

**AIRTOURS QUEST TRUSTEE LIMITED**

**Annual report and financial statements**

**For the year ended 31 August 2003**

**Deloitte & Touche LLP  
Manchester**



# **AIRTOURS QUEST TRUSTEE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2003**

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# **AIRTOURS QUEST TRUSTEE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2003**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

G.J. McMahon  
I.H. Anderson  
J. Timberlake  
R. Wilcock

#### **SECRETARY**

G.J. McMahon

#### **REGISTERED OFFICE**

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

#### **BANKERS**

Barclays Bank plc  
5 The North Colonnade  
Canary Wharf  
London  
E14 4BB

#### **SOLICITORS**

Addleshaw Goddard.  
100 Barbirolli Square  
Manchester  
M2 3AB

#### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
Manchester

# AIRTOURS QUEST TRUSTEE LIMITED

## DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the audited financial statements for the year ended 31 August 2003.

### PRINCIPAL ACTIVITY

The principal activity to act as the trustee of an Inland Revenue approved qualifying share ownership trust.

### BUSINESS REVIEW AND RESULTS

The audited financial statements for the year ended 31 August 2003 are set out on pages 6 to 11. They show a loss after taxation of £8 (2002 - £14,073).

Both the level of business and the period end financial position were satisfactory.

The directors expect the company to continue its present activities for the foreseeable future and expect results to improve.

### DIVIDEND AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2002 - £nil).

### DIRECTORS AND THEIR INTERESTS

The directors of the company who served during the period are listed on page 1.

No directors held any beneficial interest in the issued share capital of the company at 31 August 2003.

The interests of the directors in the shares of the ultimate parent undertaking at 31 August 2003 were as follows:

	I.H. Anderson Number 2003	I.H. Anderson Number 2002	J. Timberlake Number 2003	J. Timberlake Number 2002	G.J. McMahon Number 2003	G.J. McMahon Number 2002
Ordinary shares	7,943	7,943	9,159	9,159	13,462	6,187
Class II options over ordinary shares	90,000	90,000	-	-	-	-
1999 Executive share option scheme	112,768	176,824	60,137	60,137	117,108	170,488
SAYE options over ordinary shares	<u>13,176</u>	<u>13,176</u>	<u>13,176</u>	<u>13,176</u>	<u>4,768</u>	<u>4,768</u>

R. Wilcock has no interest in shares of the ultimate parent company in either year.

The directors do not have any other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

No director had any material interest in any contract or agreement entered into by the company during the period.

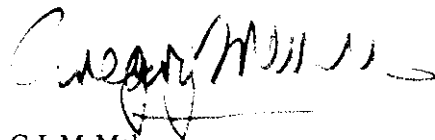
# AIRTOURS QUEST TRUSTEE LIMITED

## DIRECTORS' REPORT

### AUDITORS

On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



G.J. McMahon  
Secretary

6 July 2004

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. In arriving at their conclusion on the appropriateness of adopting the going concern basis, the directors have considered the matters described in note 1 to these financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIRTOURS QUEST TRUSTEE LIMITED**

We have audited the financial statements of Airtours Quest Trustee Limited for the year ended 31 August 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 10. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 company's 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.

### **Going concern uncertainty**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the accounts concerning the ability of the ultimate parent undertaking, MyTravel Group plc, to provide adequate financial support to the company. In view of the significance of this uncertainty we consider it should be drawn to your attention but our opinion is not qualified in this respect.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 August 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Manchester

*11 August 2004*

# AIRTOURS QUEST TRUSTEE LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 August 2003

	Note	2003 £	2002 £
Administrative expenses		(8)	(204)
<b>OPERATING LOSS</b>		(8)	(204)
Interest payable and similar charges	3	-	(13,869)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(8)	(14,073)
Tax on loss on ordinary activities	4	-	-
<b>LOSS FOR THE FINANCIAL YEAR</b>	8	(8)	(14,073)
<b>Retained loss brought forward</b>		(14,493)	(420)
<b>Retained loss carried forward</b>		(14,501)	(14,493)

There were no recognised gains or losses other than the loss for the period, accordingly a statement of total recognised gains and losses has not been prepared.

All activity arose from continuing operations.

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

# AIRTOURS QUEST TRUSTEE LIMITED

## BALANCE SHEET

31 August 2003

	Note	2003 £	2002 £
<b>CURRENT ASSETS</b>			
Cash at bank and in hand		54,159	42,985
		<u>54,159</u>	<u>42,985</u>
<b>CREDITORS: amounts falling due within one year</b>	5	(68,659)	(57,477)
<b>NET CURRENT LIABILITIES</b>		<u>(14,500)</u>	<u>(14,492)</u>
<b>NET LIABILITIES</b>		<u>(14,500)</u>	<u>(14,492)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	6	1	1
Profit and loss account	8	(14,501)	(14,493)
<b>EQUITY SHAREHOLDER'S DEFICIT</b>	7	<u>(14,500)</u>	<u>(14,492)</u>

These financial statements were approved by the Board of Directors on 6 July 2004.

