

SOVEREIGN TOUR OPERATIONS LIMITED
(formerly Owners Abroad Leisure Limited)

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

**for the year ended
31 October 1994**

Company Number 2557714



DIRECTORS' REPORT
for the year ended 31 October 1994

FINANCIAL STATEMENTS

The Directors present their report and financial statements of Sovereign Tour Operations Limited for the year ended 31 October 1994.

On 24 August 1994, the Company changed its name from Owners Abroad Leisure Limited to Sovereign Tour Operations Limited.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as an intermediate holding company.

RESULTS AND DIVIDENDS

The Company has received dividend income of £1,200,000 (1993 : £6,953,000). The Company paid a dividend of £1,200,000 (1993: £6,500,000). The loss for the year transferred to reserves was £249,000 (1993: £nil).

DIRECTORS AND THEIR INTERESTS

The Directors of the Company are:

E P Cossey	(resigned 30 April, 1995)
M B Heald	(appointed 1 February, 1994)
D Blastland	(resigned 31 March 1994)
P Cudmore	(resigned 6 January, 1995)
R Stevens	(resigned 29 April 1994)

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

At 31 October, 1994 the interests of the Directors in the share capital of First Choice Holidays PLC, the ultimate parent company, were as follows:

	At 31 October 1994			At 31 October 1993		
	Ordinary Held	shares Under Option	Preference Shares	Ordinary Held	shares Under Option	Preference Shares
P Cudmore	4,596	95,000	648	4,596	95,000	648

The interests of MB Heald and EP Cossey are disclosed in the accounts of First Choice Holidays PLC.

DIRECTORS' INSURANCE

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

DIRECTORS' REPORT
for the year ended 31 October 1994

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 general responsibility for taking such steps as are reasonably open to them to prevent and detect fraud and other irregularities.

AUDITORS

Our auditors, KPMG Peat Marwick, have informed us that they will practise under the name KPMG with effect from 6 February 1995. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors for the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board.



P Buckley
Secretary

30 August 1995

AUDITORS' REPORT
to the members of SOVEREIGN TOUR OPERATIONS LIMITED

We have audited the financial statements on pages 4 to 7

Respective responsibilities of directors and auditors

As set out on page 2, 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 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors
London

30 August, 1995.

SOVEREIGN TOUR OPERATIONS LIMITED
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PROFIT AND LOSS ACCOUNT
for the year ended 31 October 1994

	Note	Continuing Activities 1994 £'000	Continuing Activities 1993 £'000
Income from shares in subsidiary companies		1,200	6,953
Provision for diminution in value of investments	5	(249)	-
Profit on ordinary activities before taxation		951	6,953
Tax on profit on ordinary activities	3	-	(453)
Profit on ordinary activities after taxation		951	6,500
Dividend paid	4	(1,200)	(6,500)
Retained loss for the year		(249)	-

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

HISTORIC COST PROFITS

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 unmodified historical cost basis.

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BALANCE SHEET
as at 31 October 1994

	Notes	1994 £'000	1993 £'000
FIXED ASSETS			
Investments	5	4,653	4,902
CURRENT ASSETS			
Debtors	6	6,500	6,500
CREDITORS: amounts falling due within one year	7	(11,392)	(11,392)
Net Current Liabilities		(4,892)	(4,892)
Net (liabilities)/assets		(239)	10
CAPITAL AND RESERVES			
Called up share capital	8	10	10
Profit and loss account	9	(249)	-
Equity Shareholders' funds		(239)	10

SHAREHOLDERS' FUNDS

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

The financial statements on pages 4 to 7 were approved by the Board on 30 August 1995; and signed on their behalf by:



M B Heald
Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1994

1. ACCOUNTING POLICIES

Basis of preparation

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

The accounts have been prepared on a going concern basis which the directors believe is appropriate, as the ultimate holding company, First Choice Holidays PLC, has indicated its willingness to ensure the obligations and liabilities of the company are met as they fall due.

Group financial statements

The Company has not produced group financial statements because it is a wholly owned subsidiary undertaking of a UK company.

2. PROFIT BEFORE TAXATION	1994	1993
	£'000	£'000
Is stated after charging:		
Directors' emoluments	-	-
Auditors' remuneration	-	-

3. TAXATION	1994	1993
	£'000	£'000
Taxation attributable to franked investment income	-	453

4. DIVIDENDS PAID	1994	1993
	£'000	£'000
Interim dividend paid (£120 per share (1993: £650 per share))	1,200	6,500

5. INVESTMENTS	Shares in subsidiary undertakings £'000
At 1 November 1993	4,902
Provision for diminution in value	(249)
At 31 October 1994	4,653

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 1994

5. INVESTMENTS (continued)

Throughout the year, the Company owned the entire share capital of the following subsidiary undertakings which are registered in England and Wales.

Nature of business

First Choice Tour Operations Limited	Intermediate holding company
Air 2000 Aviation Limited	Seat wholesalers
First Choice Office Services Limited	Group Office Services
First Choice Overseas Limited	Intermediate holding company

6. DEBTORS

	1994 £'000	1993 £'000
Amounts owed by subsidiary undertakings	6,500	6,500

7. CREDITORS

	1994 £'000	1993 £'000
Amounts owed to fellow subsidiary undertakings	11,392	11,392

8. CALLED UP SHARE CAPITAL

	1994 £'000	1993 £'000
Authorised		
100,000 ordinary shares of £1 each	100	100
Allotted, Issued and fully paid		
10,000 ordinary shares of £1 each	10	10

9. PROFIT AND LOSS ACCOUNT

	1994 £'000
Loss for the year and carried forward	249

10. ULTIMATE PARENT COMPANY

The directors regard First Choice Holidays PLC, a company registered in England and Wales to be the ultimate parent company.

First Choice Holidays PLC is the parent undertaking of the largest and smallest group of which Sovereign Tour Operators 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.