

AIR 2000 LIMITED

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

for the year ended
31 October 1994

Company Number 1966273



DIRECTORS' REPORT
for the year ended 31 October 1994

FINANCIAL STATEMENTS

The Directors present their report and financial statements of Air 2000 Limited for the year ended 31 October 1994.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Company is the operation of a charter airline, utilising Boeing 757-200 and Airbus A320 aircraft.

Turnover for the year increased by 5.5% to £283,934,000 (1993: 14% to £269,121,000).

RESULTS AND DIVIDENDS

The profit before taxation for the year was £43,562,000 (1993 restated: £22,954,000). An interim dividend of £20,000,000 was declared and paid during the year (1993: £NIL) but no final dividend is proposed (1993: £NIL). The retained loss of £9,756,000 (1993 profit restated: £15,114,000) is transferred to reserves.

FIXED ASSETS

Details of fixed asset movements are shown in note 12 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company who served during the year are:

N Burrows	(Resigned 26 January, 1995)
E P Cossey	(Chairman - Resigned 30 April, 1995)
G Halford-Macleod	(Resigned 28 February 1995)
M B Heald	(Appointed 1 February, 1994)
M Simpson	
V I Sinclair	(Appointed 16 November, 1993)
J D Skinner	(Resigned 24 March 1995)
K W Smith	
T G Sault	

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

At 31 October 1994 the interests of the Directors in the share capital of the ultimate parent company, First Choice Holidays PLC, were as follows:

DIRECTORS' REPORT

for the year ended 31 October 1994 (continued)

	At 31 October 1994			At 31 October 1993		
	Ordinary shares Held	Preference Under option	shares Held	Ordinary shares Held	Preference Under option	shares Held
N Burrows	-	275,000	-	-	275,000	-
J D Skinner	-	30,000	-	-	180,000	-
T G Soult	1,044	-	-	1,044	-	-
K W Smith	-	148,515	-	-	-	-
V I Sinclair	-	69,505	-	-	-	-

The interests of E.P. Cossey and 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 the Directors of Air 2000 Limited against liability arising from negligence, breach of duty and breach of trust in relation to the Company.

EMPLOYEES

The Company recognises the importance of promoting and maintaining good communications with its employees so that they may participate fully in matters of concern.

Regular meetings are held involving directors, managers and supervisory staff to convey information about the business.

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.

AUDITORS

Our auditors changed the name under which they practise to KPMG with effect from 6th 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.



P Buckley
Secretary

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.

AUDITORS' REPORT
to the members of Air 2000 Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

As described on page 3, 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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG

Chartered Accountants

Registered Auditors

London

23 Oct 1995

PROFIT AND LOSS ACCOUNT
for the year ended 31 October 1994

		Continuing Operations	Continuing Operations (Restated)
		1994	1993
	Notes	£'000	£'000
Turnover	3	283,934	269,121
Cost of Sales		(202,287)	(197,573)
		81,647	71,548
Operating expenses	4	(39,676)	(48,790)
Operating profit	5	41,971	22,758
Investment income	8	4,217	3,543
		46,188	26,301
Interest payable	9	(2,626)	(3,347)
Profit on ordinary activities before taxation		43,562	22,954
Tax on profit on ordinary activities	10	(33,318)	(7,840)
Profit for the financial year		10,244	15,114
Dividends	11	(20,000)	-
Retained (loss)/profit for the year		(9,756)	15,114
Profit and Loss Account - 1 November 1993			
- As previously reported		33,591	19,305
- Prior year adjustment		(2,939)	(4,776)
		30,652	14,529
- As adjusted		20,896	29,643
Additional depreciation on revalued assets transferred from revaluation reserve	21	1,312	1,009
Profit and Loss Account - 31 October 1994		22,208	30,652

