Company Registration No. 1512421 (England and Wales)

CLASSIC COLLECTION HOLIDAYS LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2004

Carpenter Box
Chartered Accountants
Grafton Lodge
15 Grafton Road
Worthing
West Sussex
BN11 1QR

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A50 0587
COMPANIES HOUSE 27/05/05

CLASSIC COLLECTION HOLIDAYS LIMITED

DIRECTORS AND ADVISERS

Directors	N.H.P. Munday T.D.S. Charlwood J.V. Fleming P.E.W. Munday A.K. Thomson M. de S. Brackenbury
Secretary	T.D.S. Charlwood
Company number	1512421
Registered office	12 Great James Street London WC1N 3DR
Registered auditors	Carpenter Box Grafton Lodge, 15 Grafton Road Worthing West Sussex BN11 1QR

CLASSIC COLLECTION HOLIDAYS LIMITED AND SUBSIDIARY COMPANIES

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CLASSIC COLLECTION HOLIDAYS LIMITED
AND SUBSIDIARY COMPANIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2004

The directors present their report and financial statements for the year ended 31 October 2004.

Directors
The following directors have held office since 1 November 2003:

N.H.P. Munday
T.D.S. Charlwood
J.V. Fleming
P.E.W. Munday
A.K. Thomson
M. de S. Brackenbury

Principal activities and review of the business
The principal activity of the company continues as that of an outbound tour operator.

During the year, the business successfully added another five short haul destinations. Classic Collection Holidays now provides holidays to more than a dozen Mediterranean and European sunshine destinations, promoting these holidays through four different brochures: Summer, Wintersun, Madeira and Mallorca.

During the past year, the travel industry again suffered the adverse effects of global terrorist threat plus massive overcapacity of air seats caused mainly by the increase of no frills carriers. Additionally, the growth of internet-based hotel-only companies, who, it would appear, operate with commercially unsound strategies, made it another good year for the travel consumer although consequently another difficult year for the travel industry.

Against this background, it is particularly pleasing to announce Classic Collection Holidays' turnover up 34% to £10.8 million, with a Profit before tax of £265,000 (2003 £110,000).

This year saw the implementation of a Travelink computer system which completes the technological platform from which to offer dynamically packaged and bespoke holiday arrangements. Speed, availability and flexibility are now of paramount importance in the buying process and the new system allows all three.

The travel trade and public brand of Classic Collection Holidays was further enhanced during the year by developing commercial arrangements with a substantial number of independent and miniple groups of travel agents, by considerable development of the website and by an increased focus on public relations.

Classic Collection Holidays believes that state-of-the-art technology and relationship building are the keys to its continued success. In embracing a period of unrivalled modernisation the business is at the forefront of its industry and its Directors, Managers and Staff believe that to combine this with good old-fashioned business ethics is the way forward.

Of the two wholly owned subsidiary companies, Classic Collection Aviation Limited carried out the transport broking business of the Group, whilst Classic Collection Holidays, Travel and Leisure Limited remained dormant throughout the year.

The Directors acknowledge and appreciate the Management Team and Staff for their passionate and tireless support for Classic Collection Holidays during the past year.

Results and dividends

The consolidated profit and loss account for the year is set out on page 5.

The directors do not recommend payment of an ordinary dividend.

Future developments

The company is optimistic about the year ahead which will be the first full year benefiting from the strategic changes made, notably in selling a fully dynamic packaged product and from its investment in computerised sales and administration systems.

Directors' interests

The directors' interests in the shares of the company and other group companies were as stated below:

CLASSIC COLLECTION HOLIDAYS LIMITED

	Ordinary shares of £ 1 each	
	31 October 2004	1 November 2003
N.H.P. Munday	600,000	600,000
T.D.S. Charlwood	-	-
J.V. Fleming	200,000	200,000
P.E.W. Munday	100,000	100,000
A.K. Thomson	100,000	100,000
M. de S. Brackenbury	50,000	50,000

CLASSIC COLLECTION AVIATION LIMITED

	Ordinary shares of £ 1 each	
	31 October 2004	1 November 2003
N.H.P. Munday	-	-
T.D.S. Charlwood	-	-

