nd December, 1988.

P. Bourne } Directors

M. M. Collins

The accounting policies and notes on pages 12 and 13, and 18 to 24 form part of these financial statements.

COMPANY BALANCE SHEET

		at 30th September,		
	Notes	1988 £000	1987 £000	1987 £000
Fixed assets				
Tangible assets	(9)	1,793	1,884	
Investments	(10)	27	27	
		<u>1,820</u>	<u>1,911</u>	
Current assets				
Debtors	(11)	10,597	9,254	
Cash at bank and in hand		15,656	5,005	
		<u>26,253</u>	<u>14,259</u>	
Creditors: amounts falling due within one year	(12)	<u>19,868</u>	<u>9,901</u>	
Net current assets			<u>6,385</u>	<u>4,358</u>
Total assets less current liabilities			<u>8,205</u>	<u>6,269</u>
Creditors: amounts falling due after more than one year	(13)	198	444	
Provisions for liabilities	(14)	—	60	
			<u>198</u>	<u>504</u>
Net assets			<u><u>8,007</u></u>	<u><u>5,765</u></u>
Capital and reserves				
Called up share capital	(16)	1,600	1,575	
Share premium account	(17)	1,308	861	
Profit and loss account	(17)	5,099	3,329	
		<u>8,007</u>	<u>5,765</u>	

The financial statements were approved by the Board of Directors on 22nd December, 1988.

P. Board } Directors
HM Collins

The accounting policies and notes on pages 12 and 13, and 18 to 24 form part of these financial statements.



GROUP STATEMENT
OF SOURCE AND
APPLICATION OF
FUNDS

	Year ended 30th September,	
	1988	1987
	£000	£000
Source of funds		
From operations		
Profit on ordinary activities before taxation	4,084	2,031
Extraordinary item before attributable taxation	—	1,779
	<u>4,084</u>	<u>3,810</u>
Adjustments for items not involving the movement of funds		
Depreciation and amounts written off fixed assets	507	264
Loss/(Profit) on sale of fixed assets	<u>5</u>	<u>(2,188)</u>
	<u>512</u>	<u>(1,924)</u>
Generated from operations	<u>4,596</u>	<u>1,886</u>
From other sources		
Issue of share capital (net of expenses)	472	936
Tax refund	101	—
Proceeds of disposals of tangible fixed assets	21	2,863
Lease finance	<u>78</u>	<u>—</u>
	<u>672</u>	<u>3,799</u>
	<u>5,268</u>	<u>5,685</u>
Application of funds		
Dividends paid	343	—
Tax paid	612	937
Purchase of tangible fixed assets	442	589
Lease and hire purchase payments	<u>339</u>	<u>81</u>
	<u>1,736</u>	<u>1,607</u>
Net inflow of funds	<u>3,532</u>	<u>4,078</u>
Increases/(decreases) in working capital		
Debtors	1,088	3,726
Creditors: amounts falling due within one year	<u>(8,207)</u>	<u>2,787</u>
	<u>(7,119)</u>	<u>6,513</u>
Net liquid funds		
Cash at bank and in hand	<u>10,651</u>	<u>(2,435)</u>
Net increase in working capital	<u>3,532</u>	<u>4,078</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Turnover and profit on ordinary activities before taxation

The whole of the turnover and profit before taxation arises from the Group's activities as a tour operator.

The whole of the turnover arises within the United Kingdom.

