



First Choice

**FALCON LEISURE GROUP (OVERSEAS)
LIMITED
DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS**

**for year ended
31 October 2004**

Company Number 2220337



AGS
COMPANIES HOUSE

RACQ48A

0533
07/04/05

FALCON LEISURE GROUP (OVERSEAS) LIMITED
DIRECTORS' REPORT
for year ended 31 October 2004

The Directors present their report and financial statements of Falcon Leisure Group (Overseas) Limited for the year ended 31 October 2004.

RESULTS AND DIVIDENDS

The profit for the year after tax was £2,671,593 (2003: profit £6,135,562). The Directors do not propose the payment of a dividend (2003: £NIL).

PRINCIPAL BUSINESS ACTIVITY

The Company is registered in England and its principal activity is tour operating within the Republic of Ireland.

DIRECTORS AND THEIR INTERESTS

The Directors at the date of this report are:

C Donnelly
D A Mooney
C A O'Neill
J S Ryan
D Shearer
A D Smith (Appointed 12 May 2004)
W Smith

H D Thomas resigned as at 12 May 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 2004, the interests of the Directors in the share capital of First Choice Holidays PLC, the ultimate parent company, were as follows:

	<u>Shares</u>		<u>Options</u>	
	31 October 2004	31 October 2003	Granted	Exercised
Ordinary Shares				
C Donnelly	1,051	1,051	9,392	7,334
D A Mooney	2,140	1,529	48,267	24,517
C A O'Neill	4,972	-	6,969	9,898
J S Ryan	482	369	9,292	8,766
D Shearer	2,823	1,356	30,841	5,226
A D Smith	1,712	-	106,077	-
W Smith	-	-	30,973	27,750

FALCON LEISURE GROUP (OVERSEAS) LIMITED**DIRECTORS' REPORT
for year ended 31 October 2004**

POLICY AND PRACTICE ON PAYMENT OF SUPPLIERS

It is the Company's policy that payments to suppliers, whether in advance or after the provision of goods and services, are made on the basis of the terms that have been agreed with them.

Due to the nature of the Company's operations, and common to the industry as a whole, payments are often made in advance of the provision of goods and services.

DIRECTORS' INSURANCE

The ultimate parent company maintains insurance policies on behalf of all the Directors of the Company against liability arising from negligence, breach of duty and breach of trust in relation to the Company.

AUDITORS

The Company has elected to dispense with the holding of Annual General Meetings, the laying of accounts before the members in General Meetings and the appointment of auditors annually. Accordingly, KPMG Audit Plc will continue in office as auditors.

By order of the Board



**J S Ryan
Director**

24 February 2005

FALCON LEISURE GROUP (OVERSEAS) LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES
for year ended 31 October 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 a 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

FALCON LEISURE GROUP (OVERSEAS) LIMITED**INDEPENDENT AUDITORS' REPORT
to the members of FALCON LEISURE GROUP (OVERSEAS) LIMITED**

We have audited the financial statements on pages 6 to 15.

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 auditors' 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 AUDITORS

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 AUDIT 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 mis-statement, 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.

FALCON LEISURE GROUP (OVERSEAS) LIMITED**INDEPENDENT AUDITORS' REPORT
to the members of FALCON LEISURE GROUP (OVERSEAS) LIMITED**

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company as at 31 October 2004 and of its profit 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**

Date: 24 FEBRUARY 2005

FALCON LEISURE GROUP (OVERSEAS) LIMITED**PROFIT AND LOSS ACCOUNT
for the year ended 31 October 2004**

	<i>Note</i>	<i>Continuing Operations 2004 £</i>	<i>Continuing Operations 2003 £</i>
Turnover		86,333,034	89,681,281
Cost of Sales		(78,188,360)	(78,140,275)
Gross Profit		8,144,674	11,541,006
Operating Expenses		(5,082,967)	(4,661,761)
Operating profit		3,061,707	6,879,245
Interest Receivable	2	286,883	477,730
Profit on ordinary activities before tax	3	3,348,590	7,356,975
Tax on profit on ordinary activities	5	(676,997)	(1,221,413)
Retained profit for the year		2,671,593	6,135,562

The Company has no other recognised gains or losses for the year.

FALCON LEISURE GROUP (OVERSEAS) LIMITED**BALANCE SHEET
for the year ended 31 October 2004**

	<i>Note</i>	<i>2004</i> £	<i>*Restated</i> <i>2003</i> £
FIXED ASSETS			
Tangible Assets	6	427,930	352,423
		<u>427,930</u>	<u>352,423</u>
CURRENT ASSETS			
Debtors	7	37,694,088	36,437,315
Cash in Hand and at Bank		819,303	356,075
		<u>38,513,391</u>	<u>36,793,390</u>
CREDITORS:			
Amounts falling due within one year	8	(6,519,163)	(7,395,248)
Net Current Assets		<u>31,994,228</u>	<u>29,398,142</u>
NET ASSETS		<u>32,422,158</u>	<u>29,750,565</u>
CAPITAL AND RESERVES			
Called up Share Capital	10	1,125,000	1,125,000
Profit and Loss Account	11	31,297,158	28,625,565
Shareholders' funds		<u>32,422,158</u>	<u>29,750,565</u>
SHAREHOLDERS' FUNDS			
Shareholders' funds comprises:			
Equity		31,807,158	29,135,565
Non Equity		615,000	615,000
Shareholders' funds		<u>32,422,158</u>	<u>29,750,565</u>

* See Notes 7 & 8

The movement in equity shareholders' funds during the year is represented by the retained profit for the year.

