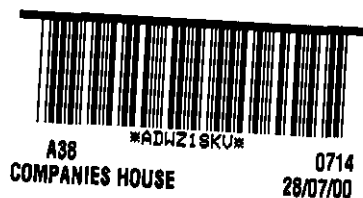




First Choice

**FALCON LEISURE GROUP (OVERSEAS) LIMITED
DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS**

**for year ended
31 October 1999**



Company Number 2220337

FALCON LEISURE GROUP (OVERSEAS) LIMITED

DIRECTORS' REPORT

for year ended 31 October 1999

The Directors present their report and financial statements of Falcon Leisure Group (Overseas) Limited for the year ended 31 October 1999.

PRINCIPAL ACTIVITY

The Company is UK registered and its principal activity is tour operating within Eire.

REVIEW OF THE YEAR

The profit for the year after tax was £3,109,282 (1998 profit £3,442,581). The Directors do not propose the payment of a dividend. (1998 £NIL).

PAYMENTS TO SUPPLIERS

Due to the nature of the Company's operations and common to the industry as a whole, payments are often made in advance of the provision of goods and services. It is Company policy that payments to suppliers, whether in advance or after the provision of the goods or services, are made on the basis of the terms that have been agreed with them.

DIRECTORS AND THEIR INTERESTS

The Directors at the date of this report are:

W Smith
D Howell
C Donnelly
H Thomas

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

As at 31 October 1999, the interests of the Directors in the share capital of First Choice Holidays PLC, the ultimate parent company, were as follows:

| | <u>-----Shares-----</u> | | <u>-----Options-----</u> | | | | <u>---Restricted Shares---</u> | | |
|------------------------|-------------------------|-----------------------|--------------------------|-----------------------------|---------|-----------|--------------------------------|-----------------------|-----------------------|
| | 31 October 1999 | 31 October 1998 | 31 October 1999 | Rights issue entitlement | Granted | Exercised | 31 October 1998 | 31 October 1999 | 31 October 1998 |
| Ordinary Shares | | | | | | | | | |
| H Thomas | 5,000 | 10,000 | 3,724 | - | - | - | 3,724 | 68,575 | 68,575 |
| W Smith | - | - | - | - | - | - | - | 62,094 | 62,094 |
| C Donnelly | - | - | 4,583 | - | - | - | 4,583 | 11,087 | - |

FALCON LEISURE GROUP (OVERSEAS) LIMITED**DIRECTORS' REPORT****for year ended 31 October 1999**

| | No. of shares | Option exercise price(p) | Date first exercisable |
|-------------------------------------|---------------|--------------------------|------------------------|
| H Thomas | | | |
| Restricted Share Plan | 11,576 | - | 5 October 2001 |
| Restricted Share Plan | 56,999 | - | 14 March 2000 |
| Savings Related Share Option Scheme | 3,724 | 116.0p | 1 November 2001 |
| W Smith | | | |
| Restricted Share Plan | 10,882 | - | 5 October 2001 |
| Restricted Share Plan | 51,212 | - | 15 December 2000 |
| C Donnelly | | | |
| Restricted Share Plan | 11,087 | - | 10 August 2002 |
| Savings Related Share Option Scheme | 4,583 | 75.0p | 19 August 1999 |

Movements since 31 October 1999 are:

| | | | | |
|--------------------------------------|---------------------------------|--------|---|------------------|
| movements since 01 October 1999 are: | | | | |
| H Thomas | | | | |
| 14-Dec-99 | Granted - Restricted Share Plan | 17,891 | - | 14 December 2002 |
| W Smith | | | | |
| 14-Dec-99 | Granted - Restricted Share Plan | 16,364 | - | 14 December 2002 |
| C Donnelly | | | | |
| 14-Dec-99 | Granted - Restricted Share Plan | 5,220 | - | 14 December 2002 |

During the year the price of the Company's shares ranged from between 93.5p and 248p and was 117p at 31 October 1999. Shareholdings have been adjusted for the rights issue. The Group has made arrangements to pay a cash bonus to employees equivalent to the exercise value of bonus options under the Restricted Share Plan at the date of exercise.

The interests of D Howell are disclosed in the accounts of First Choice Holidays PLC. For full details on the above schemes, reference should be made to the Annual Report & Accounts of First Choice Holidays PLC.

DIRECTORS' INSURANCE

The ultimate parent company maintains insurance policies on behalf of all the Directors of Falcon Leisure Group (Overseas) Limited against liability arising from negligence, breach of duty and breach of trust in relation to the Company.

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 within the Company.

FALCON LEISURE GROUP (OVERSEAS) LIMITED**DIRECTORS' REPORT
for year ended 31 October 1999**

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.

