

FIRST CHOICE HOLIDAYS & FLIGHTS LIMITED

(formerly First Choice Travel Limited)
(formerly Owners Abroad Holidays Limited)

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

for the year ended
31 October 1994

Company Number 1450256



First Choice Holidays & Flights Limited
 (formerly First Choice Travel Limited)
 (formerly Owners Abroad Holidays Limited)

DIRECTORS' REPORT
 for the year ended 31 October 1994

FINANCIAL STATEMENTS

The Directors present their report and financial statements of First Choice Holidays & Flights Limited for the year ended 31 October 1994.

On 16 August 1994, the Company changed its name from Owners Abroad Holidays Limited to First Choice Travel Limited. Then on 16 December 1994, the Company changed its name to First Choice Holidays & Flights Limited from First Choice Travel Limited.

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 profit or loss 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, was £3,797,000 (1993: loss £21,976,000). The Directors do not recommend the payment of any dividend (1993: £Nil) and therefore a deficit of £3,797,000 (1993: deficit £21,976,000) will be transferred to reserves.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company's principal activity continued to be that of tour operators. The results for the year include the following trades which operate under the same ATOL licence held by First Choice Holidays & Flights Limited.

Falcon,	Just Turkey,	Go Turkey,	Martyn Holidays,
Villas Italia,	Ski Falcon,	Go Morocco,	Twentys,
Scanscape,	Enterprise Ski,	Sunmed,	Smallworld,
Sovereign,	Falcon Sailing,	Enterprise,	Go Greek.

During the year the Company launched its new identity, name and brand portfolio. The Company consolidated its previous brands into the following three focused and targeted brands:

- | | |
|--------------|--|
| First Choice | - The volume brand, for value for money holidays with a special emphasis on families: |
| Sovereign | - The brand for more sophisticated customers looking for a stylish holiday with emphasis on quality and service; and |
| Freespirit | - For couples and younger people travelling without families who want greater flexibility and freedom from an inclusive holiday. |

First Choice Holidays & Flights Limited
 (formerly First Choice Travel Limited)
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DIRECTORS' REPORT
 for the year ended 31 October 1994 (continued)

POLITICAL AND CHARITABLE DONATIONS

During the year, the Company made no political contributions and made various charitable donations totalling £1,138 (1993 : £8,236).

DIRECTORS

The Directors of the Company are:

P Buckley	(appointed 29 October, 1993)
E F Hazebroek	
M B Heald	(appointed 1 February, 1994)
G Malone	
G G Michalias	(resigned 3 June, 1994)
F O'Neill	(resigned 31 January, 1994)
W Smith	
R Stevens	(appointed 29 October, 1993 and resigned 29 April, 1994)
G G Stone	(resigned 17 November, 1993)
K Waller	(resigned 31 December, 1993)

DIRECTORS' AND THEIR INTERESTS

None of the Directors had any beneficial interest in the share capital of the Company at any time during the year.

At 31 October 1994 none of the Directors had any interests in the share capital of the ultimate parent company, First Choice Holidays PLC, except as follows:

	31 October 1994			31 October 1993		
	Ordinary shares		Preference shares	Ordinary shares		Preference shares
	Held	Under option	Held	Held	Under option	Held
P Buckley	285,347	88,762	33,934	285,347	65,000	33,934

The interests of M B Heald are disclosed in the accounts of First Choice Holidays PLC.

DIRECTORS' INSURANCE

The ultimate parent company maintains insurance policies on behalf of all Directors of First Choice Holidays & Flights Limited against liability arising from negligence, breach of duty and breach of trust in relation to the Company.

First Choice Holidays & Flights Limited
(formerly First Choice Travel Limited)
(formerly Owners Abroad Holidays Limited)

DIRECTORS' REPORT
for the year ended 31 October 1994 (continued)

EMPLOYMENT OF DISABLED PERSONS

It is the Company's policy to give full consideration to the suitability of disabled persons for employment. Opportunities also exist for employees of the Company who become disabled to continue in their employment or to be trained for other positions in the Company.

EMPLOYEE INVOLVEMENT

The Company's policy is to encourage the involvement of all employees in the continued development and success of the Company. All employees are encouraged to participate in the training, career development and quality initiatives provided within the Company. In addition, there is extensive communication of the Company's affairs to employees through internal newsletters and briefings.

AUDITORS

Our auditors changed their name from KPMG Peat Marwick to KPMG on 6 February 1995. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board.