Signed on behalf of the Board of Directors



I.H. Anderson  
Director

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 August 2003**

**1. ACCOUNTING POLICIES**

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

**Basis of preparation**

The financial statements are prepared under the historical cost convention in accordance with United Kingdom applicable accounting standards. The particular accounting policies adopted are described below.

***Going concern***

The company is dependent on funding from its ultimate parent undertaking, MyTravel Group plc ("MyTravel"). The directors have received confirmation from MyTravel, that insofar as it is able to do so, it will provide financial support as is necessary to enable the company to meet its liabilities as they fall due for a period of at least 12 months from 6 July 2004 the date of signing these accounts. However the ability of MyTravel to provide such support is uncertain. The principal causes of this uncertainty were described in MyTravel's interim accounts for the 6 months ended 31 March 2004 and the matters giving rise to this uncertainty continue as at 6 July 2004. The accounting policies section of MyTravel's interim accounts for the 6 months ended 31 March 2004 included the following statement:

"The Group's projected cash flow information for the 12 months to December 2004, on which the going concern statement was based, assumes that bookings will continue at acceptable levels and acceptable margins. In addition, the Group is continuing to undergo a significant restructuring of its UK operations, a process which is expected to generate cost savings through, inter alia, the simplification and re-engineering of the Group's core processes and systems and the renegotiation of long term commitments. The projected cash flow information assumes that this operational restructuring will be implemented successfully.

The nature of the Group's business is such that there can be unpredictable variation in the timing and margins of sales and in the quantum and timing of cash flows from trading. However, assuming the continued careful management of working capital, the Directors consider that the Group will continue to operate within the facilities currently agreed.

The Group's UK tour operations are also required to operate within the terms of Air Travel Organisers' Licences issued by the Civil Aviation Authority (CAA) which require the Group to satisfy the CAA that it is able to meet its obligations on a continuing basis. Whilst the Directors remain confident that the CAA will not withdraw the Group's licences, if they were to do so, the Group could not continue to operate.

The Board has considered the longer term financial position of the Group and in particular notes that a substantial amount of its borrowings and other credit facilities mature in 2006, and the Group would need to arrange a refinancing at that time. The Board has initiated a process to identify the options for restructuring the balance sheet. The process is at an early stage and the form and terms of any restructuring will depend on a number of factors and cannot be predicted with any certainty. Implementation of such a restructuring would remove the requirement to refinance the Group's existing borrowings and other credit facilities in 2006."

Based on the letter of support and the explanations from the directors of MyTravel, the directors have prepared these financial statements on the going concern basis. The financial statements do not include any adjustments, which would result from the inability of the parent company to continue to provide adequate financial support.

**Cash flow statement**

As permitted by Financial Reporting Standard No. 1 (revised 1996), the company has not produced a cash flow statement, as it is a wholly owned subsidiary of MyTravel Group plc which has produced a group cash flow statement in its financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 August 2003**

**1. ACCOUNTING POLICIES (continued)**

**Taxation**

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

None of the directors received any remuneration during the period (2002 - £nil).

The company has no employees (2002 - nil).

**3. INTEREST PAYABLE AND SIMILAR CHARGES**

	2003 £	2002 £
Bank interest	-	13,869

**4. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2003 £	2002 £
United Kingdom corporation tax		
Current year	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred taxation		
Current year	-	-
Adjustments in respect of prior years	-	-

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2003

## 4. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The differences between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2003 £	2002 £
Loss on ordinary activities before tax	(8)	(14,073)
Tax on loss on ordinary activities at standard corporation tax in the UK of 30%	(2)	(4,222)
Effects of:		
Group relief of taxable losses	2	4,222
Total current tax charge for the year	-	-

## 5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Amounts owed to group undertakings	68,659	57,477

## 6. CALLED-UP SHARE CAPITAL

	2003 £	2002 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Called-up, allotted and fully-paid		
1 ordinary share of £1	1	1

## 7. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S DEFICIT

	2003 £	2002 £
Loss for the financial year	(8)	(14,073)
Opening equity shareholder's deficit	(14,492)	(419)
Closing equity shareholder's deficit	(14,500)	(14,492)

## 8. RESERVES

	Profit and loss account £
Deficit at 31 August 2002	(14,493)
Loss for the year	(8)
Deficit at 31 August 2003	(14,501)

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 August 2003**

**9. ULTIMATE PARENT COMPANY**

The company is a subsidiary undertaking of MyTravel Group plc registered in England and Wales.

The largest and smallest group of which Airtours Quest Trustee Limited is a member and for which group financial statements are drawn up is headed by MyTravel Group plc whose principal place of business is at Parkway One, Parkway Business Centre, 300 Princess Road, Manchester M14 7QU. The consolidated financial statements of this group are available to the public and may be obtained from the above address.

**10. RELATED PARTY TRANSACTIONS**

As a subsidiary undertaking of MyTravel Group plc, the company has taken advantage of the exemption in Financial Reporting Standard No. 8, Related party disclosures, from disclosing transactions with other members of the group headed by MyTravel Group plc.