BALANCE SHEET
as at 31 October 1994

		1994		(Restated) 1993	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	12		67,715		82,670
Investments	13		15		15
			<u>67,730</u>		<u>82,685</u>
CURRENT ASSETS					
Stocks	14	541		768	
Debtors	15	161,180		111,418	
Cash at bank and in hand	16	3,681		8,793	
		<u>165,402</u>		<u>120,979</u>	
CREDITORS: amounts falling due within one year	17	(130,030)		(82,756)	
Net Current Assets			<u>35,372</u>		<u>38,223</u>
Total Assets less Current Liabilities			103,102		120,908
CREDITORS: amounts falling due after more than one year	18		(25,513)		(51,053)
PROVISIONS FOR LIABILITIES AND CHARGES	19		(44,741)		(26,703)
Net assets			<u>32,848</u>		<u>43,152</u>
CAPITAL AND RESERVES					
Called up share capital	20		100		100
Revaluation reserve	21		10,540		12,400
Profit and loss account			<u>22,208</u>		<u>30,652</u>
Shareholders' funds			<u>32,848</u>		<u>43,152</u>

The financial statements on pages 5 to 18 were approved by the Board on 1995 and signed on their behalf by:-



K W Smith
Director



Malcolm Heald
Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 October 1994

	1994 £'000	(Restated) 1993 £'000
Profit for the financial year	10,244	15,114
Unrealised (deficit)/surplus arising on revaluation	(548)	3,262
Total recognised gains and losses relating to the year	9,696	18,376
Prior year adjustment		
- Revaluation Reserve	12,400	
- Profit and loss account	(2,939)	
Total recognised gains since last financial statements	19,157	

Note of Historical Cost Profits and Losses
for the year ended 31 October 1994

	1994 £'000	(Restated) 1993 £'000
Reported profit on ordinary activities before taxation	43,562	22,954
Depreciation difference between historical cost and the revalued amount	1,313	1,008
Historical cost profit on ordinary activities before taxation	44,875	23,962
Historical cost retained (loss)/profit for the year	(8,443)	16,122

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 October 1994

	1994 £'000	(Restated) 1993 £'000
Profit for the financial year	10,244	15,114
Dividends	(20,000)	-
	(9,756)	15,114
Other recognised gains and losses relating to the year	(548)	3,262
Net (decrease)/increase in Shareholders' Funds	(10,304)	18,376
Opening Shareholder's funds (as previously stated)	33,691	19,405
	9,461	5,371
Prior year adjustment		
Closing Shareholders' Funds	32,848	43,152

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

1 ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards, consistently applied.

Group financial statements

The Company has not produced group financial statements because it is a wholly owned subsidiary of a UK undertaking which has prepared group financial statements.

Foreign currencies

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 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 relating to flights departing after 31 October is carried forward and included in creditors falling due within one year.

Finance leases & hire purchase agreements

Assets arising under finance leases and hire purchase agreements are capitalised and a corresponding liability recorded in creditors representing the present value of the minimum lease payments. Where an option price exists, the corresponding liability includes the option purchase price as though it were a lease payment and the option exercise date is taken as the most beneficial to the Company. Payments are treated as consisting of capital and interest elements with the interest being charged to the profit and loss account in proportion to the outstanding obligations.

The assets relating to aircraft finance leases and hire purchase contracts are revalued by independent professional valuers at each balance sheet date.

Operating leases

Rentals payable and receivable under operating leases are charged or credited to the profit and loss account on a straight-line basis over the period of the lease.

Rental payments made in excess of the amount charged to the profit and loss account are carried forward as deferred lease rentals.

Aircraft maintenance costs

The provision made in respect of maintenance, overhaul and repair costs of the airframes and engines is based on the total anticipated costs over the useful life of the aircraft and engines calculated by reference to costs experienced and manufacturers' published data. The charge to the profit and loss account is calculated by reference to the number of hours flown. Costs incurred are charged against the provision.

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

1 ACCOUNTING POLICIES (continued)

Depreciation

Fixed assets are depreciated on a straight-line or reducing-balance basis at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life.