Peter Buckley
Secretary

1 May 1995

AUDITORS' REPORT
to the members of First Choice Holidays & Flights Limited

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of directors and auditors

As described on page 1, the Company's 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 October 1994 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered accountants
Registered auditors
LONDON.

| May 1995.

First Choice Holidays & Flights Limited
 (formerly First Choice Travel Limited)
 (formerly Owners Abroad Holidays Limited)

PROFIT AND LOSS ACCOUNT
for the year ended 31 October 1994

	Notes	Continuing Operations 1994 £'000	Continuing Operations 1993 (Restated) £'000
Turnover	2	410,008	394,199
Cost of sales		(405,240)	(380,622)
Gross profit		4,768	13,577
Operating Expenses (1993: including £7,588,000 of exceptional operating costs)	3	(35,706)	(42,075)
Operating loss		(30,938)	(28,498)
Restructuring Costs	5	(6,656)	-
Interest receivable and similar income	6	274	3,301
Interest payable and similar charges	7	(3,372)	(4,459)
Loss on ordinary activities before taxation	7	(40,692)	(29,656)
Tax on loss on ordinary activities	8	36,895	7,680
Retained (loss) for the year	15	(3,797)	(21,976)

The Company has no other recognised gains or losses for the year.

A note on historical cost profits and losses has not been included as part of these financial statements as there is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

First Choice Holidays & Flights Limited
 (formerly First Choice Travel Limited)
 (formerly Owners Abroad Holidays Limited)

BALANCE SHEET
 as at 31 October 1994

	Notes	1994		1993	
		£'000	£'000	£'000	£'000
CURRENT ASSETS					
Debtors	10	245,027		171,587	
Cash at bank and in hand		5,623		39	
		<u>250,650</u>		<u>171,626</u>	
CREDITORS: amounts falling due within one year	11	(226,345)		(193,524)	
		<u></u>		<u></u>	
NET CURRENT ASSETS/(LIABILITIES)			24,305		(21,898)
			<u></u>		<u></u>
CREDITORS: amounts falling due after more than one year	12		50,000		-
CAPITAL AND RESERVES					
Called up share capital	14		61		61
Share premium account			269		269
Other reserve	15		(100)		(100)
Profit and loss account	15		<u>(25,925)</u>		<u>(22,128)</u>
			<u>24,305</u>		<u>(21,898)</u>

The financial statements on pages 5 to 11 were approved by the Board on) May, 1995,
 and signed on their behalf by:



M.B. Heald
 Director

First Choice Holidays & Flights Limited

(formerly First Choice Travel Limited)

(formerly Owners Abroad Holidays Limited)

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1994****1. ACCOUNTING POLICIES****Basis of Preparation**

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards consistently applied.

The accounts have been prepared on a going concern basis which the directors believe is appropriate, as the ultimate holding company, First Choice Holidays PLC has indicated its willingness to ensure the obligations and liabilities of the Company are met as they fall due.

Turnover

Turnover arising on departure date, comprises of sales less commission and discounts receivable by the Company in the ordinary course of business, net of Value Added Tax.

Foreign currency translation

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date, except to the extent that foreign currency denominated liabilities are covered by forward exchange contracts. The benefit of foreign exchange contracts purchased to cover future seasons requirements is accounted for in the season to which such contracts relate. Profits and losses arising on trading and translation are dealt with through the profit and loss account.

Revenue invoiced in advance

All revenue invoiced and other income relating to flights departing and holidays commencing after the balance sheet date is carried forward and included in creditors falling due within one year.

Deferred expenditure

Expenditure incurred for the forthcoming season's programme is carried forward to the accounting period in which the related revenue will be recognised.

Pensions

The Group operates a defined contribution scheme and charges are made to the Company for staff employed.

Pension liabilities are charged to the profit and loss account as they fall due.

Deferred taxation

Deferred taxation is provided using the liability method, on all material timing differences to the extent that the liability is expected to crystallise in the foreseeable future.

Restated profit and loss account

The directors have reviewed the appropriateness of the profit and loss account format and have changed from the previous disclosures to use Format 1 of Schedule 4 of the Companies Act 1985. The directors consider that Format 1 provides a better understanding of the costs of the business.

Cash flow statement

The Company is exempt under Financial Reporting Standard No. 1 from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary company of another UK company.

First Choice Holidays and Flights Limited
 (formerly First Choice Travel Limited)
 (formerly Owners Abroad Holidays Limited)

NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 October 1994 (continued)

2. TURNOVER

The turnover and pre-tax loss are attributable to tour operating activities of the Company which were all carried out in the United Kingdom and arise from continuing operations.