The financial statements on pages 6 to 15 were approved by the Board on 24 February 2005 and signed on their behalf by:



J S Ryan
Director

FALCON LEISURE GROUP (OVERSEAS) LIMITED**CASH FLOW STATEMENT
for the year ended 31 October 2004**

	2004	*Restated
	£	2003
		£
Net cash inflow from operating activities	<u>1,487,943</u>	<u>446,472</u>
Returns on investment and servicing of finance:		
Interest received	<u>286,883</u>	<u>477,730</u>
Net cash inflow from return on investments and servicing of finance	286,883	477,730
Taxation (paid)	(1,108,066)	(1,768,723)
Net cash outflow from capital expenditure and financial investments	(203,532)	(413,948)
Net cash inflow/(outflow) before financing	<u>463,228</u>	<u>(1,258,469)</u>
Increase/(decrease) in cash	<u>463,228</u>	<u>(1,258,469)</u>

Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	3,061,707	6,879,245
Depreciation charge	128,025	61,525
Increase in debtors	(1,248,567)	(5,578,953)
Decrease in creditors	<u>(453,222)</u>	<u>(915,345)</u>
Net cash inflow from operating activities	<u>1,487,943</u>	<u>446,472</u>

Reconciliation of net cash flow to movement in net funds

Increase/ (decrease) in cash in the period	463,228	(1,258,469)
Net funds at 1 November 2003	<u>356,075</u>	<u>1,614,544</u>
Net funds at 31 October 2004	<u>819,303</u>	<u>356,075</u>

* See Notes 7 & 8

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2004**

1. ACCOUNTING POLICIES**Basis of Preparation**

The following accounting policies have been consistently applied in dealing with items considered material in relation to the accounts.

Accounting convention

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Turnover

Turnover represents the aggregate amount of revenue from inclusive tours, travel agency commission received and other services supplied to customers in the ordinary course of business. Revenue in respect of in-house products is recognised on the date of departure and the related costs of distribution and of providing the holidays and flights are charged to the profit and loss account on the same basis. Travel agency commissions and other revenues received from the sale of third party products, together with related costs, are recognised on receipt of final payment. Turnover excludes intra-group transactions and is stated after deduction of trade discounts and commissions.

Client Money Received

Client money received at the balance sheet date relating to holidays commencing and flights departing after the year end is included in creditors.

Marketing costs

Brochure and other marketing costs are charged to the profit & loss account in the season to which they relate.

Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date, except to the extent that foreign currency denominated liabilities are covered by forward exchange contracts when the applicable forward rate is used. The benefit of foreign exchange contracts purchased to cover future seasons' requirements is accounted for in the season to which such contracts relate. Profits and losses arising on trading and translation are dealt with through the profit and loss account.

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2004**

1. ACCOUNTING POLICIES (continued)**Tangible Fixed Assets and Depreciation**

Tangible fixed assets are depreciated on a straight-line basis, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful economic life.

The years used are as follows:

Office Equipment	4 years
Computer Equipment	5 years

Deferred Taxation

Except as otherwise required by accounting standards, full provision without discounting is made for all timing differences, which have arisen but not reversed at the balance sheet date. Timing differences arise when items of income and expenditure are included in tax computations in periods different from their inclusion in the financial statements.

Pensions

The Group operates a defined contribution pension scheme and charges are made to the Company for staff employed. Pension liabilities are charged to the profit and loss account as they fall due. The pension cost charge for the year ended 31 October 2004 was £90,079 (2003: £79,697).

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 other group companies which form part of the company headed by First Choice Holidays PLC.

2. INTEREST RECEIVABLE

The interest receivable represents bank interest.

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2004**

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION is stated after charging:

	<i>2004</i>	<i>2003</i>
	£	£
Depreciation	128,025	61,525

The audit fees for the Company were paid by another Group company.

4. STAFF COSTS

	<i>2004</i>	<i>2003</i>
	£	£
Wages and salaries	1,807,101	1,749,353
Social security costs	191,150	193,121
Pension costs	90,079	79,697
	<u>2,088,330</u>	<u>2,022,171</u>

Staff Numbers

	<i>2004</i>	<i>Restated 2003</i>
Sales and Marketing	18	17
Operational	58	65
Administration and Management	24	25
	<u>100</u>	<u>107</u>

The overseas representatives that are now included in the above staff numbers were previously included within First Choice Holidays & Flights Limited. The 2003 comparatives have been restated.