The rates and methods used are as follows:

Hire purchase aircraft	- 20 years to 10% residual value
Aircraft equipment and spares	- over 12 years
Motor vehicles	- 25% reducing balance
Office equipment	- 25% reducing balance
Computer equipment	- First Year - 40% straight-line
	- Thereafter - 30% straight-line

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.

Pensions

Under the defined benefit scheme, pension liabilities are charged to the profit and loss account so as to spread the long term cost of pensions over the remaining service lives of current employees. The assets of the scheme are held separately from assets of the Company.

Stock

Stock is valued at the lower of cost or net realisable value.

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.

2 PRIOR YEAR ADJUSTMENTS

Two aircraft and a spare engine were leased from a non group company during 1988. The agreements were originally accounted for as operating leases, with rentals charged to the profit and loss account on a straight line basis over the period of the lease. In 1991 the Company transferred the obligations under the agreements to a fellow subsidiary company. Simultaneously the Company entered into an agreement with this fellow subsidiary to operate the aircraft and engine and also obtained the option to acquire the assets. This arrangement was accounted for as a hire purchase agreement and the assets (whose value was based on advice from independent aircraft consultants and valuers) were brought on balance sheet.

Following the adoption of Financial Reporting Standard No. 5, "reporting the substance of transactions," the original contracts incepted in 1988 have been accounted for as finance lease agreements and consequently the aircraft and related engine have been restated to the original cost in 1988. The assets have been depreciated in accordance with the stated depreciation policy. In restating the 1993 accounts the assets were included in the balance sheet at their revalued amounts. The assets have subsequently and will continue to be revalued annually by the directors on the advice of independent professional valuers.

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

Under the restated accounting treatment, the effect of the agreement in 1991 with the fellow subsidiary undertaking to operate the aircraft and engine was to reclassify the finance lease liability to an intragroup liability reflecting the outstanding obligation under the hire purchase arrangement with the fellow subsidiary company. There was no effect on the accounting treatment of the assets.

The effect on the 1994 financial statements has been to increase profit after tax by £24,000. A summary of the effect of the prior year adjustment on the 1993 financial statements is set out below:

	As Previously Reported £'000	Prior Year Adjustment £'000	Realised Depreciation Transfer £'000	As Restated £'000
Profit on ordinary activities before taxation	22,213	741	-	22,954
Tax on profits on ordinary activities	(7,927)	87	-	(7,840)
Profit on ordinary activities after taxation	14,286	828	-	15,114
Profit and loss account brought forward	19,305	(4,776)	1,009	15,538
Profit and loss account carried forward	33,591	(3,948)	1,009	30,652
Revaluation reserve	-	13,409	(1,009)	12,400
Called up share capital	100	-	-	100
Shareholders' Funds	33,691	9,461	-	43,152
Tangible fixed assets	83,703	(1,033)	-	82,670
Debtors	110,298	1,120	-	111,418
Other Assets	9,576	-	-	9,576
Creditors amounts falling due within one year	(110,353)	27,597	-	(82,756)
Creditors amounts falling due after more than one year	(38,669)	(12,384)	-	(51,053)
Provisions for liabilities and charges	(20,864)	(5,839)	-	(26,703)
	33,691	9,461	-	43,152

3 TURNOVER

Turnover arises from charter airline operations carried out from within the United Kingdom, and from continuing operations.

	1994 £'000	(Restated) 1993 £'000
4 OPERATING EXPENSES (net)		
Staff costs (see note 6)	25,054	23,960
Depreciation	7,465	7,880
Other operating charges	7,157	16,950
	39,676	48,790

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

		(Restated)	
5	OPERATING PROFIT	1994	1993
	is stated after charging:	£'000	£'000
	Operating lease rentals		
	- Land and buildings	1,030	761
	- Aircraft and other equipment	43,995	42,557
	Auditors' remuneration - audit fees	36	40
		<u> </u>	<u> </u>

