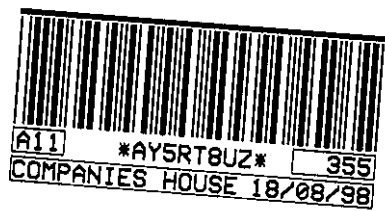


FALCON LEISURE GROUP (OVERSEAS) LIMITED

DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS

for the year ended  
31 October 1997



Company Number 2220337

**DIRECTORS' REPORT**  
for the year ended 31 October 1997

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The Directors present their report and Financial statements of Falcon Leisure Group (Overseas) Limited for the year ended 31 October 1997.

**PRINCIPAL ACTIVITIES**

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

**RESULTS AND DIVIDENDS**

The profit for the year, after tax was £888,324 (1996: loss £388,580). The Directors do not propose a dividend for the year 1997 (1996: £ 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 1997

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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:

W Smith  
R Roger  
D Howell (appointed 16 December 1997)  
C Donnelly

Other Directors who served in the year are as follows:

D A Gill (Resigned 31 January 1997)  
J B MacNeill (Resigned 31 July 1997)  
L S Moir (Appointed 31 January 1997, resigned 5 January 1998)

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

As at 31 October 1997 the interests of the Directors in the share capital of First Choice Holidays PLC, the ultimate parent company were as follows:

At 31 October 1997

	Under Option	
	SAYE	Restricted
	Scheme	Share
		Plan
R Roger	-	91,215
C Donnelly	4,412	-

The options under the SAYE scheme are exercisable from 19 August 1999 at 73p. 44,789 options under the restricted share plan are exercisable from 23 July 1999 and 46,926 are exercisable from 14 March 2000, all at a price of 93p. 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.

**DIRECTORS' REPORT**

for the year ended 31 October 1997

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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**

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to the members of FALCON LEISURE GROUP (OVERSEAS) LIMITED

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We have audited the financial statements on pages 5 to 10.

**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 1997 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  
LONDON

*27 February 1998*

## PROFIT AND LOSS ACCOUNT

for the year ended 31 October 1997

	Note	Continuing Operations 1997 £	Continuing Operations 1996 £
Turnover		35,459,857	33,379,752
Cost of sales		(32,591,158)	(32,751,034)
Gross profit		2,868,699	628,718
Operating expenses		(1,494,086)	(1,478,701)
Operating profit/(loss)		1,374,613	(849,983)
Bank interest (payable)/receivable		(97,343)	265,992
Profit/(loss) on ordinary activities before tax		1,277,270	(583,991)
Tax on profit/(loss) on ordinary activities	3	(388,946)	195,411
Retained profit/(loss) for the year	8	888,324	(388,580)

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.

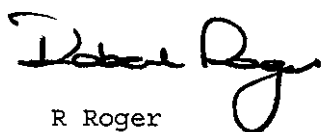
## BALANCE SHEET

as at 31 October 1997

	Note	1997 £	Restated 1996 £
<b>CURRENT ASSETS</b>			
Debtors	4	4,897,815	1,446,653
Cash at bank and in hand		-	534,343
		<u>4,897,815</u>	<u>1,980,996</u>
<b>CREDITORS: amounts falling due within one year</b>	5	<u>(3,648,570)</u>	<u>(2,108,543)</u>
<b>Net current assets/(liabilities)</b>		1,249,245	(127,547)
Provisions for charges and liabilities	6	-	(11,532)
		<u>-</u>	<u>-</u>
<b>Net Assets/(Liabilities)</b>		<u>1,249,245</u>	<u>(139,079)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	1,125,000	625,000
Profit and loss account	8	<u>124,245</u>	<u>(764,079)</u>
<b>Shareholders' funds</b>		<u>1,249,245</u>	<u>(139,079)</u>
<b>SHAREHOLDERS' FUNDS</b>			
<b>Shareholders' funds comprises:</b>			
Equity		634,245	(754,079)
Non equity		615,000	615,000
		<u>615,000</u>	<u>615,000</u>
<b>Shareholders' funds</b>		<u>1,249,245</u>	<u>(139,079)</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 10 were approved by the Board on 26 February 1998 and signed on their behalf by:



R Roger  
Director



D Howell  
Director

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 October 1997**

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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 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.



NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 October 1997

1. ACCOUNTING POLICIES (continued)

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. PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The audit fees for the company were paid by another group company.

DIRECTORS' REMUNERATION	1997 £	1996 £
Directors' remuneration consisting of:		
Emoluments (including pension contributions)	97,334	100,086
Emoluments of highest paid director (excluding pension contributions)	44,964	47,435
	<u>44,964</u>	<u>47,435</u>

3. TAXATION

	1997 £	1996 £
UK Corporation tax at 31.83% (1996:33%) based on		
- profit/(loss) for the year	400,478	(192,717)
- over provision in previous years	-	(14,226)
Deferred taxation	(11,532)	11,532
	<u>388,946</u>	<u>(195,411)</u>

The corporation tax charge/(credit) has under group relief provisions been relieved/surrendered by other group companies.

	1997 £	Restated 1996 £
4. DEBTORS		
Trade debtors	287,823	748,348
Prepayments and accrued income	28,559	335,034
Other debtors	149,026	17,693
Amount owed by fellow subsidiaries	4,432,407	345,578
	<u>4,897,815</u>	<u>1,446,653</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 October 1997

		Restated	
5.	CREDITORS: amounts falling due within one year	1997	1996
		£	£
	Client money received	1,833,786	783,716
	Bank Overdrafts	489,957	-
	Amounts owed to fellow subsidiaries	1,324,827	1,324,827
		<u>3,648,570</u>	<u>2,108,543</u>
6.	DEFERRED TAX		
Deferred tax provided in the accounts is as follows :			
		Provided	Potential
		1997	1996
		1997	1996
	Short term timing differences	-	11,532
		<u>-</u>	<u>11,532</u>
	Deferred tax liability		£
	At 1 November 1996		11,532
	Charged to the profit and loss account (note 3)		(11,532)
	At 31 October 1997		<u>-</u>
7.	SHARE CAPITAL	1997	1996
		£	£
	Authorised		
	600,000 ordinary shares of £1 each	600,000	100,000
	615,000 8% cumulative preference shares of £1 each	615,000	615,000
		<u>1,215,000</u>	<u>715,000</u>
		1997	1996
	Allotted, called up and fully paid	£	£
	510,000 ordinary shares of £1 each - equity	510,000	10,000
	615,000 8% cumulative preference shares of £1 each - Non Equity	615,000	615,000
		<u>1,125,000</u>	<u>625,000</u>

The preference shares may be redeemed by the holder at any time after the fifth anniversary of the 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

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 October 1997

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## 8. PROFIT AND LOSS ACCOUNT

	£
1 November 1996	(764,079)
Retained profit for the year	<u>888,324</u>
31 October 1997	<u><u>124,245</u></u>

## 9. POST BALANCE SHEET EVENTS

On the 1 November 1997 the business assets and liabilities of JWT Holidays Limited were purchased for £1. The net assets of JWT Holidays Limited at 31 October 1997 were £960,674.

## 10. 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. As the company is a wholly owned subsidiary of First Choice Holidays PLC, the company has taken advantage of the exception contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group headed by First Choice Holidays PLC. 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.