Profit on ordinary activities is stated after charging:

	1988 £000	1987 £000
Finance lease interest	45	46
Leasing of vehicles	32	26
Auditors' remuneration	30	21
Depreciation	507	264
Directors' emoluments (Note 3)	389	275
	<u>903</u>	<u>592</u>

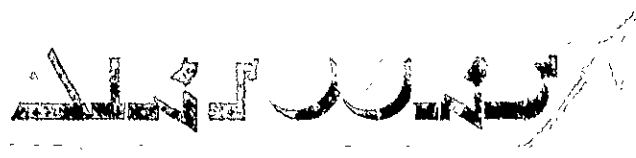
2. Interest receivable and sundry income

	1988 £000	1987 £000
Bank interest receivable	577	356
Sundry income	43	46
	<u>620</u>	<u>402</u>

3. Directors and employees

	1988 £000	1987 £000
Staff costs during the year:		
Wages and salaries	2,760	2,246
Social security	239	201
Pension costs	64	—
	<u>3,063</u>	<u>2,447</u>

The average number of employees during the year was 223 (1987—212)



Remuneration in respect of the Directors was payable as follows:

	1988 £000	1987 £000
Directors' management remuneration	<u>389</u>	<u>275</u>

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

	1988 £000	1987 £000
The Chairman (1988 also highest paid director)	<u>108</u>	<u>59</u>
The highest paid Director	<u>108</u>	<u>88</u>

Other Directors

	1988 Number	1987 Number
£5,001—£10,000	—	1
£10,001—£15,000	1	1
£15,001—£20,000	1	1
£20,001—£25,000	—	2
£25,001—£30,000	1	—
£30,001—£35,000	—	1
£35,001—£40,000	1	—
£40,001—£45,000	1	—
£45,001—£50,000	—	—
£50,001—£55,000	—	—
£55,001—£60,000	—	—
£60,001—£65,000	—	—
£65,001—£70,000	—	—
£70,001—£75,000	—	—
£75,001—£80,000	—	—
£80,001—£85,000	—	—
£85,001—£90,000	—	—
£90,001—£95,000	—	—
£95,001—£100,000	—	—
£100,001—£105,000	—	—

Higher paid employees

Employees receiving more than £30,000 during the year, excluding pension contributions, were as follows:—

	1988 Number	1987 Number
£30,001—£35,000	2	1
£35,001—£40,000	1	1
£40,001—£45,000	1	—
£45,001—£50,000	1	—
£50,001—£55,000	2	—
£55,001—£60,000	2	—
£60,001—£65,000	—	—
£65,001—£70,000	—	—
£70,001—£75,000	—	—
£75,001—£80,000	—	—
£80,001—£85,000	—	—
£85,001—£90,000	—	—
£90,001—£95,000	—	—
£95,001—£100,000	—	—
£100,001—£105,000	—	—

Pensions

The Company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the Company.

NOTES TO THE
FINANCIAL
STATEMENTS
CONTINUED

NOTES TO THE
FINANCIAL
STATEMENTS
CONTINUED

4. Tax on profit on ordinary activities

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

	1988 £000	1987 £000
U.K. Corporation tax at 35% (1987—35%)	1,437	680
Deferred tax	(29)	28
	<u>1,408</u>	<u>708</u>
Adjustments in respect of prior years:		
U.K. Corporation tax	(94)	—
Deferred tax	—	8
	<u>1,314</u>	<u>716</u>

Income and Corporation Taxes Act 1988

The Company is a close company as defined by Section 414 of the Income and Corporation Taxes Act 1988.

5. Extraordinary item

The extraordinary item less attributable taxation credited in the Group profit and loss account is:—

	1988 £000	1987 £000
Surplus on disposal of retail and associated activities	—	1,779
Taxation:		
U.K. Corporation tax at 35%	—	(600)
Deferred tax	—	96
	<u>—</u>	<u>1,275</u>

6. Profit for the financial year

The parent company has taken advantage of Section 228(7) of the Companies Act 1985 and not submitted its own profit and loss account.

The whole of the Group profit arises in the financial statements of the parent company. No subsidiary has traded in either of the two years ended 30th September, 1988.

