

FIRST CHOICE TOUR OPERATIONS LIMITED

Directors' Report and Financial Statements

For the year ended 31 October 1998



Company Number 1961830

FIRST CHOICE TOUR OPERATIONS LIMITED

DIRECTORS' REPORT

for the year ended 31 October 1998

FINANCIAL STATEMENTS

The Directors present their report and financial statements of First Choice Tour Operations Limited for the year ended 31 October 1998.

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 result for the year was £nil (1997: £nil). The Company did not conduct any business activity in the year except for the increase in its investment in First Choice Holidays & Flights Limited. The Directors do not propose a dividend for the year ended 31 October 1998 (1997: £nil).

No amount has been transferred to or from reserves.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company at the date of this report are:

First Choice Holidays & Flights Limited

D Howell (appointed 5 January 1998)

H Thomas (appointed 12 June 1998)

Other directors who served during the year are:

R Roger (resigned 12 June 1998)

L Moir (resigned 31 July 1998)

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

FIRST CHOICE TOUR OPERATIONS LIMITED

DIRECTORS' REPORT

for the year ended 31 October 1998

As at 31 October 1998, the interests of the Directors in the share capital of First Choice Holidays PLC, the ultimate parent Company, were as follows:

	-----Shares-----			-----Options-----			-----Restricted Shares-----		
	31 October 1998	31 October 1997	31 October 1997	Rights issue entitlement	Granted	Exercised	31 October 1998	31 October 1998	31 October 1997
Ordinary Shares									
H Thomas	10,000	-	-	-	3,724	-	3,724	68,575	*54,865

*This represents the holding on the date of his appointment as a director of First Choice Tour Operations Limited.

No options were exercised by the Directors during the year.

On 12 February 1999 H Thomas sold 10,000 shares.

	No. of shares	Option exercise price(p)	Date first exercisable
H Thomas			
Restricted Share Plan	11,576	83.0p	5 October 2001
Restricted Share Plan	56,999	89.0p	14 March 2000
Savings Related Share Option Scheme	3,724	116.0p	1 November 2001

The Restricted shares have been restated to incorporate the Rights issue entitlement.

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

For full details of the above schemes, reference should be made to the Annual Report & 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.

YEAR 2000

The Company established a programme, in association with other group companies, to meet the challenge posed by the Year 2000 issue. This established a dedicated team to identify the risks arising due to Year 2000 and to formulate a strategy and procedures to ensure that such risks are minimised or eliminated as appropriate.

FIRST CHOICE TOUR OPERATIONS LIMITED

DIRECTORS' REPORT

for the year ended 31 October 1998

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.

AUDITORS

On 11 August 1997 elective resolutions of the Company were passed to dispense with the holding of Annual General Meetings, the laying of accounts before the members in general meeting and the appointment of auditors annually. Accordingly, KPMG Audit Plc will continue in office as auditors.

By order of the Board



H Thomas
Director

30th July 1999

FIRST CHOICE TOUR OPERATIONS LIMITED

REPORT OF THE AUDITOR

to the members of FIRST CHOICE TOUR OPERATIONS LIMITED

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

Respective responsibilities of directors and auditors

As set out in the Directors' Report on page 3, 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.

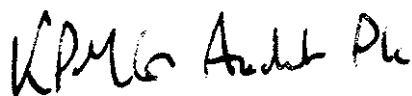
Basis of opinion

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 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

18th August 1999

FIRST CHOICE TOUR OPERATIONS LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 October 1998

	Year ended 1998 £'000	Year ended 1997 £'000
Profit and Loss account brought forward	(10,021)	(10,021)
Profit and Loss account carried forward	<u>(10,021)</u>	<u>(10,021)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

FIRST CHOICE TOUR OPERATIONS LIMITED**BALANCE SHEET
as at 31 October 1998**

	Notes	1998 £'000	1997 £'000
FIXED ASSETS			
Investments	4	228,280	153,281
CURRENT ASSETS			
Debtors	5	8,859	2,424
CREDITORS: amounts falling due within one year	6	(246,910)	(165,476)
Net Current Liabilities		238,051	(163,052)
Net liabilities		(9,771)	(9,771)
CAPITAL AND RESERVES			
Called up share capital	7	250	250
Profit and loss account		(10,021)	(10,021)
Equity Shareholders' funds		(9,771)	(9,771)

The financial statements on pages 5 to 10 were approved by the Board on 30 July 1999 and signed by:

H Thomas
Director

FIRST CHOICE TOUR OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 October 1998**

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 (Revised) from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of First Choice Holidays PLC. First Choice Holidays PLC includes the Company's cash flow in its own published consolidated financial statements.

Investments

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

Related Party Transactions

The Company has taken advantage of the exemption contained in Financial Reporting Standard No.8 "Related Party Disclosures" as it is a wholly owned subsidiary of First Choice Holidays PLC. Therefore, the Company has not disclosed transactions or balances with entities which form part of the group headed by First Choice Holidays PLC.

Group Financial Statements

The Company has not produced group financial statements because it is a wholly owned subsidiary undertaking of First Choice Holidays PLC.

FIRST CHOICE TOUR OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **for the year ended 31 October 1998**

2. EMPLOYEES

The Company had no employees during the year (1997: nil).

3. AUDITORS

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

4. INVESTMENTS

	Ordinary shares in subsidiary undertakings £'000
At 1 November 1997	153,281
Additions	74,999
At 31 October 1998	228,280

Subsidiary undertakings

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

*owned by First Choice Holidays & Flights Ltd

FIRST CHOICE TOUR OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 October 1998

5. DEBTORS

	1998 £'000	1997 £'000
Sundry debtors	13	-
Amounts owed by subsidiary undertakings	8,846	2,424
	<u>8,859</u>	<u>2,424</u>

6. CREDITORS: amounts falling due within one year

	1998 £'000	1997 £'000
Sundry creditors	12	
Amounts owed to parent and fellow subsidiary undertakings	78,925	79,503
Amounts owed to subsidiary companies	167,973	85,973
	<u>246,910</u>	<u>165,476</u>

7. CALLED UP SHARE CAPITAL

	1998 £'000	1997 £'000
Authorised, allotted and fully paid 250,000 ordinary shares of £1 each	<u>250</u>	<u>250</u>

FIRST CHOICE TOUR OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 October 1998

8. 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 are available from the Company Secretary, First Choice Holidays PLC, First Choice House, London Road, Crawley, West Sussex, RH10 2GX.