YEAR 2000

The Company established a programme, in association with other group companies, to meet the challenge posed by the Year 2000 issue. This established a dedicated team to identify the risks arising due to Year 2000 and to formulate a strategy and procedures to ensure that such risks are minimised or eliminated as appropriate.

AUDITORS

The Company has elected to dispense with the holding of Annual General Meetings, the laying of accounts before the members in General Meeting and the appointment of auditors annually. Accordingly, KPMG Audit Plc will continue in office as auditors.

By order of the Board



R J G Starling
Secretary

28 February 2000

FALCON LEISURE GROUP (OVERSEAS) LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES
for year ended 31 October 1999**

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 a 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

FALCON LEISURE GROUP (OVERSEAS) LIMITED**AUDITORS' REPORT****to the members of FALCON LEISURE GROUP (OVERSEAS) LIMITED**

We have audited the financial statements on pages 6 to 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the directors' report and as described on page 4 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practises Board and by our profession's ethical guidance.

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. 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 with the company is not disclosed.

BASIS OF OPINION

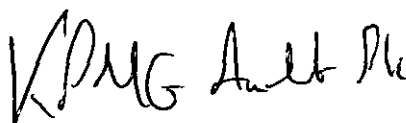
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
LONDON



Date: 6th March 2000

FALCON LEISURE GROUP (OVERSEAS) LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31 October 1999

| | <i>Note</i> | <i>Continuing Operations 1999 £</i> | <i>Continuing Operations 1998 £</i> |
|---|-------------|---|---|
| Turnover | | 66,738,955 | 56,029,323 |
| Cost of Sales | | (57,798,121) | (47,434,284) |
| Gross Profit | | 8,940,834 | 8,595,039 |
| Operating Expenses | | (4,483,201) | (3,624,074) |
| Operating profit | | 4,457,633 | 4,970,965 |
| Net Bank Interest (payable) / receivable | | 12,453 | 18,283 |
| Profit on ordinary activities before tax | 2 | 4,470,086 | 4,989,248 |
| Tax on profit on ordinary activities | 3 | (1,360,804) | (1,546,667) |
| Retained profit for the year | | 3,109,282 | 3,442,581 |

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.

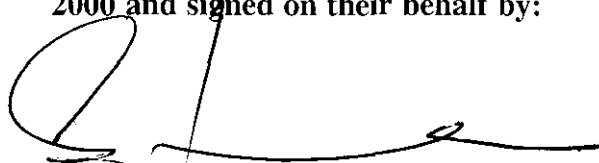
FALCON LEISURE GROUP (OVERSEAS) LIMITED**BALANCE SHEET**

for the year ended 31 October 1999

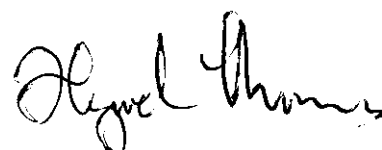
| | <i>Note</i> | <i>1999</i> £ | <i>1998</i> £ |
|---------------------------------------|-------------|--------------------|--------------------|
| CURRENT ASSETS | | | |
| Debtors | 4 | 14,782,899 | 13,506,107 |
| Cash in Hand and at Bank | | 205,162 | 1,010,082 |
| | | <u>14,988,061</u> | <u>14,516,189</u> |
| CREDITORS: | | | |
| Amounts falling due within one year | 5 | <u>(6,226,279)</u> | <u>(8,863,689)</u> |
| Net Current Assets | | <u>8,761,782</u> | <u>5,652,500</u> |
| CAPITAL AND RESERVES | | | |
| Called up Share Capital | 6 | 1,125,000 | 1,125,000 |
| Profit and Loss Account | 7 | 6,676,108 | 3,566,826 |
| Other Reserves | 8 | <u>960,674</u> | <u>960,674</u> |
| Shareholders' funds | | <u>8,761,782</u> | <u>5,652,500</u> |
| SHAREHOLDERS' FUNDS | | | |
| Shareholders' funds comprises: | | | |
| Equity | | 8,146,782 | 5,037,500 |
| Non Equity | | <u>615,000</u> | <u>615,000</u> |
| Shareholders' funds | | <u>8,761,782</u> | <u>5,652,500</u> |

The movement in equity shareholders' funds during the year is represented by the retained profit for the year.

The financial statements on pages 5 to 11 were approved by the Board on 28 February 2000 and signed on their behalf by:



D Howell
Director



H Thomas
Director

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 October 1999

1. ACCOUNTING POLICIES**Basis of Preparation**

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards which have been consistently applied, with the exception of client money receivable in advance. The balance sheet has been restated to reflect client money received in advance as deferred income. Previously the policy was to present monies receivable as well as received as deferred income.

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.