7. Dividends

	1988 £000	1987 £000
Ordinary shares:		
Paid 1.35p per 10p share (1987—nil)	216	—
Proposed 4.9p per 10p share, payable 8th February, 1989 (1987—2.7p per 10p share)	784	425
Less: amounts waived	—	(298)
	<u>1,000</u>	<u>127</u>

8. Earnings per share

The calculation of earnings per share is based on the profit on ordinary activities for the year after taxation of £2,770,000 (1987—£1,315,000) and on 15,895,833 Ordinary Shares of 10p each, being the weighted average number of shares in issue during the year ended 30th September, 1988 (1987—15,375,000 Ordinary Shares).

22/11/88

9. Tangible fixed assets

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Total £000	Short leasehold properties £000	Fixtures, fittings and computer equipment £000	Motor vehicles £000
The Group and the Company:				
Cost				
At 1st October, 1987	2,329	56	2,015	258
Additions	442	149	227	66
	<u>2,771</u>	<u>205</u>	<u>2,242</u>	<u>324</u>
Disposals	44	—	—	44
At 30th September, 1988	<u>2,727</u>	<u>205</u>	<u>2,242</u>	<u>280</u>
Depreciation				
At 1st October, 1987	445	9	368	68
Provided in year	507	38	419	50
	<u>952</u>	<u>47</u>	<u>787</u>	<u>118</u>
Attributable to disposals	18	—	—	18
At 30th September, 1988	<u>934</u>	<u>47</u>	<u>787</u>	<u>100</u>
Net book amount at 30th September, 1988	<u>1,793</u>	<u>158</u>	<u>1,455</u>	<u>180</u>
Net book amount at 30th September, 1987	<u>1,884</u>	<u>47</u>	<u>1,647</u>	<u>190</u>

The net book value of fixed assets of £1,793,000 includes an amount of £594,000 in respect of assets held under finance leases on which depreciation of £227,000 has been provided in the year.

10. Fixed asset investments

The Company:

Shares in
subsidiary
companies
£000

Cost and net book amount	
At 1st October, 1987 and 30th September, 1988	<u>27</u>

At 30th September, 1988 the Company held more than 10% of the allotted share capital of the following companies, all of which are incorporated in Great Britain.

<i>Subsidiaries</i>	<i>Class of share capital held</i>	<i>Proportion held</i>	<i>Nature of business</i>
Airtours Holidays Limited	Ordinary	100%	Dormant
Airtours Publicity Limited	Ordinary	100%	Dormant
Sunsales Limited	Ordinary	100%	Dormant
Airtours Vacations Limited	Ordinary	100%	Dormant
Carouse! Holidays Limited	Ordinary	100%	Dormant
Skyseats Limited	Ordinary	100%	Dormant

NOTES TO THE
FINANCIAL
STATEMENTS
CONTINUED

11. Debtors

	<i>The Group and the Company</i>	
	<i>1988</i>	<i>1987</i>
	<i>£000</i>	<i>£000</i>
Amounts falling due within one year:		
Trade debtors	1,606	1,299
Other debtors	650	678
Deposits and prepayments	8,086	7,277
Advance corporation tax recoverable	255	—
	<u>10,597</u>	<u>9,254</u>

Included in other debtors is an amount of £9,500 in respect of an interest free loan due from an officer of the Company.

12. Creditors: amounts falling due within one year

	<i>The Group and the Company</i>	
	<i>1988</i>	<i>1987</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	4,866	1,230
Current taxation	3,023	1,905
Social security and other taxes	77	59
Other creditors	1,241	515
Proposed dividends	784	127
Accruals	209	120
Amounts due under finance leases (net of finance charges allocated to future periods)	314	329
Revenue received in advance	9,354	5,616
	<u>19,868</u>	<u>9,901</u>

13. Creditors: amounts falling due after more than one year

	<i>The Group</i>		<i>The Company</i>	
	<i>1988</i>	<i>1987</i>	<i>1988</i>	<i>1987</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts owed to Group companies	—	—	53	53
Amounts due under finance leases (net of finance charges allocated to future periods)	145	391	145	391
	<u>145</u>	<u>391</u>	<u>198</u>	<u>444</u>

Amounts due under finance leases are all repayable within five years.

