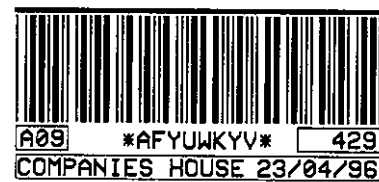


FIRST CHOICE TOUR OPERATIONS LIMITED

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

for the year ended
31 October 1995

Company Number 1961830



DIRECTORS' REPORT
for the year ended 31 October 1995

FINANCIAL STATEMENTS

The Directors present their report and financial statements of First Choice Tour Operations Ltd, for the year ended 31 October 1995.

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 dividend income of £180,000 (1994: £291,000). The directors do not propose a dividend for the year (1994: £nil).

The amount transferred to reserves is a loss of £1,688,000 (1994: loss £8,472,000).

FIXED ASSETS

Movements in fixed assets are explained in note 6.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company are:

D A Gill (appointed 11 December 1995)
R P Davies (resigned 1 January 1996)
M B Heald (resigned 11 December 1995)
G Reilly (resigned 7 August 1995)
J MacNeill (resigned 1 January 1996)
P Cudmore (resigned 6 January 1996)
R Roger (appointed 1 January 1996)
P W Phillipson (appointed 1 January 1996)

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

At 31 October 1995 the interests of the Directors in the share capital of First Choice Holidays PLC, the ultimate parent company, were as follows:

	At 31 October 1995			At 31 October 1994		
	Ordinary Held	shares Under option	Preference shares Held	Ordinary Held	shares Under option	Preference shares Held
R P Davies	2,000	212,410	-	2,000	212,410	-
J MacNeill	-	59,406	-	-	59,406	-

The interests of M B Heald 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 First Choice 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 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 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.

By order of the Board



R Starling
Secretary

16 April

1996

AUDITORS' REPORT

to the members of First Choice Tour Operations Limited

We have audited the financial statements on pages 4 to 7.

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 1995 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

18 April 1996

PROFIT AND LOSS ACCOUNT
for the year ended 31 October 1995

	Notes	Continuing Activities 1995 £'000	Continuing Activities 1994 £'000
Administration expenses - exceptional items	2	(1,741)	-
Income from shares in subsidiary companies		180	291
Provision for diminution in value of investments		-	(8,708)
Loss on disposal of investments		(127)	(55)
Retained loss for the year		(1,688)	(8,472)
Profit and Loss account brought forward		(8,333)	139
Profit and Loss account carried forward		(10,021)	(8,333)

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 loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

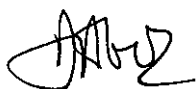
BALANCE SHEET
as at 31 October 1995

	Notes	1995 £'000	1994 £'000
FIXED ASSETS			
Investments	6	3,281	3,407
CURRENT ASSETS			
Debtors	7	2,424	3,986
CREDITORS: amounts falling due within one year	8	(15,476)	(15,476)
Net Current Liabilities		(13,052)	(11,490)
Total assets less current liabilities		(9,771)	(8,083)
CAPITAL AND RESERVES			
Called up share capital	9	250	250
Profit and loss account		(10,021)	(8,333)
Equity Shareholders' funds		(9,771)	(8,083)

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 16 April 1996, and signed on their behalf by:



D A Gill
Director

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

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 undertaking 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 company of another UK company.

Investments

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

2. EXCEPTIONAL COSTS	1995 £'000	1994 £'000
Waiver of intercompany balances	1,741	-
	<u> </u>	<u> </u>

3 EMPLOYEES

The company had no employees during the year (1994: nil).

4 DIRECTORS

The directors received no remuneration during the year (1994: £nil).

5 AUDITORS

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

6. INVESTMENTS	Ordinary Shares in subsidiary undertakings £'000
At 1 November 1994	3,407
Additions	1
Disposals	(127)
	<u> </u>
At 31 October 1995	<u>3,281</u>

Principal operating subsidiaries	% held	Nature of Business	Country of Registration
First Choice Holidays & Flights Ltd	100	Tour Operator	England & Wales
First Choice Eclipse Limited	100	Tour Operator	England & Wales

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

7.	DEBTORS	1995 £'000	1994 £'000
	Amounts owed by subsidiary companies	2,424	3,986
8.	CREDITORS: amounts falling due within one year	1995 £'000	1994 £'000
	Amounts owed to parent and fellow subsidiary companies	4,503	4,503
	Amounts owed to subsidiary companies	10,973	10,973
		15,476	15,476
9.	CALLED UP SHARE CAPITAL	1995 £'000	1994 £'000
	Authorised, allotted and fully paid 250,000 ordinary shares of £1 each	250	250

10. 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 those group accounts have been delivered to, and are available from, the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff CF4 3UZ.