		(Restated)	
6	STAFF COSTS	1994	1993
		£'000	£'000
	Wages and salaries	21,297	20,505
	Social security costs	2,334	2,425
	Pension costs	1,423	1,030
		<u> </u>	<u> </u>
		25,054	23,960
		<u> </u>	<u> </u>
	The average weekly number of employees during the year was as follows:	Number	Number
	Charter airline operations	1,278	1,259
		<u> </u>	<u> </u>

7	REMUNERATION OF DIRECTORS	1994	1993
	Included in staff costs are directors' emoluments consisting of:	£'000	£'000
	Emoluments (excluding pension contributions)	841	761
	Pensions	333	127
		<u> </u>	<u> </u>
		1,174	888
		<u> </u>	<u> </u>

Emoluments (excluding pension contributions) of the Chairman also highest paid director	241	254
	<u> </u>	<u> </u>

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

£ 0 - £ 5,000	1	-
£50,001 - £ 55,000	1	-
£55,001 - £ 60,000	1	-
£65,001 - £ 70,000	-	2
£70,001 - £ 75,000	1	-
£85,001 - £ 90,000	-	3
£90,001 - £ 95,000	1	-
£100,001 - £105,000	1	-
£105,001 - £110,000	1	1
£110,001 - £115,000	1	-
£240,001 - £245,000	1	-
£250,001 - £255,000	-	1
	<u> </u>	<u> </u>

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

		(Restated)
	1994	1993
	£'000	£'000
8 INVESTMENT INCOME		
Interest Receivable	4,217	3,543

		(Restated)
	1994	1993
	£'000	£'000
9 INTEREST PAYABLE		
On loans wholly repayable within five years	63	-
Finance lease charges:		
Leases expiring within five years	2,563	3,347
	<u>2,626</u>	<u>3,347</u>

		(Restated)
	1994	1993
	£'000	£'000
10 TAXATION		
Tax on profit on ordinary activities:		
Corporation tax at 33% (1993: 33%)		
based on profit for		
- current year	33,214	4,710
- prior year	(14,763)	(483)
Deferred tax charge (see note 19)	14,867	3,613
	<u>33,318</u>	<u>7,840</u>

The tax charge for the current year is high due to the payment of group relief (£20,923k) to a fellow subsidiary.

There was a large tax credit prior year due to a change in the tax treatment of aircraft maintenance reserves resulting in the additional deduction of £5,042k; together with an adjustment for capital allowances in respect of two aircraft £9,769k.

11 DIVIDENDS

Interim paid: £200 per share (1993: Nil)	<u>20,000</u>	<u>-</u>
--	---------------	----------

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

12 TANGIBLE ASSETS

	Aircraft £'000	Aircraft equipment and spares £'000	Motor vehicles £'000	Office equipment and computers £'000	Total £'000
Cost/Valuation					
1 November 1993	54,405	41,094	176	2,738	98,413
Prior Year Adjustment	(2,377)	643	-	-	(1,734)
As adjusted	52,028	41,737	176	2,738	96,679
Additions	-	612	50	435	1,097
Disposals	-	(11,532)	(10)	(1)	(11,543)
31 October 1994	52,028	30,817	216	3,172	86,233
Depreciation					
At 1.11.93 as previously reported	805	12,126	84	1,695	14,710
Prior Year Adjustment	(701)	-	-	-	(701)
As Adjusted	104	12,126	84	1,695	14,009
Provided in the year	3,208	3,571	28	658	7,465
Disposals	-	(4,415)	(6)	-	(4,421)
Revaluations	1,617	(152)	-	-	1,465
31 October 1994	4,929	11,130	106	2,353	18,518
Net Book Value					
At 31st October 1994	47,099	19,687	110	819	67,715
At 31st October 1993					
As previously reported	53,600	28,968	92	1,043	83,703
As adjusted	51,924	29,611	92	1,043	82,670

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

Certain assets shown above have been included at valuations. The net book values of assets held at valuation along with the corresponding historical cost amounts are set below:

