



# **FIRST CHOICE TOUR OPERATIONS LIMITED**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**For the year ended  
31 October 2003**



**Company Number 1961830**

# **FIRST CHOICE TOUR OPERATIONS LIMITED**

## **DIRECTORS' REPORT for the year ended 31 October 2003**

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### **FINANCIAL STATEMENTS**

The Directors present their report and financial statements of First Choice Tour Operations Limited for the year ended 31 October 2003.

### **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 profit after taxation for the year was £nil (2002: £nil). The Company did not conduct any business activity in the year. The Directors do not propose a dividend for the year ended 31 October 2003 (2002: £nil).

### **DIRECTORS AND THEIR INTERESTS**

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

First Choice Holidays & Flights Limited  
H D Thomas

Other directors who served during the year were:

A D Martin (resigned on 11 March 2004)

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

As at 31 October 2003, the interests of the Directors in the share capital of First Choice Holidays PLC, the ultimate parent Company, were as follows:

	-----Shares-----		-----Options-----	
	31 October 2003	31 October 2002	Granted	Exercised
Ordinary Shares				
H Thomas	36,643	32,780	-	9,317

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

## **FIRST CHOICE TOUR OPERATIONS LIMITED**

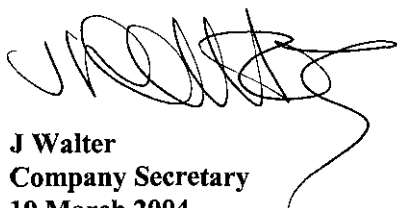
### **DIRECTORS' REPORT (Cont'd) for the year ended 31 October 2003**

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#### **AUDITOR**

The Company has elected 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 auditor.

**By order of the Board**

A handwritten signature in black ink, appearing to be 'J Walter', with a long, sweeping tail that extends downwards and to the right.

**J Walter  
Company Secretary  
19 March 2004**

**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**

### **REPORT OF THE INDEPENDENT AUDITOR to the members of FIRST CHOICE TOUR OPERATIONS LIMITED**

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

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you, if in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

#### **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 2003 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**

19 March 2004

**FIRST CHOICE TOUR OPERATIONS LIMITED**

**PROFIT AND LOSS ACCOUNT  
for the year ended 31 October 2003**

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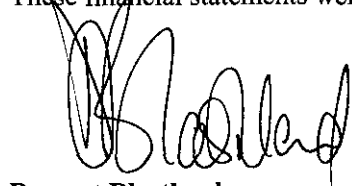
The Company did not trade during the current or preceding year and has made neither profit nor loss, nor any other recognised gain or loss.

# **FIRST CHOICE TOUR OPERATIONS LIMITED**

## **BALANCE SHEET as at 31 October 2003**

	Notes	2003 £'000	2002 £'000
<b>FIXED ASSETS</b>			
<i>Investments</i>	3	<u>230,731</u>	<u>230,731</u>
<b>CURRENT ASSETS</b>			
Debtors	4	8,846	8,846
<b>CREDITORS: amounts falling due within one year</b>	5	<u>(249,349)</u>	<u>(249,349)</u>
<b>Net Current Liabilities</b>		<u>(240,503)</u>	<u>(240,503)</u>
<b>Net liabilities</b>		<u>(9,772)</u>	<u>(9,772)</u>
 <b>CAPITAL AND RESERVES</b>			
Called up share capital	6	250	250
Profit and loss account	7	<u>(10,022)</u>	<u>(10,022)</u>
<b>Deficit on equity shareholders' funds</b>		<u>(9,772)</u>	<u>(9,772)</u>

These financial statements were approved by the Board on 19 March 2004 and signed by:



**Dermot Blastland**  
**Director – First Choice Holidays & Flights Limited**

## **FIRST CHOICE TOUR OPERATIONS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2003**

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#### **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 is exempt by virtue of s228 of the companies act 1985 from the requirement to prepare group financial statements because it is a wholly owned subsidiary of a UK company. These financial statements present information about the company as an individual undertaking and not about its group.

##### **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.



## **FIRST CHOICE TOUR OPERATIONS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)** **for the year ended 31 October 2003**

#### **2. AUDITOR'S AND DIRECTORS' REMUNERATION**

The auditor's remuneration in both years was borne by a fellow subsidiary undertaking. The Directors received no remuneration during the year (2002: £nil)

#### **3. INVESTMENTS**

	Ordinary shares in subsidiary undertakings £'000
<b>Cost</b>	
As at 1 November 2002 and 31 October 2003	<u>240,251</u>
<b>Provision</b>	
At 1 November 2002 & 31 October 2003	(9,520)
<b>Net book value</b>	
At 1 November & 31 October 2003	<u><u>230,731</u></u>

#### **Principal subsidiary undertakings**

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

\*owned by First Choice Holidays & Flights Limited

The Company's investment in First Choice Holidays & Flights Limited is carried at a net book value of £227 million. For the year ended 31 October 2003, First Choice Holidays & Flights Limited made a net loss of £30.4 million (2002: net loss of £22.1 million) and had net liabilities of £45.7million (2002: net liabilities of £15.3 million). However, First Choice Holidays & Flights Limited is an integral part of the wider First Choice Group's UK business and the Directors of the Company have considered the value of their investment in this context. Accordingly, no provision for a permanent diminution in value is considered necessary.

## **FIRST CHOICE TOUR OPERATIONS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 October 2003**

#### **4. DEBTORS**

	2003 £'000	2002 £'000
Amounts owed by Parent and fellow subsidiary undertakings	6,422	6,422
Amounts owed by subsidiary undertakings	2,424	2,424
	<u>8,846</u>	<u>8,846</u>

#### **5. CREDITORS: amounts falling due within one year**

	2003 £'000	2002 £'000
Amounts owed to parent and fellow subsidiary undertakings	79,376	79,376
Amounts owed to subsidiary companies	169,973	169,973
	<u>249,349</u>	<u>249,349</u>

#### **6. CALLED UP SHARE CAPITAL**

	2003 £'000	2002 £'000
<b>Authorised, allotted and fully paid</b> 250,000 ordinary shares of £1 each	<u>250</u>	<u>250</u>

#### **7. RESERVES**

	2003 £'000	2002 £'000
<b>Profit and loss account</b> At 1 November 2002 & 31 October 2003	<u>(10,022)</u>	<u>(10,022)</u>

#### **8. CONTINGENT LIABILITIES**

The Company is one of several guarantors to the following First Choice Holidays PLC facility agreements: a syndicated surety bonding facility of £122.5m; a bilateral surety bonding facility of £10.0m; a syndicated bank credit facility of £210.0m; a series of bank bilateral bonding facilities totalling £58.0m; and a syndicated bank facility of £310.0m. All agreements are in the name of First Choice Holidays PLC.

During 2004, the £310.0 million syndicated bank facility is scheduled to fully replace the £210.0 million bank credit facility and the £58.0 million bank bilateral bonding facilities.

## **FIRST CHOICE TOUR OPERATIONS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 October 2003**

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#### **9. ULTIMATE PARENT COMPANY**

The company is a subsidiary of Sovereign Tour Operations Limited, a company registered in England and Wales. First Choice Holidays PLC, a company registered in England and Wales, 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 9GX.