

CROWN BLUE LINE LIMITED

Report and Financial Statements

Year Ended

31 October 2003

Company Registration No 946385



CROWN BLUE LINE LIMITED

Annual report and financial statements for the year ended 31 October 2003

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Directors and Company information

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CROWN BLUE LINE LIMITED

Report of the directors for the year ended 31 October 2003

The directors present their report together with the audited financial statements for the year ended 31 October 2003.

Principal Activities

The principal activity of the Company is the hire of boats. The Company operates this activity through branches located in France, the Netherlands, Italy, and United Kingdom.

Results and dividends

The profit on ordinary activities before taxation for the year ended 31 October 2003 amounted to £206,608 (2002 – £1,240,360). The directors do not recommend the payment of a dividend (2002 - £nil).

Directors and their interests

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

C R C Gordon

R J H Green

A G D Howard (appointed 4 February 2004)

H D Thomas (appointed 4 February 2004)

Other directors who served in the year were:

J C Patebex (resigned 22 Jan 2003)

K Gregory (resigned 15 December 2002)

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 ordinary share capital of the ultimate parent Company, First Choice Holidays PLC, were as follows:

	Ordinary Shares		Options	
	31 October 2003	31 October 2002	Granted	Exercised
Ordinary Shares				
C R C Gordon	2,231,605	2,231,605	-	4,426
R J H Green	50,846	209,359	-	4,426

Policy and practice on payment of suppliers

It is the Company's policy wherever possible to agree terms of payment with suppliers in advance to ensure that suppliers are made aware of the terms of payment and both parties abide by those terms. At the year end the Company's average creditor payment days was 44 (2002 – 36).

CROWN BLUE LINE LIMITED

Report of the directors for the year ended 31 October 2003

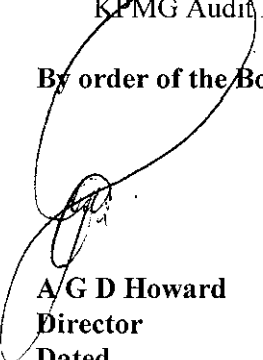
Directors' Insurance

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 Meeting and the appointment of auditors annually. Accordingly, KPMG Audit Plc will continue in office as auditors.

By order of the Board


A/G D Howard
Director
Dated

30/3/04

CROWN BLUE LINE LIMITED

Statement of directors' responsibilities

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 of the company 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 departure 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CROWN BLUE LINE LIMITED

Report of the independent auditors

Report of the independent auditors to the members of Crown Blue Line Limited

We have audited the financial statements on pages 5 to 18.

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 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 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 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

8 Salisbury Square

London

EC4Y 8BB

Dated: **31 March 2004**

CROWN BLUE LINE LIMITED**Profit and loss account for the year ended 31 October 2003**

	Note	2003 £	2002 £
Turnover	2	8,519,210	9,453,158
Cost of Sales		(4,926,762)	(5,531,949)
Gross profit		3,592,448	3,921,209
Administrative expenses		(2,561,080)	(1,924,577)
Operating profit	4	1,031,368	1,996,632
Other interest receivable and similar income	6	41,737	332
Interest payable and similar charges	5	(866,497)	(756,604)
Profit on ordinary activities before taxation		206,608	1,240,360
Tax credit / (charge) on profit on ordinary activities	7	207,984	(940,970)
Retained profit for the financial year		414,592	299,390

The results stated above are all derived from continuing operations.

The notes on page 8 - 18 form part of these financial statements.

CROWN BLUE LINE LIMITED

Balance sheet at 31 October 2003

	Note	2003 £	2002 £
Fixed assets			
Tangible assets			
Boats	8	19,332,479	20,515,594
Other	9	915,017	886,643
		<u>20,247,496</u>	<u>21,402,237</u>
Current assets			
Stocks	10	412,558	431,542
Debtors	11	12,112,239	8,084,937
Cash at bank and in hand		213,428	803,020
		<u>12,738,225</u>	<u>9,319,499</u>
Creditors: amounts falling due within one year	12	<u>(21,642,434)</u>	<u>(21,589,654)</u>
Net current liabilities		<u>(8,904,209)</u>	<u>(12,270,155)</u>
Total Assets less current liabilities		<u>11,343,287</u>	<u>9,132,082</u>
Creditors: amounts falling due after more than one year	13	<u>(7,147,669)</u>	<u>(5,989,633)</u>
Provision for liabilities & charges	15	<u>4,195,618</u> <u>(3,509,496)</u>	<u>3,142,449</u> <u>(2,777,665)</u>
Net assets		<u>686,122</u>	<u>364,784</u>
Capital and reserves			
Called up share capital	16	576,379	576,379
Share premium account	17	162,665	162,665
Foreign exchange reserve	17	(1,456,136)	(1,362,882)
Profit and loss account	17	1,403,214	988,622
Equity shareholders' funds		<u>686,122</u>	<u>364,784</u>

The notes on pages 8 - 18 form part of these financial statements

The financial statements were approved by the Board and signed on their behalf by

A G D Howard
Director
30 March 2004

CROWN BLUE LINE LIMITED

Statement of total recognised gains and losses for the year ended 31 October 2003

	2003 £	2002 £
Profit for the financial year	414,592	299,390
Currency translation differences on foreign currency net investments	(93,254)	(24,581)
	<hr/>	<hr/>
Total recognised gains relating to the financial year	321,338	274,809
	<hr/>	<hr/>
Total gains and losses recognised since the last annual report	321,338	274,809
	<hr/>	<hr/>

CROWN BLUE LINE LIMITED

Notes forming part of the financial statements for the year ended 31 October 2003

1. 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 United Kingdom accounting standards and under the historical cost convention.

