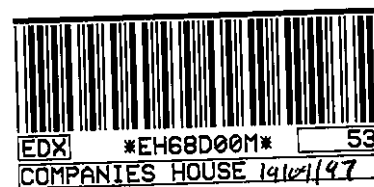


FTO Trust Fund Limited - limited by guarantee

Directors' report and financial statements

31 December 1996

Registered number 2845810



Contents

Directors' report	1 and 2
Statement of directors' responsibilities	3
Report of the auditors	4
Income and expenditure account	5
Balance sheet	6
Notes	7 to 10

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

Principal activities and business review

The principal activity of the company is bond administration in the event that one of the members of the Federation of Tour Operators ceases to trade. Under the terms of these bonds, the company is required to return to the obligors any unexpended bond monies and is therefore not permitted to profit from this activity.

Business review

On 29 November 1994 Best Travel Limited, a member of the Federation of Tour Operators, went into liquidation. On 30 November 1994 the company received the proceeds of the bond issued in relation to Best Travel Limited.

On 3 February 1995 Medchoice Holidays Limited, also a member of the Federation of Tour Operators, went into liquidation. On 13 February 1995 the company received the proceeds of the bond issued in relation to Medchoice Holidays Limited.

During the year the company has been engaged in the settlement of claims arising from these insolvencies. The settlement of claims will continue into 1997.

Results for the period and dividends

Given the nature of the company's activities, there was neither a profit nor a loss for the period. In accordance with the company's Memorandum of Association no dividends can be paid.

Fixed assets

The company has no fixed assets.

Directors and directors' interests

The directors who held office during the period were as follows:

M de S Brackenbury (Chairman)
DC Burns
R Colegate
RN Corkhill
JV Fleming
RJ Gimblett
NJ Jenkins
PJ Long
C D Smart

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board



A E Flook
Secretary

170 High Street
Lewes
East Sussex
BN7 1YE

2 JULY 1997

Statement of 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;
- 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.



1 Forest Gate
Brighton Road
Crawley
West Sussex RH11 9PT

Report of the auditors to the members of FTO Trust Fund Limited

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

Respective responsibilities of directors and auditors

As described 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 affairs of the company at 31 December 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

28 JULY 1997

Income and expenditure account

for the year ended 31 December 1996

	Note	12 months 1996 £	12 months 1995
Income			
Funds utilised	4	9,632	28,483
		<hr/>	<hr/>
		9,632	28,483
Expenditure			
Claims settled		(7,524)	(18,243)
Administrative expenses	5	(2,108)	(10,240)
		<hr/>	<hr/>
Excess of income over expenditure		-	-
		<hr/>	<hr/>

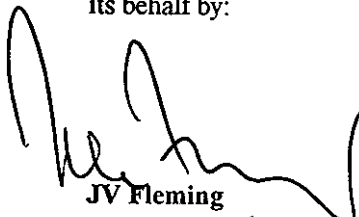
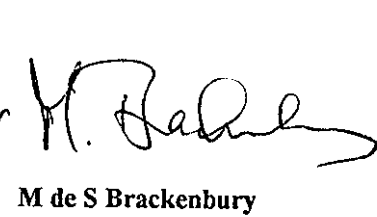
Income and expenditure arose from continuing operations. There are no recognised gains or losses other than the result for the financial year.

Balance sheet

at 31 December 1996

	Note	1996	£	1995	£
Current assets					
Debtors	9	441		480	
Cash at bank and in hand		218,833		217,594	
		<u>219,274</u>		<u>218,074</u>	
Creditors: amounts falling due within one year	10	(219,274)		(218,074)	
		<u></u>		<u></u>	
Net current assets			-		-
			<u></u>		<u></u>
Total assets less current liabilities			-		-
			<u></u>		<u></u>
Reserves			-		-
			<u></u>		<u></u>

These financial statements were approved by the board of directors on 2nd July 1997 and were signed on its behalf by:

 
JV Fleming M de S Brackenbury

The notes on pages 7 to 10 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Members' liability

