



First Choice

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

**for year ended
31 October 2005**

Company Number 2220337



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FALCON LEISURE GROUP (OVERSEAS) LIMITED
DIRECTORS' REPORT
for year ended 31 October 2005

The Directors present their report and financial statements of Falcon Leisure Group (Overseas) Limited for the year ended 31 October 2005.

RESULTS AND DIVIDENDS

The profit for the year after tax was £5,787,411 (2004: profit £2,671,593). The Directors do not propose the payment of a dividend (2004: £NIL).

PRINCIPAL BUSINESS ACTIVITY

The Company is registered in England and its principal activity is tour operating within the Republic of Ireland.

DIRECTORS AND THEIR INTERESTS

The Directors at the date of this report are:

C Donnelly
D A Mooney
J S Ryan
D Shearer
A D Smith

Other Directors who served in the year were as follows:

W Smith (Resigned 4 October 2005)
C A O'Neill (Resigned 16 December 2005)

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

As at 31 October 2005, 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>	
	31 October 2005	31 October 2004	Granted	Exercised
Ordinary Shares				
C Donnelly	4,796	1,051	8,623	7,551
D A Mooney	2,140	2,140	11,824	34,918
C A O'Neill	5,933	4,972	6,259	2,529
J S Ryan	498	482	8,346	7,157
D Shearer	9,025	2,823	9,737	6,202
A D Smith	*2,626	*1,712	50,328	-

* Shares held in the Staff Incentive Plan

FALCON LEISURE GROUP (OVERSEAS) LIMITED**DIRECTORS' REPORT****for year ended 31 October 2005**

POLICY AND PRACTICE ON PAYMENT OF SUPPLIERS

It is the Company's policy that payments to suppliers, whether in advance or after the provision of goods and services, are made on the basis of the terms that have been agreed with them.

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. At the year end, the number of creditor days outstanding was 39 days (2004: N/A).

DIRECTORS' INSURANCE

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

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

J S Ryan
Director

23 February 2006

FALCON LEISURE GROUP (OVERSEAS) LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES
for year ended 31 October 2005**

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 UK 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**INDEPENDENT AUDITORS' REPORT****to the members of FALCON LEISURE GROUP (OVERSEAS) LIMITED**

We have audited the financial statements of Falcon Leisure Group (Overseas) Limited for the year ended 31 October 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under 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 UK Accounting Standards (UK Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

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

OPINION

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2005 and of its profit 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**

Date: *24 February 2006*

FALCON LEISURE GROUP (OVERSEAS) LIMITED**PROFIT AND LOSS ACCOUNT
for the year ended 31 October 2005**

	<i>Note</i>	<i>Continuing Operations 2005 £</i>	<i>Continuing Operations 2004 £</i>
Turnover	1	76,924,258	86,333,034
Cost of Sales		(64,198,413)	(78,188,360)
Gross Profit		12,725,845	8,144,674
Operating Expenses		(6,330,607)	(5,082,967)
Operating profit		6,395,238	3,061,707
Interest Receivable	2	280,719	286,883
Profit on ordinary activities before tax	3	6,675,957	3,348,590
Tax on profit on ordinary activities	5	(888,546)	(676,997)
Retained profit for the year		5,787,411	2,671,593

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

FALCON LEISURE GROUP (OVERSEAS) LIMITED**BALANCE SHEET****for the year ended 31 October 2005**

	<i>Note</i>	<i>2005</i> £	<i>Restated*</i> <i>2004</i> £
FIXED ASSETS			
Tangible Assets	6	300,893	427,930
		<u>300,893</u>	<u>427,930</u>
CURRENT ASSETS			
Debtors	7	44,094,207	37,860,566
Cash in Hand and at Bank		1,358,248	819,303
		<u>45,452,455</u>	<u>38,679,869</u>
CREDITORS:			
Amounts falling due within one year	8	<u>(7,543,779)</u>	<u>(6,685,641)</u>
Net Current Assets		<u>37,908,676</u>	<u>31,994,228</u>
NET ASSETS		<u>38,209,569</u>	<u>32,422,158</u>
CAPITAL AND RESERVES			
Called up Share Capital	10	1,125,000	1,125,000
Profit and Loss Account	11	<u>37,084,569</u>	<u>31,297,158</u>
Shareholders' funds		<u>38,209,569</u>	<u>32,422,158</u>
SHAREHOLDERS' FUNDS			
Shareholders' funds comprises:			
Equity		37,594,569	31,807,158
Non Equity		<u>615,000</u>	<u>615,000</u>
Shareholders' funds		<u>38,209,569</u>	<u>32,422,158</u>