3. OPERATING EXPENSES (NET)

	1994	(Restated) 1993
	£'000	£'000
Staff costs (see note 4)	12,622	13,443
Other operating expenses	24,458	21,219
Exceptional operating expenses	-	7,558
	<u>37,080</u>	<u>42,220</u>
Other operating income	<u>(1,374)</u>	<u>(145)</u>
	<u>35,706</u>	<u>42,075</u>

The £7,558,000 of exceptional operating expenses arising in 1993 comprise £6,658,000 provision against amounts owed by Group undertakings and £900,000 provision for lease costs on empty properties.

4. STAFF COSTS

	1994	(Restated) 1993
	£'000	£'000
Wages and salaries	11,526	12,265
Social security costs	963	1,047
Pension costs	133	131
	<u>12,622</u>	<u>13,443</u>

During the year staff costs of group and fellow subsidiary undertakings were incurred by First Choice Office Services Limited (formerly Owners Abroad Services Limited) and were subsequently recharged as shown above.

5. RESTRUCTURING COSTS

During 1994 the Company refocused its brand and brochure portfolio, integrated the activities of a number of product centres and vacated a number of offices. This gave rise to the following costs:-

	1994	(Restated) 1993
	£'000	£'000
Redundancy and relocation costs	1,399	-
Marketing and re-branding costs	5,257	-
	<u>6,656</u>	<u>-</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1994	1993
	£'000	£'000
Interest receivable from group companies	269	3,301
Bank interest receivable	5	-
	<u>274</u>	<u>3,301</u>

First Choice Holidays & Flights Limited

(formerly First Choice Travel Limited)

(formerly Owners Abroad Holidays Limited)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 1994 (continued)

7. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1994 £'000	(Restated) 1993 £'000
is stated after charging:		
Interest payable :		
On bank loans and overdrafts wholly repayable within five years	105	1,523
To fellow subsidiaries	3,267	2,936
	<u>3,372</u>	<u>4,459</u>
Auditors' remuneration - audit fees	<u>145</u>	<u>65</u>
Directors' remuneration consisting of:		
Emoluments (including pension contributions)	<u>-</u>	<u>74</u>
Emoluments (excluding pension contributions) of the highest paid director	<u>-</u>	<u>68</u>

Total auditors' remuneration for non-audit services during the year was £422,000 (1993: £nil)

The emoluments (excluding pension contributions) of the directors fell within the following ranges:-

	1994 Number	1993 Number
£ 0 - £ 5,000	10	8
£ 45,001 - £ 50,000	-	1

During the year the directors were employed by First Choice Office Services Limited, the accounts of which include the emoluments of P Buckley and R Stevens. The emoluments of M B Heald and G G Stone are disclosed in the accounts of First Choice Holidays PLC. With the exception of E F Hazebrook, see below, no other director provided services or, received emoluments from the company.

During the year, a management fee of £60,000 (1993: £60,000) was paid to a company under the control of E F Hazebrook.

8. TAXATION

	1994 £'000	1993 £'000
Corporation Tax at 33% (1993 - 33%) based on		
- loss for the year	(34,066)	(7,243)
- (over)/provision in previous years	(2,721)	(181)
Deferred taxation (see note 13)	<u>(108)</u>	<u>(256)</u>
Tax on loss on ordinary activities	<u>(36,895)</u>	<u>(7,680)</u>

The tax credit for the year represents amounts receivable from group companies in respect of group relief surrendered to them.

First Choice Holidays & Flights Limited

(formerly First Choice Travel Limited)

(formerly Owners Abroad Holidays Limited)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 1994 (continued)

9. INVESTMENTS

	1994 £'000	1993 £'000
Investments in subsidiary undertakings at cost:		
At 1 November 1993	-	5,910
Transfer to Group Company	-	(5,910)
At 31 October 1994	-	-

10. DEBTORS

	1994 £'000	1993 £'000
Trade debtors	106,383	81,240
Amounts owed by fellow subsidiaries	103,115	67,938
Other debtors	4,668	1,910
Corporation Tax	4,221	7,581
Deferred taxation (see note 13)	439	331
Prepayments and payments in advance to suppliers	26,201	12,587
	<u>245,027</u>	<u>171,587</u>

11. CREDITORS: amounts falling due within one year

	1994 £'000	1993 £'000
Trade creditors	5,311	3,113
Amounts owed to fellow subsidiaries	44,797	62,082
Other creditors	12,729	6,839
Accruals	29,615	20,193
Revenue invoiced in advance	133,893	101,297
	<u>226,345</u>	<u>193,524</u>

12. CREDITORS: amounts falling due after more than one year

	1994 £'000	1993 £'000
Subordinated loan - amount owed to fellow subsidiary	<u>50,000</u>	-

13. DEFERRED TAX

The deferred tax asset in the financial statements and the potential asset are as follows.