CLASSIC COLLECTION HOLIDAYS TRAVEL AND LEISURE LIMITED

	Ordinary shares of £ 1 each	
	31 October 2004	1 November 2003
N.H.P. Munday	-	-
T.D.S. Charlwood	-	-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Carpenter Box be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

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 and of the group and of the profit or loss of the group 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;

-prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

N. Munday

N.H.P. Munday

Director

22nd December 2004

CLASSIC COLLECTION HOLIDAYS LIMITED
AND SUBSIDIARY COMPANIES
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CLASSIC COLLECTION HOLIDAYS LIMITED

We have audited the financial statements of Classic Collection Holidays Limited on pages 5 to 17 for the year ended 31 October 2004. These financial statements have been prepared under the historical cost convention and 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 auditor's 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 on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 not disclosed.

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

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 and the group'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 October 2004 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Carpenter Box
Chartered Accountants
Registered Auditor

22nd December 2004

Grafton Lodge, 15 Grafton Road
Worthing
West Sussex
BN11 1QR

CLASSIC COLLECTION HOLIDAYS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 2004

	Notes	2004 £	2003 £
Turnover	2	10,856,355	8,084,924
Cost of sales		(9,323,438)	(6,834,561)
Gross profit		1,532,917	1,250,363
Administrative expenses		(1,343,135)	(1,192,300)
Other operating income		290	2,628
Operating profit	3	190,072	60,691
Other interest receivable and similar income		92,665	68,975
Interest payable and similar charges	4	(17,500)	(19,387)
Profit on ordinary activities before taxation		265,237	110,279
Tax on profit on ordinary activities	5	(60,028)	(30,740)
Profit on ordinary activities after taxation		205,209	79,539

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

CLASSIC COLLECTION HOLIDAYS LIMITED
AND SUBSIDIARY COMPANIES
BALANCE SHEETS
AS AT 31 OCTOBER 2004

	Notes	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Fixed assets					
Intangible assets	7	662,846	700,719	662,846	700,719
Tangible assets	8	87,406	66,064	87,406	66,064
Investments	9	-	-	61,335	61,335
		750,252	766,783	811,587	828,118
Current assets					
Debtors	10	659,293	386,920	352,961	210,331
Cash at bank and in hand		2,414,102	1,950,817	2,407,579	1,948,713
		3,073,395	2,337,737	2,760,540	2,159,044
Creditors: amounts falling due within one year	11	(2,126,673)	(1,612,755)	(1,877,781)	(1,495,653)
Net current assets		946,722	724,982	882,759	663,391
Total assets less current liabilities		1,696,974	1,491,765	1,694,346	1,491,509
Creditors: amounts falling due after more than one year	12	(175,000)	(175,000)	(175,000)	(175,000)
		1,521,974	1,316,765	1,519,346	1,316,509
Capital and reserves					
Called up share capital	14	1,125,000	1,125,000	1,125,000	1,125,000
Profit and loss account	15	396,974	191,765	394,346	191,509
Shareholders' funds - equity interests	16	1,521,974	1,316,765	1,519,346	1,316,509

The financial statements were approved by the board on 22nd December 2004

N.H.P. Munday
Director

T.D.S. Charlwood
Director

CLASSIC COLLECTION HOLIDAYS LIMITED
AND SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2004

	£	2004 £	£	2003 £
Net cash inflow from operating activities		479,606		494,656
Returns on investments and servicing of *finance*				
Interest received	88,552		60,489	
Interest paid	(17,500)		(19,387)	
Net cash inflow for returns on investments and servicing of finance		71,052		41,102
Taxation		(28,996)		(59,899)
Capital expenditure				
Payments to acquire tangible assets	(66,863)		(45,900)	
Net cash outflow for capital expenditure		(66,863)		(45,900)
Net cash inflow before management of liquid resources and financing		454,799		209,764
Management of liquid resources				
Bank deposits	(1,019,848)		(247,579)	
		(1,019,848)		(247,579)
Decrease in cash in the year		(565,049)		1,319,115

CLASSIC COLLECTION HOLIDAYS LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2004

1 Reconciliation of operating profit to net cash inflow from operating activities

	2004	2003
	£	£
Operating profit	190,072	60,691
Depreciation of tangible assets	45,521	28,501
Amortisation of intangible assets	37,873	37,867
Increase in debtors	(276,746)	(201,029)
Increase in creditors within one year	482,886	568,626
Net cash inflow from operating activities	479,606	494,656

