

FALCON LEISURE GROUP (OVERSEAS) LIMITED

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

for the year ended
31 October 1995

Company Number 2220337



DIRECTORS' REPORT

for the year ended 31 October 1995

FINANCIAL STATEMENTS

The Directors submit their report and financial statements for the year ended 31 October 1995.

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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity is tour operating. Turnover for the year has increased by 17% to £29,968,543.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation amounted to £241,611 (1994: loss after taxation of £624,104). The Directors do not recommend the payment of a dividend (1994: £380,000) and therefore a surplus of £241,611 (1994: deficit £1,004,104) is transferred to reserves.

DIRECTORS

The Directors of the Company were as follows:

C Donnelly	
M B Heald	(resigned 11 December 1995)
G Malone	(resigned 28 July 1995)
W Smith	
D A Gill	(appointed 11 December 1995)
R Roger	(appointed 1 January 1996)
P W Phillipson	(appointed 1 January 1996)
J MacNeill	(appointed 1 June 1995)

DIRECTORS' REPORT (continued)
for the year ended 31 October 1995

DIRECTORS INTERESTS IN SHARES

None of the Directors had an interest in the company's share capital at any time during the year.

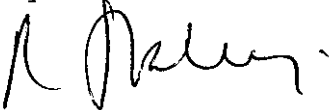
None of the Directors had any interest in the shares of the ultimate parent company at 31 October 1995 except M B Heald. These interests are disclosed in the accounts of First Choice Holidays PLC.

On appointment, D Gill did not hold or was not interested in any shares or share options of the ultimate parent company. On appointment, P W Phillipson had an interest in 19,548 ordinary shares and 574,852 share options in the ultimate parent company.

DIRECTORS INSURANCE

The ultimate holding 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.

By order of the board.



R Starling
Secretary

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

We have audited the financial statements on pages 4 to 9.

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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered accountants
Registered auditors
London.

28 February 1996

PROFIT AND LOSS ACCOUNT
for the year ended 31 October 1995

	Notes	Continuing Operations 1995 £	Continuing Operations 1994 £
Turnover		29,968,543	25,584,898
Cost of sales		(28,489,270)	(24,146,138)
Gross profit		1,479,273	1,438,760
Operating expenses		(1,232,282)	(1,130,703)
Operating profit		246,991	308,057
Bank interest receivable		121,849	209,398
Profit on ordinary activities before taxation	3	368,840	517,455
Tax on profit on ordinary activities	4	(127,229)	(1,141,559)
Profit / (loss) on ordinary activities after taxation		241,611	(624,104)
Ordinary dividend paid		-	(380,000)
Retained profit / (loss) for the year	10	<u>£241,611</u>	<u>£(1,004,104)</u>

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

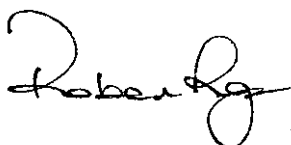
A note on historical cost profits and losses has not been included as part of these financial statements as there is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

BALANCE SHEET
as at 31 October 1995

	Notes	1995	1994
		£	£
FIXED ASSETS			
Investments	5	-	91
CURRENT ASSETS			
Debtors	6	2,820,677	2,008,240
Cash at bank and in hand		<u>39,326</u>	<u>3,695,991</u>
		2,8560,003	5,704,231
CREDITORS: amounts falling due within one year	7	<u>(2,610,502)</u>	<u>(5,696,432)</u>
Net current assets		<u>249,501</u>	<u>7,799</u>
Net Assets		<u>249,501</u>	<u>7,890</u>
CAPITAL AND RESERVES			
Called up share capital	9	625,000	625,000
Profit and loss account	10	<u>(375,499)</u>	<u>(617,110)</u>
Shareholders' funds		<u>249,501</u>	<u>7,890</u>
SHAREHOLDERS' FUNDS			
Shareholders' funds comprises:			
Equity		(365,499)	(607,110)
Non equity		<u>615,000</u>	<u>615,000</u>
Shareholders' funds		<u>249,501</u>	<u>7,890</u>

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

The financial statements on pages 4 to 9 were approved by the Board on th February, 1996.