14. Provisions for liabilities

	<i>Deferred taxation (Note 15)</i>	
	<i>£000</i>	
<i>The Group and the Company</i>		
At 1st October, 1987		60
Released during the year		(29)
		31
Less: Advance corporation tax on proposed dividend		(31)
At 30th September, 1988		—



15. Deferred taxation

Deferred taxation provided in the financial statements and the total potential liability is set out below:—

	1988 £000	1987 £000
The Group and the Company		
Accelerated capital allowances	78	107
Less: Advance corporation tax	(78)	(47)
	<u>—</u>	<u>60</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. Called up share capital

	1988 £000	1987 £000
Authorised		
22,000,000 Ordinary Shares of 10p each (1987—20,000,000 Ordinary Shares of 10p each)	<u>2,200</u>	<u>2,000</u>
Allotted, called up and fully paid		
16,000,000 Ordinary Shares of 10p each (1987—15,750,000 Ordinary Shares of 10p each)	<u>1,600</u>	<u>1,575</u>

Allotments during the year:

At a General Meeting of the Company held on 28th January, 1988, the authorised share capital of the Company was increased from £2,000,000 to £2,200,000 by the creation of 2,000,000 Ordinary Shares of 10p each.

On 28th February, 1988, Mr D. Crossland and Mr T. Trickett applied for and were issued with 125,000 Ordinary Shares each at £2 per share under the terms of the Warrants referred to below.

Issue of Warrants:

Warrants were issued to all holders of Ordinary Shares on the register in the proportion of one Warrant for every 10 Ordinary Shares then held.

The details of the Warrants issued were as follows:—

Number of Ordinary Shares	Option Price	Date of Issue
1,575,000	200p	9th February, 1988

The Warrants are normally exercisable on 28th February in each of the years from 1988 to 1992 inclusive.

Contingent rights to the allotment of shares:

The Company has granted options to certain Directors and employees under the Employee Share Option Scheme as follows:—

Number of Ordinary Shares	Option Price	Date of Grant
645,000	25p	28th February, 1987
125,000	103p	4th July, 1988

The options are normally exercisable during the period between 3 and 10 years following the date of grant.

NOTES TO THE
FINANCIAL
STATEMENTS
CONTINUED

17. Share premium account and reserves

	Share premium account £000	Profit and loss account £000
The Group		
At 1st October, 1987	861	3,355
Retained profit for the year	—	1,770
Premium on allotment during the year	475	—
Expenses of allotment during the year	(28)	—
At 30th September, 1988	<u>1,308</u>	<u>5,125</u>
The Company		
At 1st October, 1987	861	3,329
Retained profit for the year	—	1,770
Premium on allotment during the year	475	—
Expenses of allotment during the year	(28)	—
At 30th September, 1988	<u>1,308</u>	<u>5,099</u>

The balance on the share premium account may not be distributed under Section 264 of the Companies Act 1985.

18. Contingent liabilities and guarantees

At 30th September, 1988 there were contingent liabilities under counter indemnities given to the Groups Bankers in the normal course of business in respect of ABTA bonds and other guarantees amounting to £13,448,000 (1987—£7,419,000).

19. Capital commitments

Authorised by the Board at 30th September, 1988 but not contracted for £105,000 (1987—£100,000). Other than the above, neither the Group nor the Company had any capital commitments at 30th September, 1988 or 30th September, 1987.

AUDITORS' REPORT

TO THE MEMBERS OF AIRTOURS PLC

We have audited the financial statements on pages 12 to 24 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the Group and the Company at 30th September, 1988, and of the profit and source and application of funds of the Group for the year then ended, and comply with the Companies Act 1985.