2 Analysis of net funds

	1 November 2003	Cash flow	Other non-cash changes	31 October 2004
	£	£	£	£
Net cash:				
Cash at bank and in hand	1,512,689	(556,563)	-	956,126
Liquid resources:				
Bank deposits	438,128	1,019,848	-	1,457,976
	1,950,817	463,285		2,414,102
Debts falling due after one year	(175,000)	-	-	(175,000)
Net funds	1,775,817	463,285	-	2,239,102

3 Reconciliation of net cash flow to movement in net debt

	2004	2003
	£	£
(Decrease)/increase in cash in the year	(556,563)	193,474
Cash outflow from increase in liquid resources	1,019,848	247,579
Movement in net funds in the year	463,285	441,053
Opening net funds	1,775,817	1,334,764
Closing net funds	2,239,102	1,775,817

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings using acquisition accounting. Intra-group transactions and balances are fully eliminated on consolidation.

1.4 Turnover

Turnover represents amounts receivable from ordinary activities before deducting travel agent commission where appropriate and exclusive of VAT.

1.5 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life which is considered to be 20 years.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33.3% straight line per annum
Fixtures and fittings	25% straight line per annum
Motor vehicles	25% straight line per annum

1.7 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Investments

Investments represent the holdings in the subsidiaries and are stated at cost less provision for diminution in value.

1.9 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with Financial Reporting Standard No.17.

1.10 Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at a costed rate and all differences are taken to profit and loss account.

1.11 Liquid resources

Liquid resources represent deposits which require notice of withdrawal.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

	2004	2003
	£	£
Operating profit is stated after charging:		
Depreciation of intangible assets	37,873	37,867
Depreciation of tangible assets	45,521	28,501
Operating lease rentals	25,271	23,618
Auditors' remuneration (company £6,150; 2003: £10,200)	7,750	11,750

None of the above operating lease rentals relate to plant and machinery.

4 Interest payable

	2004	2003
	£	£
On bank loans and overdrafts	-	1,887
On other loans wholly repayable within five years	17,500	17,500
	17,500	19,387

5 Taxation

	£	£
Domestic current year tax		
U.K. corporation tax	60,067	29,035
Adjustment for prior years	(39)	1,705
Current tax charge	60,028	30,740
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	265,237	110,279
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.41% (2003: 19.00%)	51,483	20,953
Effects of:		
Non deductible expenses	219	668
Depreciation and amortisation add back	16,430	12,610
Capital allowances	(7,954)	(4,926)
Adjustments to previous periods	(39)	1,705
Other tax adjustments	(111)	(270)
	8,545	9,787
Current tax charge	60,028	30,740

The rate of tax used in the above reconciliation is the group's applicable marginal rate.

6 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2004 £	2003 £
Holding company's profit for the financial year	202,837	79,491

7 **Intangible fixed assets**
Group and company

	Goodwill £
Cost	
At 1 November 2003 & at 31 October 2004	757,466
Amortisation	
At 1 November 2003	56,747
Charge for the year	37,873
At 31 October 2004	94,620
Net book value	
At 31 October 2004	662,846
At 31 October 2003	700,719

8 **Tangible fixed assets**
Group and company

	Computer equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 November 2003	78,548	13,231	7,153	98,932
Additions	63,231	3,632	-	66,863
At 31 October 2004	141,779	16,863	7,153	165,795
Depreciation				
At 1 November 2003	27,888	3,473	1,507	32,868
Charge for the year	40,029	3,704	1,788	45,521
At 31 October 2004	67,917	7,177	3,295	78,389
Net book value				
At 31 October 2004	73,862	9,686	3,858	87,406
At 31 October 2003	50,660	9,758	5,646	66,064

9 Fixed asset investments

Company

	Shares in group undertakings £
Cost (less amounts written down)	
At 1 November 2003 & at 31 October 2004	61,335
At 31 October 2003	61,335

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
CC Holidays Travel and Leisure Limited	England and Wales	Ordinary	100
CC Aviation Limited	England and Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
CC Holidays Travel and Leisure Limited	Dormant
CC Aviation Limited	Transport broker

CC is an abbreviation for Classic Collection.

