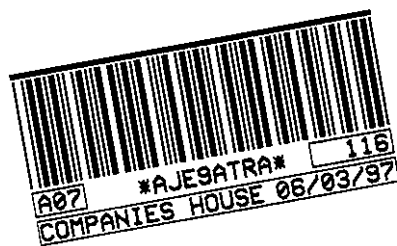


FALCON LEISURE GROUP (OVERSEAS) LIMITED

DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS

for the year ended  
31 October 1996



Company Number 2220337

**DIRECTORS' REPORT**

for the year ended 31 October 1996

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The Directors present their report and Financial statements of Falcon Leisure Group (Overseas) Limited for the year ended 31 October 1996.

**PRINCIPAL ACTIVITIES**

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

**RESULTS AND DIVIDENDS**

The loss for the year, after tax was £388,580 (1995: profit £241,611). The Directors do not propose a dividend for the year 1996 (1995: £NIL).

**POLICY ON PAYMENT OF SUPPLIES**

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' 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.

## DIRECTORS' REPORT

for the year ended 31 October 1996

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.

## DIRECTORS AND THEIR INTERESTS

The Directors of the Company are:

C Donnelly  
 W Smith  
 J B MacNeill  
 R Roger (appointed 1 January 1996)  
 L S Moir (appointed 31 January 1997)

Other Directors who served in the year are as follows:

M B Heald (resigned 11 December 1995)  
 P W Phillipson (appointed 1 January 1996, resigned 6 September 1996)  
 D A Gill (appointed 11 December 1995, resigned 31 January 1997)

None of the directors had any beneficial interest in the shares of the company at any time during the year.

The interests of D A Gill are disclosed in the accounts of First Choice Holidays PLC.

As at 31 October 1996 the interests of the Directors in the share capital of First Choice Holidays PLC, the ultimate parent company were as follows:

At 31 October 1996

	Ordinary	Under Option		Restricted	Preference
	Shares	Executive	SAYE	Share	Shares
	Held	Share Option	Scheme	Plan	Held
		Scheme			
R Roger	15,000	-	-	44,789	-
J B MacNeill	-	61,901	-	-	-
C Donnelly	-	-	4,412	-	-

Options can be exercised from 21 July 1997 at a price of 96.96p.

**DIRECTORS' REPORT**

for the year ended 31 October 1996

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**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.

**EMPLOYEE INVOLVEMENT**

The Company's policy is to encourage the involvement of all employees in the continued development and success of the Company. All the 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.

By order of the Board.



R J G Starling  
Secretary

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

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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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
LONDON

*27 February 1997*

PROFIT AND LOSS ACCOUNT  
for the year ended 31 October 1996

	Note	Continuing Operations 1996 £	Continuing Operations 1995 £
Turnover		33,379,752	29,968,543
Cost of sales		<u>(32,751,034)</u>	<u>(28,489,270)</u>
Gross profit		628,718	1,479,273
Operating expenses		<u>(1,478,701)</u>	<u>(1,232,282)</u>
Operating (loss)/profit		(849,983)	246,991
Bank interest receivable		<u>265,992</u>	<u>121,849</u>
(Loss)/profit on ordinary activities before tax	3	(583,991)	368,840
Tax on (loss)/profit ordinary activities	4	<u>195,411</u>	<u>(127,229)</u>
Retained (loss)/profit for the year	9	<u><u>(388,580)</u></u>	<u><u>241,611</u></u>

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.

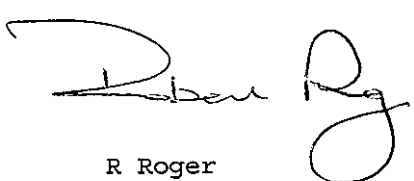
## BALANCE SHEET

as at 31 October 1996

	Note	1996 £	1995 £
<b>CURRENT ASSETS</b>			
Debtors	5	2,903,789	2,820,677
Cash at bank and in hand		534,343	39,326
		<u>3,438,132</u>	<u>2,860,003</u>
<b>CREDITORS: amounts falling due within one year</b>	6	<u>(3,565,679)</u>	<u>(2,610,502)</u>
<b>Net current (liabilities)/assets</b>		(127,547)	249,501
Provisions for charges and liabilities	7	(11,532)	-
		<u>(139,079)</u>	<u>249,501</u>
<b>Net (Liabilities)/Assets</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	625,000	625,000
Profit and loss account	9	<u>(764,079)</u>	<u>(375,499)</u>
Shareholders' funds		<u>(139,079)</u>	<u>249,501</u>
<b>SHAREHOLDERS' FUNDS</b>			
<b>Shareholders' funds comprises:</b>			
Equity		(754,079)	(365,499)
Non equity		615,000	615,000
		<u>(139,079)</u>	<u>249,501</u>
<b>Shareholders' funds</b>		<u>(139,079)</u>	<u>249,501</u>

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

The financial statements on pages 5 to 11 were approved by the Board on 27/2/97 and signed on their behalf by:



R Roger  
Director

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 October 1996**

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**1. ACCOUNTING POLICIES**

**Basis of preparation**

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards consistently applied.