	Asset Recognised		Potential	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Accelerated capital allowances	51	54	51	54
Short Term timing differences	388	277	388	277
	<u>439</u>	<u>331</u>	<u>439</u>	<u>331</u>
				£'000
At 1 November 1993				331
Credited to profit and loss account (see note 8)				108
At 31 October 1994 (see note 10)				<u>439</u>

First Choice Holidays & Flights Limited
 (formerly First Choice Travel Limited)
 (formerly Owners Abroad Holidays Limited)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1994 (continued)

14. SHARE CAPITAL	1994 £'000	1993 £'000
Authorised		
600,000 deferred ordinary shares of 10p each	60	60
100,000 ordinary shares of 10p each	10	10
	<u>70</u>	<u>70</u>
Issued and fully paid		
600,000 deferred ordinary shares of 10p each	60	60
6,000 ordinary shares of 10p each	1	1
	<u>61</u>	<u>61</u>
15. PROFIT AND LOSS ACCOUNT		Profit and Loss Account £'000
At 1 November 1993		(22,128)
Retained loss for the year		(3,797)
At 31 October 1994		<u>(25,925)</u>

The movement of shareholders' funds during the year is represented by retained losses for the year.

16. PENSION COSTS

The Group operates a defined contribution scheme, for employees eligible and willing to participate. The assets of the scheme are held separately from the assets of the Group and the Company. The pension costs relating to this scheme and charged to the profit and loss account amounted to £133,000 (1993: £131,000).

17. OPERATING LEASES

At 31 October 1994 the company had annual commitments under non-cancellable operating leases as follows:

	1994 Computer Equipment £'000
Expiry date:	
Within one year	485
Between two and five years	1,599
	<u>2,084</u>

The above are the contracted obligations of the company which are recharged as appropriate to those fellow subsidiaries that make use of the facilities. In 1993 the computer equipment is shown within First Choice Office Services Limited.

18. ULTIMATE PARENT COMPANY

The directors regard First Choice Holidays PLC, a company registered in England and Wales, as the Company's ultimate parent company. First Choice Holidays PLC is the parent undertaking of the largest and smallest group of which First Choice Holidays & Flights Limited is a member and for which group accounts are drawn up. Copies of these group accounts are available from the Company Secretary, First Choice Holidays PLC, 1st Floor, First Choice House, London Road, Crawley, West Sussex, RH10 2GX.

First Choice Holidays & Flights Limited
(formerly First Choice Travel Limited)
(formerly Owners Abroad Holidays Limited)

DETAILED PROFIT AND LOSS ACCOUNT
for the year ended 31 October 1994

	1994		1993	
			(Restated)	
	£'000	£'000	£'000	£'000
Turnover		410,008		394,199
Other operating income		1,374		181
		<hr/>		<hr/>
		411,382		394,380
External charges		(405,240)		(380,622)
Staff costs		(12,622)		(13,443)
Depreciation		0		(6)
Operating charges				
Audit and accountancy	167		165	
Bad debts	207		482	
Bond premiums	1,031		1,083	
Computer expenses	6,276		5,248	
Marketing and rebranding	5,257		0	
Establishment costs	1,018		4,595	
Financial costs	434		255	
General expenses	171		191	
General insurance	944		1	
Legal and professional	1,487		685	
Licence fee	142		149	
Management charges	8,600		4,155	
Other staff costs	3,391		1,873	
Owed by group undertaking	-		6,658	
Reorganisation costs	13		248	
Stationery and consumables	1,254		1,461	
Sundry income	(370)		-	
Travel and subsistence	1,092		1,558	
		<hr/>		<hr/>
		(31,114)		(28,807)
		<hr/>		<hr/>
		(37,594)		(28,498)
Interest payable (net)		(3,098)		(1,158)
		<hr/>		<hr/>
(Loss)/profit on ordinary activities before taxation		(40,692)		(29,656)
		<hr/>		<hr/>

This statement does not form part of the audited financial statements and is for the information of the directors only.