R Roger
Director

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1995**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards consistently applied.

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 1995 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. 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 taken through the profit and loss account.

Investments

Investments are stated at cost.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1995 (continued)

2. STAFF COSTS	1995	1994
	£	£
Wages and salaries	351,237	317,373
Social security costs	23,787	14,163
Other pension costs	10,293	7,368
	<u>385,317</u>	<u>338,904</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1995	1994
is stated after charging :	£	£
Directors' remuneration consisting of:		
Emoluments (including pension contributions)	107,485	190,787
Emoluments of chairman(excluding pension contributions)	-	-
Emoluments of highest paid director (excluding pension contributions)	<u>37,823</u>	<u>47,320</u>

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

	Number	Number
Nil - £ 5,000	5	2
£15,001 - £20,000	-	1
£25,001 - £30,000	1	-
£35,001 - £40,000	2	3
£45,001 - £50,000	-	1
	<u>-</u>	<u>-</u>

4. TAXATION	1995	1994
	£	£
UK Corporation tax at 33% (1994: 33%) based on		
- profit for the year	113,938	200,796
- under / (over) provision in previous years	(3,209)	927,893
Deferred taxation (see note 8)	<u>16,500</u>	<u>12,870</u>
	<u>127,229</u>	<u>1,141,559</u>

The corporation tax charge for the year ended 31 October 1994 was increased by £927,893 as a result of adjustments for amounts surrendered to other Group companies in prior years.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1995 (continued)

5. INVESTMENTS

The Company had a participating interest in 100% of the issued share capital of Kilquade Limited, a wholly owned subsidiary company incorporated in The Republic of Ireland. Kilquade Limited acts as a representative agent for the Company in Ireland. This investment was transferred during the year to another company within the First Choice Holidays PLC group.

The Company is exempt from the requirement to prepare group financial statements as it is itself a subsidiary undertaking. The Company is included within the consolidated financial statements of First Choice Holidays PLC, a company registered in England and Wales.

Investments in subsidiary undertakings at cost:

	1995	1994
	£	£
At 1 November, 1994	91	91
Transfer to Group Company	(91)	-
At 31 October, 1995	-	91

6. DEBTORS

Trade debtors	2,078,262	1,165,477
Amount owed by fellow subsidiaries	328,601	-
Deferred taxation (see Note 8)	-	16,500
Corporation tax	95,000	736,263
Advance Corporation tax	-	90,000
Prepayments	283,870	-
Other debtors	34,944	-
	<u>2,820,677</u>	<u>2,008,240</u>

7. CREDITORS: amounts falling due within one year

Amounts owed to parent and fellow subsidiaries	-	4,261,412
Revenue invoiced in advance	2,552,265	1,329,240
Other creditors	58,237	15,780
Advance corporation tax	-	90,000
	<u>2,610,502</u>	<u>5,696,432</u>

8. DEFERRED TAXATION

Deferred taxation provided in the accounts is as follows:

	Provided 1995 £	Provided 1994 £	Potential 1995 £	Potential 1994 £
Short-term timing differences	-	16,500	-	16,500
Deferred tax asset				£
At 1 November, 1994				16,500
Charged to the profit and loss account (see note 4)				(16,500)
At 31 October, 1995 (see note 6)				-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1995 (continued)

9. SHARE CAPITAL	1995 £	1994 £
Authorised		
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>
Allotted, called up and fully paid		
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 forgone its right to preference dividends in the current and all preceding years.

10. PROFIT AND LOSS ACCOUNT

	£
1 November 1994	(617,110)
Retained profit for the year	<u>241,611</u>
31 October 1995	<u>(375,499)</u>

11. 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 £7,313 (1994 : £7,368).

12. ULTIMATE PARENT COMPANY

The Directors regard First Choice Holidays PLC, a company incorporated in England and Wales, as the company's 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 2GX.