

FIRST CHOICE TOUR OPERATIONS LIMITED

Directors' Report And Financial Statements

for the year ended 31 October 1996

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Company Number 4004000



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FIRST CHOICE TOUR OPERATIONS LIMITED

DIRECTORS' REPORT

for the year ended 31 October 1996

FINANCIAL STATEMENTS

The Directors present their report and financial statements of First Choice Tour Operations Limited for the year ended 31 October 1996.

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

During the year the Company received no dividend income. The retained loss 1995 was £180,000. The company did not conduct any business activity in the year except for the increase in its investment in First Choice Holidays & Flights Limited (1995: the retained loss was £1,688,000). The Directors do not propose a dividend for the year (1995:£nil).

No amount has been transferred to or from reserves.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company are:

R Roger	(appointed 1 January 1996)
L Moir	(appointed 3 February 1997)
P W Phillipson	(appointed 1 January 1996 and resigned 6 September 1996)
M B Heald	(resigned 11 December 1995)
R P Davies	(resigned 1 January 1996)
J MacNeill	(resigned 1 January 1996)
D A Gill	(appointed 11 December 1995 and resigned 31 January 1997)

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

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

FIRST CHOICE TOUR OPERATIONS LIMITED

DIRECTORS' REPORT

for the year ended 31 October 1996

	At 31 October 1996			At 31 October 1995		
	Ordinary Shares		Preference Shares	Ordinary Shares		Preference Shares
	Held	Within Restricted Share Plan	Held	Held	Within Restricted Share Plan	Held
R Roger	15,000	44,789	-	-	-	-

During the year R Roger was awarded 44,789 shares under the Restricted Share Plan. Under the terms of the Plan, these shares will only vest if certain performance criteria, as determined by the Remuneration Committee, are met. Further details of these performance criteria are set out in the Report of the Directors in the Annual Report and Accounts of First Choice Holidays PLC.

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

POLICY ON PAYMENTS OF SUPPLIERS

It is the Company's 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.

FIRST CHOICE TOUR OPERATIONS LIMITED

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 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.

AUDITOR

In accordance with Section 385 of the Companies Act 1985, a resolution regarding the re-appointment of KPMG Audit Plc as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the Board



R J G Starling
Secretary

26 June 97

FIRST CHOICE TOUR OPERATIONS LIMITED

REPORT OF THE AUDITOR

**to the members of FIRST CHOICE TOUR OPERATIONS LIMITED
for the year ended 31 October 1996**

We have audited the financial statements on pages 5 to 9

Respective responsibilities of directors and auditors

As described in the Directors' Report, 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 result 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**

26 June 1997

FIRST CHOICE TOUR OPERATIONS LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 October 1996

	Note	Continuing Activities 1996 £'000	Continuing Activities 1995 £'000
Administrative expenses - exceptional items	2	-	(1,741)
Income from shares in subsidiary companies		-	180
Loss on disposal of investments		-	(127)
Retained loss for the year		-	(1,688)
Profit and Loss account brought forward		(10,021)	(8,333)
Profit and Loss account carried forward		(10,021)	(10,021)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Company had no other recognised gains or losses for either year.

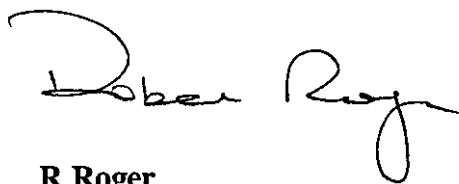
HISTORIC COST LOSSES

There is no difference between the retained loss for the year stated above, and the historical cost equivalent.

FIRST CHOICE TOUR OPERATIONS LIMITED**BALANCE SHEET
as at 31 October 1996**

	Notes	1996 £'000	1995 £'000
FIXED ASSETS			
Investments	6	78,281	3,281
CURRENT ASSETS			
Debtors	7	2,424	2,424
CREDITORS: amounts falling due within one year	8	(90,476)	(15,476)
Net Current Liabilities		(88,052)	(13,052)
Net liabilities		(9,771)	(9,771)
CAPITAL AND RESERVES			
Called up share capital	9	250	250
Profit and loss account		(10,021)	(10,021)
Equity Shareholders' funds		(9,771)	(9,771)

The financial statements on pages 5 to 9 were approved by the Board on 26 June 1997 and signed on their behalf by:



**R Roger
Director**

FIRST CHOICE TOUR OPERATIONS LIMITED

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

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.

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 of a UK company.

Cash flow

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 of a UK company.

Investments

Investments are stated at cost, less provisions for permanent diminution in value.

2. EXCEPTIONAL COSTS

	1996 £'000	1995 £'000
Waiver of intercompany balances	<u>-</u>	<u>1,741</u>

3. EMPLOYEES

The company had no employees during the year (1995: nil).

4. DIRECTORS

The directors received no remuneration during the year (1995: £nil).

FIRST CHOICE TOUR OPERATIONS LIMITED

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

5. AUDITORS

The auditor's remuneration in both years was borne by a fellow subsidiary undertaking.

6. INVESTMENTS

Ordinary shares in
subsidiary
undertakings
£'000

At 1 November 1995	3,281
Additions	75,000
At 31 October 1996	<u>78,281</u>

Subsidiary undertakings

Principal operating subsidiaries	% held	Nature of Business	Country of Registration
First Choice Holidays & Flights Ltd	100	Tour Operator	England & Wales
First Choice Aviation Limited	100*	Flight Seat Wholesaler	England & Wales

*owned by a subsidiary

7. DEBTORS

	1996 £'000	1995 £'000
Amounts owed by subsidiary undertakings	<u>2,424</u>	<u>2,424</u>

8. CREDITORS: amounts falling due within one year

	1996 £'000	1995 £'000
Amounts owed to parent and fellow subsidiary undertakings	4,503	4,503
Amounts owed to subsidiary companies	<u>85,973</u>	<u>10,973</u>
	<u>90,476</u>	<u>15,476</u>

FIRST CHOICE TOUR OPERATIONS LIMITED

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

9. CALLED UP SHARE CAPITAL

	1996 £'000	1995 £'000
Authorised, allotted and fully paid 250,000 ordinary shares of £1 each	<u>250</u>	<u>250</u>

10. POST BALANCE SHEET EVENT

On 13 March 1997, the Company acquired a further 750,000,000 ordinary shares of 10p each in First Choice Holidays & Flights Limited at par.

11. 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 First Choice Tour Operations Limited is a member and for which group accounts are drawn up. Copies of these group accounts have been delivered to, and are available from, the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.