22nd December, 1988
MANCHESTER

Grant Thornton



○
FIVE YEAR
SUMMARY
○

	1988	1987	1986	1985	1984
	£000	£000	£000	£000	£000
Turnover					
Continuing activities	102,508	68,313	54,978	28,929	17,429
Discontinued activities	—	—	11,197	7,410	6,807
	102,508	68,313	66,175	36,339	24,236
Profit/(Loss) on ordinary activities before tax					
Continuing activities	4,084	2,031	2,485	2,126	676
Discontinued activities	—	—	(459)	(341)	(4)
	4,084	2,031	2,026	1,785	672
Tax	1,314	716	747	846	320
Profit on ordinary activities after tax	2,770	1,315	1,279	939	352
Extraordinary item	—	1,275	—	—	—
Profit for the financial year	2,770	2,590	1,279	939	352
Dividends	1,000	127	315	158	—
Profit retained	1,770	2,463	964	781	352
Net assets	8,033	5,791	2,399	1,435	654
Earnings per share	pence 17.43	pence 8.55	pence 8.53	pence 6.26	pence 2.35
Net assets per share	50.21	36.77	16.00	9.57	4.36

NOTICE OF MEETING

Notice is hereby given that the 1989 Annual General Meeting of the Company will be held at The Holiday Inn, Crown Plaza, Manchester on Thursday, 19th January, 1989 at 11.30 am for the following purposes:

1. To receive and adopt the Directors' Report, the Financial Statements and the Auditors' Report for the year ended 30th September, 1988.
2. To declare a final dividend.
3. To re-elect as a Director of the Company Mr A. H. Coe who was appointed during the year.
4. To re-elect as a Director of the Company Mr D. Crossland who retires as a Director by rotation.
5. To re-appoint the auditors.
6. To authorise the Directors to fix the remuneration of the auditors.
7. To transact any other ordinary business.
8. As special business, to consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution.

THAT:

- (a) the Directors be, and are hereby empowered pursuant to Section 95(1) of the Companies Act 1985 until the next Annual General Meeting of the Company (or, if sooner, until the expiry of fifteen months after passing of this Resolution) to allot equity securities (as defined by Section 94(2) of that Act) pursuant to the general authority conferred on the Directors on 28th January 1988 in accordance with Section 80 of that Act as if Section 89(1) of that Act did not apply to the statement; provided that the power conferred by this Resolution shall be limited to:—
 - (i) such exclusions or other arrangements as the Directors of the Company may consider appropriate to resolve any legal or practical problems arising in connection with the allotment of equity securities by way of rights to holders of Ordinary shares where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them.
 - (ii) the allotment (otherwise than pursuant to (i) above) of equity securities up to an aggregate nominal amount of £80,000 (being 5 per cent of the aggregate nominal value of the Company's existing issued equity share capital); and
- (b) the Company may at any time prior to the expiration of the power conferred by this Resolution make an offer or agreement which would or might require equity securities to be allotted pursuant thereto after the expiration of such authority.

By Order of the Board

T.S. Dettie
Secretary

22nd December, 1988.

Notes—

1. A member of the Company entitled to attend and vote at the meeting may appoint one or more persons as their proxy to attend and vote on their behalf. The proxy, who need not be a member, shall only be entitled to vote on a poll. A form of proxy is enclosed and members who wish to use it should see that it is deposited, duly completed, at the transfer office of the Company not less than 48 hours before the meeting.
2. The transfer books of the Company will be closed on 12th January, 1989. Subject to the approval of the Annual General Meeting, dividend warrants will be posted on 7th February, 1989.
3. The register of Directors' interests and copies of Directors' service agreements will be available for inspection by members at the registered office of the Company during normal business hours from 22nd December, 1988 until the conclusion of the Annual General Meeting.

FINANCIAL DIARY

30th June, 1988	Interim results announced.
29th July, 1988	Interim dividend paid.
13th December, 1988	Final results announced.
22nd December, 1988	Report and Accounts issued.
19th January, 1989	Annual General Meeting.
8th February, 1989	Final dividend paid.