Client Money Received

Client money received at the balance sheet date relating to holidays commencing and flights departing after the year end is included in creditors.

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 when the applicable forward rate is used. 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.

Deferred Taxation

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

Pensions

The Group operates a defined contribution pension 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. The pension cost charge for the year ended 31 October 1999 was £48,895.

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1999****1. ACCOUNTING POLICIES (continued)****Cash Flow Statement**

The Company is exempt under Financial Reporting Standard No 1 (Revised) from the requirement to prepare a cashflow statement as it is a wholly owned subsidiary of First Choice Holidays PLC, on the grounds that First Choice Holidays PLC includes the Company in its own published consolidated financial statements.

Related party transactions

The Company has taken advantage of the exemption contained in Financial Reporting Standard No. 8 "Related Party Disclosures" as it is a wholly owned subsidiary of First Choice Holidays PLC. Therefore the Company has not disclosed transactions or balances which form part of the company headed by First Choice Holidays PLC.

Goodwill

Goodwill arising on acquisitions is capitalised and amortised on a straight-line basis over its useful economic life. The useful economic life of the assets is determined as 20 years.

Goodwill arising in consolidation prior to the adoption, on 1 November 1998, of FRS 10 - Goodwill and Intangible Assets has been charged directly to reserves. The goodwill which has been taken directly to reserves will be charged to profit and loss account on disposal of the related business.

Fair value accounting adjustments are made in respect of acquisitions and these may be made on provisional estimates. Amendments may be made to those adjustments in the subsequent accounting period with a corresponding adjustment to goodwill in the light of post acquisition experience.

2. PROFIT ON ORDINARY ACTIVITIES

The audit fees for the Company were paid by another Group company.

| DIRECTORS' REMUNERATION | 1999 | 1998 |
|---|-------------|-------------|
| | £ | £ |
| Directors' remuneration consists of: | | |
| Emoluments (including pension contributions) | 184,825 | 123,995 |
| Emoluments of highest paid director (excluding pension contributions) | 92,739 | 65,668 |

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 October 1999**3. TAXATION**

| | 1999 £ | 1998 £ |
|---|------------------|------------------|
| UK corporation tax at 30.42% (1998 31%) based on: | | |
| - profit for the year | 1,359,800 | 1,546,667 |
| - under/ (over) provision for prior years | 1,004 | |
| | <u>1,360,804</u> | <u>1,546,667</u> |

The corporation tax charge has under group relief provision been relieved by other Group companies.

4. DEBTORS

| | 1999 £ | 1998 £ |
|------------------------------------|-------------------|-------------------|
| Trade debtors | 320,736 | 249,862 |
| Amount owed by fellow subsidiaries | 14,462,163 | 13,256,245 |
| | <u>14,782,899</u> | <u>13,506,107</u> |

5. CREDITORS

| | 1999 £ | 1998 £ |
|-------------------------------------|-----------|-----------|
| amounts falling due within one year | | |
| Client money received | 6,226,279 | 8,863,689 |

6. SHARE CAPITAL

| | 1999 £ | 1998 £ |
|---|------------------|------------------|
| Authorised | | |
| 600,000 ordinary shares of £1 each | 600,000 | 600,000 |
| 615,000 8% cumulative preference shares of £1 each | 615,000 | 615,000 |
| | <u>1,215,000</u> | <u>1,215,000</u> |
| Allotted, called up and fully paid | | |
| 510,000 ordinary shares of £1 each - equity | 510,000 | 510,000 |
| 615,000 8% cumulative preference shares of £1 each - non equity | 615,000 | 615,000 |
| | <u>1,125,000</u> | <u>1,125,000</u> |

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1999**

The preference shares may be redeemed by the holder at any time after the fifth anniversary of the allotment which took place on 8 October 1988 for 350,000 shares and on 23 October 1989 for the remaining 265,000 shares. The preference shares are redeemable at par plus a premium of 5% per annum calculated from the date of allotment to the date of redemption. No provision has been made for this premium as the shareholder has expressed its intention not to redeem its shares. The financing cost of the preference shares has not been accrued as the shareholder has foregone its right to preference dividends in the current and all preceding years.

7. PROFIT AND LOSS ACCOUNT

| | £ |
|------------------------------|-------------------------|
| 1 November 1998 | 3,566,826 |
| Retained profit for the year | <u>3,109,282</u> |
| 31 October 1999 | <u><u>6,676,108</u></u> |

8. OTHER RESERVES

Other reserves represent the goodwill on the acquisition of the business assets and liabilities of JWT Holidays Limited on 1 November 1997 for £1.

9. ULTIMATE PARENT COMPANY

The Directors regard First Choice Holidays PLC, a company registered in England and Wales, as the ultimate parent company.

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