Directors' Remuneration

	<i>2004</i>	<i>2003</i>
	£	£
Directors' remuneration consists of:		
Emoluments (including pension contributions)	876,298	816,080
Emoluments of highest paid director (excluding pension contributions)	179,827	206,675
Pension contributions attributable to highest paid director	27,119	23,864

Retirement benefits are accruing to the following number of directors under:

	Number of Directors	
	<i>2004</i>	<i>2003</i>
Money purchase pension schemes	4	4

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2004**

5. TAXATION	2004	2003
TAX ON PROFIT ON ORDINARY ACTIVITIES	£	£
Republic of Ireland corporation tax at 12.5%/25% (2003: 13.1%/25%) based on:		
- Profit for the year	430,185	1,001,426
- Payment for group relief	274,546	222,002
- Over provision for prior years	(19,528)	(1,192)
	<u>685,203</u>	<u>1,222,236</u>
- Deferred tax	(8,206)	(823)
	<u>676,997</u>	<u>1,221,413</u>
CURRENT TAX RECONCILIATION	2004	2003
	£	£
Company pre tax Profits	<u>3,348,590</u>	<u>7,356,975</u>
Taxed at 12.5% (2003:13.1%)	418,574	962,644
<i>Effects of:</i>		
Expenses not deductible for tax purposes	2,277	6,544
Depreciation in excess of capital allowances	8,206	4,617
Income taxed at the higher rate	35,860	56,667
Group relief claimed from group company	(34,732)	(29,046)
	<u>430,185</u>	<u>1,001,426</u>
Payment for group relief surrendered from group companies	274,546	222,002
Over provision in respect of prior years (2003)	(19,528)	(1,192)
Deferred Tax (see Note 9)	(8,206)	(823)
Tax charge in the period	<u>676,997</u>	<u>1,221,413</u>

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2004****6. TANGIBLE FIXED ASSETS**

	<i>Office Equipment</i> £	<i>Computer Equipment</i> £	<i>Total</i> £
Cost			
Brought forward	385,940	28,008	413,948
Additions	6,915	196,617	203,532
At 31 October 2004	<u>392,855</u>	<u>224,625</u>	<u>617,480</u>
Depreciation			
Brought forward	60,354	1,171	61,525
Provided for the year	93,639	34,386	128,025
At 31 October 2004	<u>153,993</u>	<u>35,557</u>	<u>189,550</u>
Net Book Value			
At 31 October 2004	<u>238,862</u>	<u>189,068</u>	<u>427,930</u>
At 31 October 2003	<u>325,586</u>	<u>26,837</u>	<u>352,423</u>

7. DEBTORS

	<i>2004</i> £	<i>Restated 2003</i> £
Trade debtors	248,652	725,748
Deferred Tax Asset (see Note 9)	9,029	823
Amount owed by fellow subsidiaries	37,436,407	35,710,744
	<u>37,694,088</u>	<u>36,437,315</u>

Amounts owed by fellow subsidiaries in the comparative year has been increased by £222,002. This amount has been reallocated to Creditors (see note 8) in order to consistently present Group relief payable in 2004 and 2003.

8. CREDITORS - amounts falling due within one year

	<i>2004</i> £	<i>Restated 2003</i> £
Client money received	6,087,072	6,540,294
Corporation Tax	157,545	632,952
Amount owed to fellow subsidiaries (see Note 7)	274,546	222,002
	<u>6,519,163</u>	<u>7,395,248</u>

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2004****9. DEFERRED TAX ASSET**

	2004 £
Deferred Taxation	
At 1 November 2003	823
Credited in the period	8,206
At 31 October 2004	<u>9,029</u>

The net deferred tax position as at 31 October is as follows:

	2004 £	2003 £
Accelerated capital allowances	9,029	823
	<u>9,029</u>	<u>823</u>

There is no unprovided deferred taxation at either 31 October 2004 or 31 October 2003

10. SHARE CAPITAL

	2004 £	2003 £
Authorised		
600,000 ordinary shares of £1 each	600,000	600,000
615,000 8% cumulative preference shares of £1 each	615,000	615,000
	<u>1,215,000</u>	<u>1,215,000</u>
Allotted, called up and fully paid		
510,000 ordinary shares of £1 each – equity	510,000	510,000
615,000 8% cumulative preference shares of £1 each - non equity	615,000	615,000
	<u>1,125,000</u>	<u>1,125,000</u>

The preference shares may be redeemed by the holder at any time after the fifth anniversary of the allotment which took place on 8 October 1988 for 350,000 shares and on 23 October 1989 for the remaining 265,000 shares. The preference shares are redeemable at par plus a premium of 5% per annum calculated from the date of allotment to the date of redemption. No provision has been made for this premium as the shareholder has expressed its intention not to redeem its shares. The financing cost of the preference shares has not been accrued as the shareholder has foregone its right to preference dividends in the current and all preceding years.

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2004**

11. PROFIT AND LOSS ACCOUNT

	£
1 November 2003	28,625,565
Retained profit for the year	<u>2,671,593</u>
31 October 2004	<u>31,297,158</u>

12. 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 Falcon Leisure Group (Overseas) 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.