**Going Concern**

The company enjoys the continuing support of its ultimate parent company, First Choice Holidays PLC, and the accounts have therefore been prepared on a going concern basis.

**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.

**Revenue invoiced in advance**

All revenue invoiced and other income relating to flights departing and holidays commencing after 31 October 1996 is carried forward and included in creditors falling due within one year.

**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.



NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 October 1996

1. ACCOUNTING POLICIES (continued)

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.

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. STAFF COSTS	1996 £	1995 £
Wages and salaries	329,838	351,237
Social security costs	18,145	23,787
Other pension costs	8,192	10,293
	<u>356,175</u>	<u>385,317</u>

3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION is stated after charging:	1996 £	1995 £
Directors' remuneration consisting of:		
Emoluments (including pension contributions)	100,086	107,485
Emoluments of Chairman (excluding pension contributions)	-	-
Emoluments of highest paid director (excluding pension contributions)	<u>47,435</u>	<u>37,823</u>

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

	Number	Number
Nil - £ 5,000	5	5
£25,001 - £30,000	-	1
£35,001 - £40,000	-	2
£45,001 - £50,000	<u>2</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 October 1996

4. TAXATION	1996 £	1995 £
UK Corporation tax at 33% (1995: 33%) based on		
- loss/(profit) for the year	192,717	(113,938)
- over provision in previous years	14,226	3,209
Deferred taxation	(11,532)	(16,500)
	<u>195,411</u>	<u>(127,229)</u>

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

5. DEBTORS	1996 £	1995 £
Trade debtors	2,205,484	2,078,262
Amount owed by fellow subsidiaries	345,578	328,601
Corporation tax	-	95,000
Prepayments and accrued income	335,034	283,870
Other debtors	17,693	34,944
	<u>2,903,789</u>	<u>2,820,677</u>

6. CREDITORS: amounts falling due within one year	1996 £	1995 £
Revenue invoiced in advance	2,240,852	2,552,265
Other creditors	-	58,237
Amounts owed to fellow subsidiaries	1,324,827	-
	<u>3,565,679</u>	<u>2,610,502</u>

7. DEFERRED TAX

Deferred tax provided in the accounts  
is as follows

	Provided		Potential	
	1996	1995	1996	1995
Short term timing differences	<u>11,532</u>	<u>-</u>	<u>11,532</u>	<u>-</u>
Deferred tax liability				£
At 1 November 1995				-
Charged to the profit and loss account (note 4)				11,532
At 31 October 1996				<u>11,532</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 October 1996

8. SHARE CAPITAL	1996 £	1995 £
<b>Authorised</b>		
100,000 ordinary shares of £1 each	100,000	100,000
615,000 8% cumulative preference shares of £1 each	615,000	615,000
	<u>715,000</u>	<u>715,000</u>
	1996 £	1995 £
<b>Allotted, called up and fully paid</b>		
10,000 ordinary shares of £1 each - Equity	10,000	10,000
615,000 8% cumulative preference shares of £1 each - Non Equity	615,000	615,000
	<u>625,000</u>	<u>625,000</u>

The preference shares may be redeemed by the holder at any time after the fifth anniversary of allotment which took place on 8th October 1988 for 350,000 shares and on 23rd 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.

9. PROFIT AND LOSS ACCOUNT	£
1 November 1995	(375,499)
Retained loss for the year	<u>(388,580)</u>
31 October 1996	<u>(764,079)</u>

10. 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 £8,192 (1995: £10,293).

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 October 1996

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11. POST BALANCE SHEET EVENTS

On 25 February 1997 an increase to the company's share capital was authorised with 500,000 ordinary shares of £1 each being issued at par to the company's holding company First Choice Overseas Holding Limited.

12. 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, The Company Secretary, First Choice Holidays PLC, First Choice House, London Road, Crawley, West Sussex, RH10 2GX.