AIRTOURS plc

ANNUAL GENERAL MEETING, 19th JANUARY, 1989

Form of Proxy

I/We _____
(block letters please)

of _____
being a Member(s) of AIRTOURS plc, hereby appoint the Chairman of the meeting, or
(see note 1) _____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held on 19th January, 1989, on the following Resolutions to be submitted to the meeting and at any adjournment thereof.
Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast. Unless otherwise instructed, the proxy will vote as he thinks fit or abstain.

Ordinary Resolutions	For	Against
1. To receive and adopt the Directors' Report, the Financial Statements and the Auditors' Report for the year ended 30th September, 1988.		
2. To declare a final dividend.		
3. To re-elect Mr A. H. Coe as a Director.		
4. To re-elect Mr D. Crossland as a Director.		
5. To re-appoint the auditors.		
6. To authorise the Directors to fix the remuneration of the auditors.		
Special Resolution		
7. THAT: (a) the Directors be, and are hereby empowered pursuant to Section 95(1) of the Companies Act 1985 until the next Annual General Meeting of the Company (or, if sooner, until the expiry of fifteen months after passing of this Resolution) to allot equity securities (as defined by Section 94(2) of that Act) pursuant to the general authority conferred on the Directors on 28th January 1988 in accordance with Section 80 of that Act as if Section 89(1) of that Act did not apply to the statement; provided that the power conferred by this Resolution shall be limited to: (i) such exclusions or other arrangements as the Directors of the Company may consider appropriate to resolve any legal or practical problems arising in connection with the allotment or equity securities by way of rights to holders of Ordinary shares where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them (ii) the allotment (otherwise than pursuant to (i) above) of equity securities up to an aggregate nominal amount of £80,000 (being 5 per cent of the aggregate nominal value of the Company's existing issued equity share capital); and (b) the Company may at any time prior to the expiration of the power conferred by this Resolution make an offer or agreement which would or might require equity securities to be allotted pursuant thereto after the expiration of such authority.		

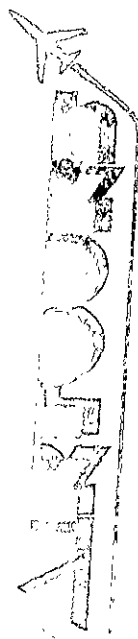
Signature _____

Dated this _____

day of _____ 1989

Notes

- You may, if you wish, in the space provided insert the name(s) of the person(s) of your choice to attend and vote at the meeting on your behalf. A proxy need not be a member of the Company.
- In the case of a corporation, this proxy must be executed either under its common seal or under the hand of an officer or a secretary, duly authorised in writing.
- In order to have effect, this proxy, and the power of attorney or other authority (if any) under which it is signed, or a notionally certified copy of such power or authority, must be lodged at the transfer office of the Company at least 48 hours before the time of the meeting.
- In the case of a joint holding, a proxy need only be signed by one joint holder, but the names of all the joint holders must be stated. If more than one such joint holder lodges a proxy only that of the holder named first on the Register will be counted.
- The completion and return of this form of proxy will not prevent you from attending the meeting and voting in person.



AIRTOURS plc

Attendance Card

Annual General Meeting
19th January, 1989

If you are attending the Annual General Meeting at The Holiday Inn, Crown Plaza, Manchester commencing at 11.30 am on 19th January, 1989, would you be good enough to complete this attendance card and hand it in on arrival.

Full name
(block letters please)

Capacity Attending
(Please tick appropriate box)

For own shareholding	
As proxy	
As a representative of	
Other* (press etc)	
*Details	

Please detach attendance card before mailing proxy card.

BUSINESS REPLY SERVICE
Licence No. BK601



THE REGISTRAR FOR AIRTOURS plc
BANK OF SCOTLAND
REGISTRAR DEPARTMENT
26A YORK PLACE
EDINBURGH
EH13EY

Second fold

First fold

Third fold and tuck in