* See Note 7

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

The financial statements on pages 6 to 15 were approved by the Board on 23 February 2006 and signed on their behalf by:


J S Ryan
 Director

FALCON LEISURE GROUP (OVERSEAS) LIMITED**CASH FLOW STATEMENT
for the year ended 31 October 2005**

	2005	<i>Restated</i> 2004
	£	£
Net cash inflow from operating activities	<u>790,530</u>	<u>1,487,943</u>
Returns on investment and servicing of finance:		
Interest received	<u>280,719</u>	<u>286,883</u>
Net cash inflow from return on investments and servicing of finance	280,719	286,883
Taxation (paid)	(505,979)	(1,108,066)
Net cash outflow from capital expenditure and financial investments	(26,325)	(203,532)
Net cash inflow before financing	<u>538,945</u>	<u>463,228</u>
Increase in cash	<u>538,945</u>	<u>463,228</u>

Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	6,395,238	3,061,707
Depreciation Charge	134,358	128,025
Loss on transfer of Fixed Assets	19,004	-
Increase in debtors	(6,233,641)	(1,415,045)
(Decrease)/increase in creditors	<u>475,571</u>	<u>(286,744)</u>
Net cash inflow from operating activities	<u>790,530</u>	<u>1,487,943</u>

Increase in debtors has been increased by a further £166,478 and decrease in creditors has been decreased by £166,478 in order to consistently present the current and comparative years (see Notes 7 & 8).

Reconciliation of net cash flow to movement in net funds

Increase in cash in the period	538,945	463,228
Net funds at 1 November 2004	<u>819,303</u>	<u>356,075</u>
Net funds at 31 October 2005	<u>1,358,248</u>	<u>819,303</u>

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2005**

1. ACCOUNTING POLICIES**Basis of Preparation**

The following accounting policies have been consistently applied in dealing with items considered material in relation to the accounts

Accounting convention

The accounts have been prepared in accordance with applicable UK Accounting Standards and under the historical cost convention.

Turnover

Turnover represents the aggregate amount of revenue from inclusive tours, travel agency commission received and other services supplied to customers in the ordinary course of business. Revenue in respect of in-house product is recognised on the date of departure and the related costs of distribution and of providing the holidays and flights are charged to the profit and loss account on the same basis. Travel agency commissions and other revenues received from the sale of third party product, together with related costs, are recognised on receipt of final payment. Turnover excludes intra-group transactions and is stated after deduction of trade discounts and commissions.

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.

Marketing Costs

Brochure and other marketing costs are charged to the profit & loss account in the season to which they relate.

Foreign Currency Translation

Transactions in overseas currencies are translated into Sterling at the exchange rate ruling at the date of the transaction or, where forward cover has been arranged, at the contractual rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date or at a contractual rate if applicable and any exchange differences arising are taken to the profit and loss account in the season to which the contract relates.

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2005**

1. ACCOUNTING POLICIES (continued)**Tangible Fixed Assets and Depreciation**

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

The years used are as follows:

Office Equipment	4 years
Computer Equipment	5 years

Deferred Taxation

Except as otherwise required by accounting standards, full provision without discounting is made for all timing differences, which have arisen but not reversed at the balance sheet date. Timing differences arise when items of income and expenditure are included in tax computations in periods different from their inclusion in the financial statements.

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 2005 was £106,176 (2004: £90,079).

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 with entities that form part of the group headed by First Choice Holidays PLC.

2. INTEREST RECEIVABLE

The interest receivable represents bank interest.

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2005****3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Profit on ordinary activities before taxation is stated after charging:	2005	2004
	£	£
Depreciation	134,358	128,025
Loss on disposal of fixed assets	19,004	-

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

4. STAFF COSTS

	2005	2004
	£	£
Wages and salaries	3,038,500	1,807,101
Social security costs	229,467	191,150
Pension costs	106,176	90,079
	<u>3,374,143</u>	<u>2,088,330</u>

Staff Numbers

	2005	2004
Sales and Marketing	20	18
Operational	56	58
Administration and Management	25	24
	<u>101</u>	<u>100</u>

Directors' Remuneration

	2005	2004
	£	£
Directors' remuneration consists of:		
Emoluments (including pension contributions)	1,469,067	876,298
Emoluments of highest paid director (excluding pension contributions)	637,799	179,827
Pension contributions attributable to highest paid director	<u>27,560</u>	<u>27,119</u>

Retirement benefits are accruing to the following number of directors under:

Number of Directors

	2005	2004
Money purchase pension schemes	<u>5</u>	<u>4</u>

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2005****5. TAXATION****2005****2004****TAX ON PROFIT ON ORDINARY ACTIVITIES****£****£**

Republic of Ireland corporation tax at 12.5%/25% (2004: 12.5%/25%) based on:

- Profit for the year	878,476	430,185
- Payment for group relief	12,950	274,546
- Under/(over) provision for prior years	4,219	(19,528)
	<u>895,645</u>	<u>685,203</u>

- Deferred tax	<u>(7,099)</u>	<u>(8,206)</u>
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Total tax charge	<u>888,546</u>	<u>676,997</u>
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CURRENT TAX RECONCILIATION**2005****2004****£****£**

Company pre tax Profits	<u>6,675,957</u>	<u>3,348,590</u>
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Taxed @ 12.5% (2004:12.5%)	834,495	418,574
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Effects of:

Expenses not deductible for tax purposes	5,030	2,277
Depreciation in excess of capital allowances	7,099	8,206
Income taxed at the higher rate	35,090	35,860
Group relief claimed from group company	(3,238)	(34,732)

Payment for group relief surrendered from group companies	12,950	274,546
Under/(over) provision in respect of prior years	4,219	(19,528)
Current tax charge in the period	<u>895,645</u>	<u>685,203</u>

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2005****6. TANGIBLE FIXED ASSETS**

	<i>Office Equipment</i>	<i>Computer Equipment</i>	<i>Short Leasehold Property</i>	<i>Total</i>
	£	£	£	£
Cost				
Brought forward	392,855	224,625	-	617,480
Additions	6,043	35,853	1,014	42,910
Disposals	(16,585)	-	-	(16,585)
Transfers to First Choice Holidays & Flights Ltd	(29,698)	-	-	(29,698)
At 31 October 2005	352,615	260,478	1,014	614,107
Depreciation				
Brought forward	153,993	35,557	-	189,550
Provided for the year	84,146	50,053	159	134,358
Disposals	-	-	-	-
Transfers to First Choice Holidays & Flights Ltd	(10,694)	-	-	(10,694)
At 31 October 2005	227,445	85,610	159	313,214
Net Book Value				
At 31 October 2005	125,170	174,868	855	300,893
At 31 October 2004	238,862	189,068	-	427,930

	<i>2005</i>	<i>Restated 2004</i>
	£	£
7. DEBTORS		
Trade debtors	418,923	248,652
Amount owed by fellow subsidiaries	42,023,618	35,375,782
Other Debtors	947,068	1,628,541
Prepayments	688,470	598,562
Deferred Tax Asset (see Note 9)	16,128	9,029
	44,094,207	37,860,566

Amount owed by fellow subsidiaries in the comparative year has been decreased by £2,060,625 in order to consistently present the current and comparative years. The amounts of £1,628,541 and £598,562 have been reallocated to Other Debtors and Prepayments respectively. The increase of £166,478 has been reallocated to Accruals (see Note 8).

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2005**

8. CREDITORS - amounts falling due within one year	2005	Restated 2004
	£	£
Trade Creditors	33,040	-
Client money received	4,843,253	6,087,072
Group Relief	288,193	274,546
Amount owed to fellow subsidiaries	1,496,154	-
Accruals (see Note 7)	343,027	166,478
Corporation Tax	540,112	157,545
	<u>7,543,779</u>	<u>6,685,641</u>

9. DEFERRED TAX ASSET

	2005	2004
	£	£
Deferred Taxation		
At 1 November	9,029	823
Credited in the year	7,099	8,206
At 31 October	<u>16,128</u>	<u>9,029</u>

The net deferred tax position as at 31 October is as follows:

	2005	2004
	£	£
Accelerated capital allowances	16,128	9,029
	<u>16,128</u>	<u>9,029</u>

There is no unprovided deferred taxation at either 31 October 2005 or 31 October 2004.

10. SHARE CAPITAL

	2005	2004
	£	£
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 2005****10. SHARE CAPITAL (Continued)**

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.

11. PROFIT AND LOSS ACCOUNT

	£
1 November 2004	31,297,158
Retained profit for the year	<u>5,787,411</u>
31 October 2005	<u><u>37,084,569</u></u>

12. ULTIMATE PARENT COMPANY

First Choice Holidays PLC, a company registered in England and Wales, is 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 these Group accounts are available from the Company Secretary, First Choice Holidays PLC, First Choice House, London Road, Crawley, West Sussex, RH10 9GX.