

FIRST CHOICE TOUR OPERATIONS LIMITED

Directors' Report And Financial Statements

for the year ended 31 October 1997

Company Number 1961830



FIRST CHOICE TOUR OPERATIONS LIMITED

DIRECTORS' REPORT

for the year ended 31 October 1997

FINANCIAL STATEMENTS

The Directors present their report and financial statements of First Choice Tour Operations Limited for the year ended 31 October 1997.

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 (1996: £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 (1996: £nil).

No amount has been transferred to or from reserves.

DIRECTORS AND THEIR INTERESTS

The current Directors of the Company and those who served during the year are:

First Choice Holidays & Flights Limited

R Roger	(resigned 12 June 1998)
L Moir	(appointed 3 February 1997 and resigned 31 July 1998)
D A Gill	(resigned 31 January 1997)
D Howell	(appointed 5 January 1998)
H Thomas	(appointed 12 June 1998)

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

At the 31 October 1997 the interests of the Directors in the share capital of First Choice Holidays PLC, the ultimate parent company, were as follows:

	-----Ordinary shares-----		-----Restricted shares-----	
	31 October 1997	31 October 1996	31 October 1997	31 October 1996
Robert Roger	-	15,000	91,215	44,789

No options were exercised by the directors during the year.

FIRST CHOICE TOUR OPERATIONS LIMITED

DIRECTORS' REPORT

for the year ended 31 October 1997

During the year R Roger was awarded 46,426 shares under the Restricted Share Plan. The shares awarded to R Roger under the Restricted Share Plan lapsed upon his resignation.

	No. of shares	Option exercise price(p)	Date first exercisable
Robert Roger			
Restricted Share Plan	46,426	93.00	13 March 2000
Restricted Share Plan	44,789	93.00	22 July 1999

The interests of L Moir 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.

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.

FIRST CHOICE TOUR OPERATIONS LIMITED

**DIRECTORS' REPORT
for the year ended 31 October 1997**

AUDITOR

On 11 August 1997 an elective resolution of the company was passed to dispense with the annual re-appointment of auditors. Accordingly, KPMG Audit Plc will continue in office as auditors.

By order of the Board

A handwritten signature in black ink, appearing to be 'R J G Starling', written in a cursive style.

**R J G Starling
Secretary**

25 August 1998

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 9.

Respective responsibilities of directors and auditors

As set out in the directors Report 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 1997 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**

27 August 1998

FIRST CHOICE TOUR OPERATIONS LIMITED**PROFIT AND LOSS ACCOUNT
for the year ended 31 October 1997**

	Year ended 1997 £'000	Year ended 1996 £'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 1997

	Notes	1997 £'000	1996 £'000
FIXED ASSETS			
Investments	6	<u>153,281</u>	<u>78,281</u>
CURRENT ASSETS			
Debtors	7	2,424	2,424
CREDITORS: amounts falling due within one year	8	<u>(165,476)</u>	<u>(90,476)</u>
Net Current Liabilities		<u>(163,052)</u>	<u>(88,052)</u>
Net liabilities		<u>(9,771)</u>	<u>(9,771)</u>
CAPITAL AND RESERVES			
Called up share capital	9	250	250
Profit and loss account		<u>(10,021)</u>	<u>(10,021)</u>
Equity Shareholders' funds		<u>(9,771)</u>	<u>(9,771)</u>

The financial statements on pages 5 to 9 were approved by the Board on 25 August 1998 and signed by:



D Howell on behalf of the corporate director
First Choice Holidays & Flights Ltd

FIRST CHOICE TOUR OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 1997

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.

Related Party Transactions

The company has availed 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.

2. EMPLOYEES

The company had no employees during the year (1996: nil).

3. DIRECTORS

The directors received no remuneration during the year (1996: nil).

FIRST CHOICE TOUR OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 October 1997

4. AUDITORS

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

5. INVESTMENTS

Ordinary
shares in
subsidiary
undertakings
£'000

At 1 November 1996

78,281

Additions

75,000

At 31 October 1997

153,281

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 a subsidiary

7. DEBTORS

	1997 £'000	1996 £'000
Amounts owed by subsidiary undertakings	<u>2,424</u>	<u>2,424</u>

8. CREDITORS: amounts falling due within one year

	1997 £'000	1996 £'000
Amounts owed to parent and fellow subsidiary undertakings	79,503	4,503
Amounts owed to subsidiary companies	<u>85,973</u>	<u>85,973</u>
	<u>165,476</u>	<u>90,476</u>

FIRST CHOICE TOUR OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 1997

9. CALLED UP SHARE CAPITAL

	1997 £'000	1996 £'000
Authorised, allotted and fully paid 250,000 ordinary shares of £1 each	250	250

10. POST BALANCE SHEET EVENTS

On the 9 March 1998 an increase in the Company's investment in First Choice Holidays & Flights Ltd took place by purchasing a further 750,000,000 shares valued at 10p each.

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.