The company is limited by guarantee. Every member of the company undertakes to contribute to the assets of the company, in the event of its being wound up while he is a member or within one year afterwards, for the payment of the debts and liabilities of the company contracted before he ceased to be a member, and the costs, charges and expenses of winding up and for the adjustment of the rights of the contributors amongst themselves, such amounts as may be required not exceeding £1.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The purpose of the company is bond administration in the event that one of the members of the Federation of Tour Operators ceases to trade. Under the terms of the bond, the company has to repay to the obligor such part of the bonded sum as shall not be expended by the company in carrying out the bond administration. Accordingly, the income and expenditure account comprises a statement of funds utilised for the period. This summarises the transactions for the period.

Claims, holiday compensation costs and repatriation costs are accounted for when paid. Administrative costs and interest receivable are accounted for on an accruals basis.

Funds utilised represent the amount of the total funds received from the bond obligors which have been used to meet claims, other holiday costs and administration expenses during the period.

Cash flow

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is entitled to the filing exemptions as a small company under Sections 246 to 249 of the Companies Act 1985 when filing accounts with the Registrar of Companies.

Notes (continued)

3 Best Travel Limited

On 29 November 1994, Best Travel Limited was placed into administration. On 30 November 1994 the bond relating to Best Travel Limited was called from the obligors. The value of the bond was £225,000.

On 3 February 1995 Medchoice Holidays Limited went into liquidation. On 9 February 1995 the bond relating to Medchoice Holidays Limited was called from the obligors. The value of the bond was £10,800.

These bonds are available to pay:

- holiday completion costs;
- repatriation costs;
- claims for refunds of amounts paid to Best Travel Limited in respect of cancelled future holidays; and
- administration expenses.

The remaining members of the Federation of Tour Operators have undertaken to provide funds for the purpose of meeting the above costs to the extent such costs cannot be met by the obligor's bond. The combined value of these undertakings is £2.1 million.

4 Statement of funds received/utilised for the year ended 31 December 1996

	12 months 1996 £	12 months 1995 £
Funds received from obligors	-	10,800
Bank interest receivable	10,538	12,432
	<hr/>	<hr/>
Funds utilised	10,538 (9,632)	23,232 (28,483)
	<hr/>	<hr/>
Net funds received/(utilised)	906	(5,251)
Funds brought forward	213,598	218,849
	<hr/>	<hr/>
Funds available for future claims and expenses	214,504	213,598
	<hr/>	<hr/>

The funds available for future claims and expenses comprise £204,333 for Best Travel Limited and £10,171 for Medchoice Holidays Limited.

Notes (continued)

5 Administrative expenses

Administrative expenses include:

	12 months 1996 £	12 months 1995 £
Auditors' remuneration:		
Audit (including VAT)	1,175	1,175
	<hr/>	<hr/>

6 Remuneration of directors

The directors received no emoluments for their services as directors during the year (1995: £nil).

7 Staff numbers and costs

The company did not employ any staff during the year.

8 Taxation

The company has a nil liability to taxation in respect of the year (1995: £nil).

9 Debtors

	1996 £	1995 £
Prepayments and accrued income	441	480
	<hr/>	<hr/>

10 Creditors: amounts falling due within one year

	1996 £	1995 £
Amounts unexpended, available for outstanding claims and expenses	214,504	213,598
Accruals and deferred income	4,770	4,476
	<hr/>	<hr/>
	219,274	218,074
	<hr/>	<hr/>

Although it is anticipated that certain amounts unexpended, available for outstanding claims and expenses may be retained beyond 31 December 1997, the directors cannot quantify the amount with any certainty. Accordingly all such amounts are disclosed as amounts falling due within one year.

Any bonded sum not expended by the company in carrying out the bond administration has to be repaid to the obligor under the terms of the bond.

Notes *(continued)*

11 Contingent liabilities

There were no contingent liabilities at 31 December 1996.

12 Capital commitments

There were no capital commitments at 31 December 1996.

12 Related party disclosure

M de S Brackenbury, JV Fleming, NJ Jenkins and CD Smart are also directors of the Federation of Tour Operators.