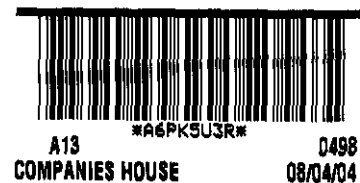




First Choice

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

**For year ended
31 October 2003**



Company Number 2220337

FALCON LEISURE GROUP (OVERSEAS) LIMITED
DIRECTORS' REPORT
for year ended 31 October 2003

The Directors present their report and financial statements of Falcon Leisure Group (Overseas) Limited for the year ended 31 October 2003.

RESULTS AND DIVIDENDS

The profit for the year after tax was £6,135,562 (2002: profit £5,431,654). The Directors do not propose the payment of a dividend (2002: £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
W Smith
H D Thomas

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:

	<u>Shares</u>		<u>Options</u>	
	31 October 2003	31 October 2002	Granted	Exercised
Ordinary Shares				
C Donnelly	1,051	-	-	1,879
DA Mooney	1,529	-	-	1,529
CA O'Neill	-	-	-	-
JS Ryan	369	6,551	-	2,246
D Shearer	1,356	-	-	1,356
W Smith	-	-	-	5,891
H D Thomas	36,643	32,780	-	9,317

FALCON LEISURE GROUP (OVERSEAS) LIMITED**DIRECTORS' REPORT
for year ended 31 October 2003**

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.

EMPLOYMENT POLICY**Involvement, Health, Safety and Disability Policies**

The Company recognises the importance of involving and developing its employees wherever practical. Employees are updated on corporate performance, business objectives and developments through various formal and informal channels of communication in order to promote a better understanding of the Company's businesses. Involvement of employees in the Company's performance is also encouraged by the availability of performance related bonuses as well as share option and similar schemes.

It is the Company's policy to place the utmost importance upon and maintain a high standard of health and safety at work. It is our responsibility to endeavour to ensure the prevention of personal injuries and to investigate and encourage means by which the health, safety and welfare of employees can be improved. Accordingly, all safety precautions are kept under review to ensure that the highest standards are maintained.

Where it is reasonable and practical, all employees, including disabled people, are treated in the same way in matters relating to employment, training, career development and promotion. Proper attention is paid to the opportunities, training and work prospects of people who become disabled during their employment with the Company.

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.

FALCON LEISURE GROUP (OVERSEAS) LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES
for year ended 31 October 2003**

AUDITORS

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 auditors.

By order of the Board



J S Ryan
Director
20 February 2004

FALCON LEISURE GROUP (OVERSEAS) LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES
for year ended 31 October 2003**

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 7 to 16.

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 4, 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

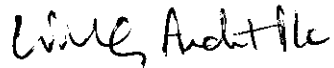
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 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.

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 2003 and of its profit 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**

Date: 24 February 2004

FALCON LEISURE GROUP (OVERSEAS) LIMITED**PROFIT AND LOSS ACCOUNT
for the year ended 31 October 2003**

	<i>Note</i>	<i>Continuing Operations 2003 £</i>	<i>Continuing Operations 2002 £</i>
Turnover		89,681,281	87,451,802
Cost of Sales		(78,140,275)	(75,747,984)
Gross Profit		11,541,006	11,703,818
Operating Expenses		(4,661,761)	(4,718,033)
Operating profit		6,879,245	6,985,785
Interest Receivable	2	477,730	500,758
Profit on ordinary activities before tax	3	7,356,975	7,486,543
Tax on profit on ordinary activities	5	(1,221,413)	(2,054,889)
Retained profit for the year		6,135,562	5,431,654

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

A note on historical cost profits and losses has not been included as part of these financial statements as there is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

FALCON LEISURE GROUP (OVERSEAS) LIMITED

BALANCE SHEET for the year ended 31 October 2003

	<i>Note</i>	<i>2003</i> £	<i>2002</i> £
FIXED ASSETS			
Tangible Assets	6	352,423	-
		<u>352,423</u>	<u>-</u>
CURRENT ASSETS			
Debtors	7	36,215,313	30,635,537
Cash in Hand and at Bank		356,075	1,614,544
		<u>36,571,388</u>	<u>32,250,081</u>
CREDITORS:			
Amounts falling due within one year	8	<u>(7,173,246)</u>	<u>(8,635,078)</u>
Net Current Assets		<u>29,398,142</u>	<u>23,615,003</u>
NET ASSETS		<u>29,750,565</u>	<u>23,615,003</u>
CAPITAL AND RESERVES			
Called up Share Capital	10	1,125,000	1,125,000
Profit and Loss Account	11	28,625,565	22,490,003
		<u>29,750,565</u>	<u>23,615,003</u>
Shareholders' funds		<u>29,750,565</u>	<u>23,615,003</u>
SHAREHOLDERS' FUNDS			
Shareholders' funds comprises:			
Equity		29,135,565	23,000,003
Non Equity		615,000	615,000
		<u>29,750,565</u>	<u>23,615,003</u>
Shareholders' funds		<u>29,750,565</u>	<u>23,615,003</u>

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

The financial statements on pages 7 to 16 were approved by the Board on 20 February 2004 and signed on their behalf by:


J S Ryan
Director

FALCON LEISURE GROUP (OVERSEAS) LIMITED**CASH FLOW STATEMENT
for the year ended 31 October 2003**

	<i>2003</i>	<i>2002</i>
	£	£
Net cash (outflow)/inflow from operating activities	<u>446,472</u>	<u>3,150,234</u>
Returns on investment and servicing of finance:		
Interest received	<u>477,730</u>	<u>500,758</u>
Net cash inflow from return on investments and servicing of finance	477,730	500,758
Taxation (paid)	(1,768,723)	(2,368,972)
Net cash outflow from capital expenditure and financial investments	(413,948)	-
Net cash (outflow)/ inflow before financing	<u>(1,258,469)</u>	<u>1,282,020</u>
Increase in cash	<u>(1,258,469)</u>	<u>1,282,020</u>

Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	6,879,245	6,985,785
Depreciation Charge	61,525	
(Increase) in debtors	(5,578,953)	(4,906,674)
(Decrease)/increase in creditors	<u>(915,345)</u>	<u>1,071,123</u>
Net cash inflow from operating activities	<u>446,472</u>	<u>3,150,234</u>

Reconciliation of net cash flow to movement in net funds

Increase in cash in the period	(1,258,469)	1,282,020
Net funds at 1 November 2002	<u>1,614,544</u>	<u>332,524</u>
Net funds at 31 October 2003	<u>356,075</u>	<u>1,614,544</u>

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2003**

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 product 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 product, 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.

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.

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.

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2003****1. ACCOUNTING POLICIES (continued)****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 2003 was £79,697 (2002: £63,680).

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

Goodwill

Goodwill arising on consolidation prior to the adoption, on 1 November 1998, of FRS 10 - Goodwill and Intangible Assets has been charged directly to reserves. The goodwill which has been taken directly to reserves will be charged to profit and loss account on disposal of the related business.

Fair value accounting adjustments are made in respect of acquisitions and these may be made on *provisional estimates*. Amendments may be made to those adjustments in the subsequent accounting period with a corresponding adjustment to goodwill in the light of post acquisition experience.

2. INTEREST RECEIVABLE

The interest receivable represents bank interest.

3. PROFIT ON ORDINARY ACTIVITIES

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

4. STAFF COSTS

	2003	2002
	£	£
Wages and salaries	1,749,353	1,672,891
Social security costs	193,121	148,318
Pension costs	79,697	63,679
	<u>2,022,171</u>	<u>1,884,888</u>

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2003**

<u>Staff Numbers</u>	2003	2002
Sales and Marketing	16	17
Operational	40	40
Administration and Management	25	24
	<u>81</u>	<u>81</u>

<u>Directors' Remuneration</u>	2003	2002
	£	£
Directors' remuneration consists of:		
Emoluments (including pension contributions)	816,080	638,407
Emoluments of highest paid director (excluding pension contributions)	206,675	154,785
Pension contributions attributable to highest paid director	<u>23,864</u>	<u>15,837</u>

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

	Number of Directors	
	2003	2002
Money purchase pension schemes	<u>4</u>	<u>4</u>

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2003****5. TAXATION****TAX ON PROFIT ON ORDINARY ACTIVITIES**

Republic of Ireland corporation tax at 13.1% (2002: 16.67%) based on:

	<i>2003</i>	<i>2002</i>
	£	£
- Profit for the year	1,001,426	1,236,230
- Payment for group relief	222,002	839,442
- Over provision for prior years	(1,192)	(20,783)
- Deferred tax	(823)	-
	<u>1,221,413</u>	<u>2,054,889</u>

CURRENT TAX RECONCILIATION

	<i>2003</i>	<i>2002</i>
	£	£
Company pre tax Profits	<u>7,356,975</u>	<u>7,486,543</u>
Taxed @ 13.1%/25% (2002: 16.67%/25%)	1,019,311	1,289,720
<i>Effects of:</i>		
Expenses not deductible for tax purposes	6,544	6,712
Depreciation in excess of capital allowances	4,617	-
Group Relief Claimed from group company	(29,046)	(60,202)
	<u>1,001,426</u>	<u>1,236,230</u>
Payment for group relief surrendered from group companies	222,002	839,442
Over provision in respect of prior years (2002)	(1,192)	(20,783)
Deferred Tax	(823)	-
Tax charge in the period	<u>1,221,413</u>	<u>2,054,889</u>

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2003****6. TANGIBLE FIXED ASSETS**

	<i>Office Equipment</i>	<i>Computer Equipment</i>	<i>Total</i>
	£	£	£
Cost			
Brought forward	-	-	-
Additions	385,940	28,008	413,948
Disposals	-	-	-
At 31 October 2003	<u>385,940</u>	<u>28,008</u>	<u>413,948</u>
Depreciation			
Brought forward	-	-	-
Provided for the year	60,354	1,171	61,525
Disposals	-	-	-
At 31 October 2003	<u>60,354</u>	<u>1,171</u>	<u>61,525</u>
Net Book Value			
At 31 October 2003	<u>325,586</u>	<u>26,837</u>	<u>352,423</u>
At 31 October 2002	<u>-</u>	<u>-</u>	<u>-</u>

7. DEBTORS

	<i>2003</i>	<i>2002</i>
	£	£
Trade debtors	725,748	676,430
Deferred Tax	823	-
Amount owed by fellow subsidiaries	35,488,742	29,959,107
	<u>36,215,313</u>	<u>30,635,537</u>

8. CREDITORS - amounts falling due within one year

	<i>2003</i>	<i>2002</i>
	£	£
Client money received	6,540,294	7,455,639
Corporation Tax	632,952	1,179,439
	<u>7,173,246</u>	<u>8,635,078</u>

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2003****9. PROVISIONS FOR LIABILITIES AND CHARGES**

	2003 £	2002 £
Deferred Taxation		
At 1 November 2002	-	1,655
Provided during the year	-	-
Released during the year	-	(1,655)
At 31 October 2003	-	-

10. SHARE CAPITAL

	2003 £	2002 £
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.

11. PROFIT AND LOSS ACCOUNT

	£
1 November 2002	22,490,003
Retained profit for the year	<u>6,135,562</u>
31 October 2003	<u>28,625,565</u>

FALCON LEISURE GROUP (OVERSEAS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2003**

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.