10 Debtors

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Trade debtors	15,466	-	15,466	-
Amounts owed by group undertakings	-	-	210,903	30,062
Other debtors	112,499	85,866	-	-
Prepayments and accrued income	531,328	301,054	126,592	180,269
	659,293	386,920	352,961	210,331

11 Creditors : amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Payments received on account	1,126,895	784,669	1,126,895	784,669
Trade creditors	761,035	639,924	483,333	483,272
Amounts owed to group undertakings	-	-	59,335	59,335
Corporation tax	60,067	29,035	31,142	10,250
Taxes and social security costs	107,934	105,295	107,934	105,295
Accruals and deferred income	70,742	53,832	69,142	52,832
	2,126,673	1,612,755	1,877,781	1,495,653

12 Creditors : amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Other loans	175,000	175,000	175,000	175,000
Analysis of loans				
Wholly repayable within five years	175,000	175,000	175,000	175,000
	175,000	175,000	175,000	175,000

The loan represents unsecured loan notes that are redeemable on 31 December 2005 or at any time after April 2003 by the company giving 14 days notice to the note holders. The terms of this loan agreement state that the loan cannot be withdrawn without the Civil Aviation Authority's (CAA) written consent. The company has also given an undertaking to the Association of British Travel Agents (ABTA) that this loan shall not be redeemed, in whole or in part, without their prior written consent. The interest payable on the loan notes is the higher of 10%, or 5% over the UK Bank of England base rate.

13 Pension costs

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions totalling £2,664 (2003 - £2,664) were payable to the fund at the year end and are included in creditors.

Defined contribution

	2004	2003
	£	£
Contributions payable by the group for the year	6,178	5,225

14 Share capital

	2004 £	2003 £
Authorised		
1,200,000 Ordinary shares of £1 each	1,200,000	1,200,000
Allotted, called up and fully paid		
1,125,000 Ordinary shares of £1 each	1,125,000	1,125,000

15 Statement of movements on profit and loss account

Group

	Profit and loss account £
Balance at 1 November 2003	191,765
Retained profit for the year	205,209
Balance at 31 October 2004	396,974

Company

	Profit and loss account £
Balance at 1 November 2003	191,509
Retained profit for the year	202,837
Balance at 31 October 2004	394,346

16 Reconciliation of movements in shareholders' funds

Group	**2004** £	**2003** £
Profit for the financial year	205,209	79,539
Opening shareholders' funds	1,316,765	1,237,226
Closing shareholders' funds	1,521,974	1,316,765

Company	**2004** £	**2003** £
Profit for the financial year	202,837	79,491
Opening shareholders' funds	1,316,509	1,237,018
Closing shareholders' funds	1,519,346	1,316,509

17 Contingent liabilities

Group and company

Bond in favour of Air Portugal £2,000 (2003 - £2,000)

18 Financial commitments

At 31 October 2004 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2004 £	**2003** £
Expiry date:		
Within one year	25,000	24,400

At 31 October 2004 the group and company had entered into currency forward exchange contracts to the value of £6,193,976 (2003 - £6,767,085). Included within cash and bank deposits is an amount of £457,976 (2003 - £438,128) which represents cash cover in connection with these forward exchange contracts.

At 31 October 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2004 £	**2003** £
Expiry date:		
Within one year	25,000	24,400

19 Directors' emoluments

	2004	2003
	£	£
Emoluments for qualifying services	138,209	111,177
Company pension contributions to money purchase schemes	4,000	4,000
	142,209	115,177

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to 1 (2003 - 1).

20 Transactions with directors

N.H.P. Munday and T.D.S. Charlwood, both directors, have provided guarantees to the Civil Aviation Authority to the effect that if Classic Collection Holidays Limited or Classic Collection Aviation Limited exceed their licence authorisation and then fail, they may be liable to reimburse the Air Travel Trust in respect of any expenditure incurred in meeting the customer contractual obligations.

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2004	2003
	Number	Number
Administration	8	6
Sales, marketing, operations	21	18
	29	24

Employment costs	2004	2003
	£	£
Wages and salaries	736,905	580,339
Social security costs	71,783	56,213
Other pension costs	6,178	5,225
	814,866	641,777

22 Control

For the whole period, the group was under the control of N.H.P.Munday, the major shareholder and managing director.