	Aircraft £'000	Aircraft Equipment and Spares £'000	Total £'000
Net Book value at valuation at 31 October 1994	47,099	3,005	50,104
Historical Cost at 1 November 1993			
- As previously reported	54,404	2,669	57,073
- Prior year adjustment	(5,735)	(491)	(6,226)
As restated and at 31 October 1994	48,669	2,178	50,847
Depreciation at 1 November 1993			
- As previously reported	805	1	806
- Prior year adjustment	12,335	979	13,314
As restated	13,140	980	14,120
- Provided in year	2,190	163	2,353
At 31 October 1994	15,330	1,143	16,473
Net book value at 31 October 1994			
- Historical cost	33,339	1,035	34,374

These aircraft and engines were revalued in October 1994 at US\$(81,700,000) (Sterling equivalent £50,104,000) by Airclaims Ltd., aircraft consultants and valuers, on the basis of an open market valuation.

Included in tangible fixed assets are the following assets held under hire purchase agreements and finance leases.

	Aircraft £'000	Aircraft equipment and spares £'000	Motor vehicles £'000	Total £'000
Net book value 31 October 1994	47,099	5,866	40	53,005
Depreciation provided during the year	3,208	845	12	4,065

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

13 INVESTMENTS

Cost	£'000
At 1 November 1993 and 31 October 1994	15

The Company's wholly owned subsidiaries, all of which have ordinary share capital, are set out below:

Company	Nature of Business	Country of Incorporation/ Registration
Air 2000 BV	Office Services	Netherlands
Air 2000 Second Aircraft Ltd	Aircraft Leasing	England & Wales
Air 2000 First Engine Ltd	Aircraft Engine & Equipment Leasing	England & Wales
Air 2000 First Aircraft Ltd	Dormant	England & Wales

14 STOCKS	(Restated)	
	1994 £'000	1993 £'000
Bar and catering stock	220	461
Uniforms	90	137
Other	231	170
	<u>541</u>	<u>768</u>

15 DEBTORS	(Restated)	
	1994 £'000	1993 £'000
Trade debtors	4,386	6,031
Amounts owed by fellow subsidiaries	128,348	85,118
Amounts owed by subsidiary companies	8,160	8,529
Corporation tax	8,130	-
Other debtors	2,138	2,759
Deferred lease rentals	948	792
Prepayments and payments in advance to suppliers	9,070	8,189
	<u>161,180</u>	<u>111,418</u>

Included in prepayments are security deposits of £5,194,658 (1993: £4,180,000) which are held as security against hire purchase assets and operating leases and are repayable by 1997.

16 CASH AT BANK AND IN HAND

A number of third parties hold charges over £396,570 (1993: £285,000) as security for guarantees given in respect of bonding arrangements, aircraft leases and other items.

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

17 CREDITORS: amounts falling due within one year	(Restated)	
	1994 £'000	1993 £'000
Trade creditors	13,625	11,357
Other creditors	1,616	1,716
Other taxes and social security costs	772	755
Amounts due to ultimate parent undertaking	2,667	-
Amounts due to fellow subsidiaries	71,761	32,751
Hire purchase agreements amounts due to fellow subsidiaries	21,171	2,972
Corporation tax	-	11,995
Accruals	13,044	14,255
Lease rental accruals	1,474	1,714
Revenue invoiced in advance	3,900	5,241
	<u>130,030</u>	<u>82,756</u>

18 CREDITORS: amounts falling due after more than one year	(Restated)	
	1994 £'000	1993 £'000
Hire purchase agreements - amounts due to fellow subsidiaries (i)	20,529	45,215
Finance leases - third party (i)	432	911
Deferred payments for aircraft spares (ii)	4,552	4,927
	<u>25,513</u>	<u>51,053</u>
(i) Finance leases & hire purchase agreements		

The Company's net obligation under finance leases and hire purchase agreements in respect of motor vehicles, aircraft, aircraft equipment and spares are:

Amounts due to fellow subsidiaries	(Restated)	
	1994 £'000	1993 £'000
Payable within		
- one year	21,171	2,972
- two to five years	20,529	45,215
	<u>41,700</u>	<u>48,187</u>
Third party		
Payable within		
- one year (included in other creditors)	476	551
- two to five years	432	911
	<u>908</u>	<u>1,462</u>

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

19 PROVISIONS FOR LIABILITIES AND CHARGES	(Restated)	
	1994 £'000	1993 £'000
Aircraft maintenance provision (i)	19,366	15,278
Deferred taxation (ii)	25,375	11,425
	<u>44,741</u>	<u>26,703</u>
 i) Aircraft maintenance provision	 £'000	 £'000
1 November 1993	15,278	8,364
Provided in the year	24,247	23,446
Costs incurred	(20,159)	(16,532)
31 October 1994	<u>19,366</u>	<u>15,278</u>
 ii) Deferred taxation		
	Provided (Restated)	
	1994 £'000	1993 £'000
	Potential (Restated)	
	1994 £'000	1993 £'000
Accelerated capital allowances	19,204	9,754
Timing differences	980	(4,437)
Arising on revalued assets	5,191	6,108
	<u>25,375</u>	<u>11,425</u>
	1994 £'000	
At 1 November 1993 (as previously stated)	5,586	
Prior year adjustment	5,839	
As restated	<u>11,425</u>	
Charge to profit and loss account (note 10)	14,867	
Transfer to revaluation reserve	(917)	
	<u>25,375</u>	
 20 CALLED UP SHARE CAPITAL	 1994 £'000	 1993 £'000
Authorised		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Issued and fully paid		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

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

21 REVALUATION RESERVE

	1994 £'000	1993 £'000
1 November 1993		
- As previously reported	-	-
- Prior year adjustment	12,400	-
	<u>12,400</u>	<u>-</u>
- As adjusted	(548)	13,409
Revaluation	(1,312)	(1,009)
Additional depreciation on revalued assets transferred to profit and loss account		
	<u>10,540</u>	<u>12,400</u>
31 October 1994		

22 FINANCIAL COMMITMENTS

The annual commitments under non cancellable operating leases are as follows:

	Land and buildings	Aircraft and other Equipment	Land and buildings	Aircraft and other Equipment (Restated)
	1994 £'000	1994 £'000	1993 £'000	1993 £'000
Expiring within:				
One year	60	12,092	230	13,944
Two to five years	373	9,578	549	11,676
Thereafter	327	12,620	-	19,063
	<u>760</u>	<u>34,290</u>	<u>779</u>	<u>44,683</u>

23 AIR 2000 LIMITED RETIREMENT BENEFITS SCHEME

The Company operates a defined benefit pension scheme for employees. The scheme is funded by contributions from both the members and the Company.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 November 1992. The principal assumptions were a rate of investment return of 9% per annum and a rate of salary increase of 7.5% per annum. The market value of the scheme's assets at 31 October 1994 was £9,162,000 (1993: £7,492,000).

The total pension charge for the year was £1,423,000 (1993: £1,030,000).

24 PARENT UNDERTAKING

The ultimate parent undertaking is First Choice Holidays PLC, a company registered in England and Wales.

First Choice Holidays PLC is the parent undertaking of the largest and smallest group of which Air 2000 Limited is a member and for which group accounts are drawn up. Copies of those group accounts are available from, The Company Secretary, First Choice Holidays PLC, First Choice House, London Road, Crawley, West Sussex, RH10 2GX.

25 CAPITAL COMMITMENTS

The Company had no capital expenditure authorised or contracted for at 31 October 1994 (1993: £Nil).

26 CONTINGENT LIABILITIES

The Company has given a guarantee to Chemical Bank in respect of fellow subsidiary undertakings obligations under finance leases. At 31 October 1994, these amounted to £9,718,000 (1993: £11,842,987).