The Company has applied the transitional rules contained in FRS 15 *Tangible Fixed Assets* to retain previous valuations as the basis on which certain assets are held.

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Group support

At 31 October 2003, the Company had net current liabilities. The financial statements have been prepared on a going concern basis.

The ultimate parent undertaking, First Choice Holidays PLC, has confirmed its intention to provide financial support to the Company as may be required in order that it can continue to trade and meet its liabilities for as they fall due for the next 12 months.

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.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the exchange rate ruling on the balance sheet date. Transactions in foreign currencies are recorded at the closing rate for the month in which they take place. Differences arising due to exchange fluctuations have been reflected in the profit and loss account.

The financial statements of foreign branches are translated into sterling at the closing rates of exchange and the difference arising from the translation of the opening net investment in branches at the closing rate are taken directly to reserves.

CROWN BLUE LINE LIMITED

Notes forming part of the financial statements for the year ended 31 October 2003 *(Continued)*

Tangible fixed assets

Depreciation is not provided on freehold land. On other assets depreciation is provided at rates calculated to write down the cost or valuation of the assets to their estimate residual value by equal annual instalments over their expected useful lives as follows:

Boats	24 years
Freehold building	20 years
Short leasehold property	period of the lease
Plant and equipment & vehicles	3-10 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is invoice price. Net realisable value is based on estimated selling price less estimated selling expenses.

Leasing and hire purchase

Assets under finance leases and hire purchase agreements are capitalised at their fair value on inception of the lease and depreciated over their estimated useful lives.

The finance charges are allocated to the profit and loss account over the period of the agreement and are calculated so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Rentals paid under operating leases are charged to profit and loss in equal amounts over the lease term.

2. Turnover

Turnover is the amount derived from the sale of goods and services falling within the Company's ordinary activities, excluding value added tax and is recognised in the month of departure, all of the turnover arose in France, the Netherlands, Italy and the United Kingdom.

3. Information regarding directors and employees

	2003 £	2002 £
Staff costs during the year in respect of these persons		
Wages and salaries	2,022,406	2,172,130
Social security costs	674,279	600,170
	<hr/>	<hr/>
	2,696,685	2,772,300
	<hr/>	<hr/>

CROWN BLUE LINE LIMITED

Notes forming part of the financial statements for the year ended 31 October 2003 (Continued)

3. Information regarding directors and employees (continued)

	Number of Employees	
Average number of persons employed (including directors)		
Engineers and boatyard	134	154
Management	13	13
Administration	36	39
	<u>183</u>	<u>206</u>
 Directors' remuneration		
Emoluments	13,942	53,354
	<u>13,942</u>	<u>53,354</u>

4. Profit on ordinary activities before taxation

	2003 £	2002 £
Profit on ordinary activities before taxation is stated after charging/ (crediting):		
Depreciation of tangible fixed assets – owned	160,418	209,772
– leased	426,900	423,974
Operating leases and equipment hire:		
- Boats, plant and equipment	70,090	161,949
- Other	178,184	184,949
Auditor's remuneration	-	2,679
Profit on disposal of fixed assets	(161,840)	(99,130)
	<u>(161,840)</u>	<u>(99,130)</u>

The audit fee was borne by another group company during 2003.

5. Interest payable and similar charges

	2003 £	2002 £
Exchange losses	221,835	72,532
On bank loans and overdrafts	33,360	47,242
On finance lease and hire purchase agreements	611,302	636,830
	<u>866,497</u>	<u>756,604</u>

CROWN BLUE LINE LIMITED

Notes forming part of the financial statements for the year ended 31 October 2003 (*Continued*)

6. Other Interest receivable and similar income

	2003	2002
	£	£
Interest received from group companies	41,737	-
On bank loans and accounts	-	332
	<hr/>	<hr/>
	41,737	332
	<hr/>	<hr/>

CROWN BLUE LINE LIMITED

Notes forming part of the financial statements for the year ended 31 October 2003 (*Continued*)

7. Taxation

The taxation charge in the 31 October 2003 accounts can be summarised as follows:

	2003 £	2002 £
Tax on profit on ordinary activities:		
(i) Analysis of charge in year		
Current tax:		
UK corporation tax on profits of the year	71,166	335,193
Non UK tax on profits of the year	-	36,590
Adjustment in respect of previous periods:		
- permanent UK	(1,010,981)	(134,087)
- origination of UK timing differences	-	31,146
- Non UK tax	-	(16,116)
	<hr/>	<hr/>
Total current tax (credit) / charge	(939,815)	252,726
	<hr/>	<hr/>
Deferred tax:		
Origination and reversal of timing differences:		
- current year UK	731,831	1,040,471
- adjustment in respect of previous periods	-	(352,227)
	<hr/>	<hr/>
Total deferred tax	731,831	688,244
	<hr/>	<hr/>
Tax (credit) / charge on profit on ordinary activities	(207,984)	940,970
	<hr/>	<hr/>

(ii) Factors affecting tax charge for year

The tax charge for the year is different to the standard rate of corporation tax in the UK of 30% (2002 : 30%). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	206,608	1,240,360
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of UK corporation tax of 30% (2002: 30%)	61,982	372,108
Effects of:		
- Expenses not deductible for tax purposes	624,752	1,019,972
- Capital allowances for year in excess of depreciation	(615,568)	(1,024,589)
- Adjustment to tax charge in respect of previous periods	(1,010,981)	(119,057)
- Higher tax rates on overseas earnings	-	4,292
	<hr/>	<hr/>
Current tax (credit) / charge for year	(939,815)	252,726
	<hr/>	<hr/>

CROWN BLUE LINE LIMITED

Notes forming part of the financial statements for the year ended 31 October 2003 (*Continued*)

8. Tangible fixed assets – boats

£

At cost

At 1 November 2002	23,658,505
Foreign exchange translation differences	213,057
Additions	712,710
Disposals	(602,724)
Transfers to group companies	(2,815,229)
Transfers from group companies	1,455,494
Reclassification of assets	117,347

At 31 October 2003	22,739,160
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Accumulated depreciation

At 1 November 2002	3,142,911
Foreign exchange translation differences	56,149
Charge for the year	448,061
Disposals	(251,900)
Transfers to group companies	(210,331)
Transfers from group companies	221,791

At 31 October 2003	3,406,681
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Net book value

At 31 October 2003	19,332,479
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At 31 October 2002	20,515,594
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The net book value of the Company's boats includes £16,107,077 (2002: £16,975,683) in respect of assets held under finance leases and hire purchase agreements.

CROWN BLUE LINE LIMITED

Notes forming part of the financial statements for the year ended 31 October 2003 (*Continued*)

9. Tangible fixed assets - other

	Freehold land and buildings	Short leasehold land and buildings	Plant, equipments and vehicles	Total
<i>Cost or valuation</i>	£	£	£	£
At 1 November 2002	412,923	39,557	1,712,302	2,164,782
Foreign exchange differences	40,416	7,782	150,921	199,119
Additions	-	185,943	41,628	227,571
Disposals	(239)	(42,807)	(625,698)	(668,744)
Transfers to group companies	-	-	(52,297)	(52,297)
Reclassification of assets	(6,675)	157,594	(268,266)	(117,347)
At 31 October 2003	446,425	348,069	958,590	1,753,084
<i>Accumulated depreciation</i>				
At 1 November 2002	128,506	31,842	1,117,791	1,278,139
Foreign exchange translation differences	12,587	4,285	104,495	121,366
Charge for the year	21,793	2,837	114,627	139,257
Disposals	(239)	(42,807)	(624,904)	(667,949)
Transfers to group companies	-	-	(32,746)	(32,746)
Reclassification of assets	(6,675)	6,675	-	-
At 31 October 2003	155,972	2,832	679,263	838,067
<i>Net book value</i>				
At 31 October 2003	290,453	345,237	279,327	915,017
At 31 October 2002	284,417	7,715	594,511	886,643

Non-depreciable land included in the above is £NIL (2002: £NIL).

Short leasehold land and buildings were valued in 1982 on the basis of their existing uses. Subsequent additions are included at cost.

Freehold land and buildings and plant and equipment and vehicles are shown at cost.

The Company has applied the transitional arrangements when implementing FRS15 Tangible Fixed Assets, and has not adopted a policy of revaluation. Accordingly, the director's valuation carried out in 1982 has not been updated.

The amount of short leasehold land and buildings cannot be determined in accordance with the historical cost convention as the relevant information is not available. In the opinion of the directors, failure to disclose this information does not prevent the accounts giving a true and fair view of the state of affairs of the Company or its profit for the year.

The net book value of other fixed assets includes £ nil(2002: £12,827) in respect of assets held under finance leases and hire purchase agreements.

CROWN BLUE LINE LIMITED

Notes forming part of the financial statements for the year ended 31 October 2003 *(Continued)*

10. Stocks

	2003 £	2002 £
Boat spares and consumables	412,558	431,542

11. Debtors

	2003 £	2002 £
Trade debtors	1,333	17,818
Amounts owed by group undertakings	11,125,068	5,437,427
Overseas tax recoverable	40,261	19,402
Other debtors	15,777	101,595
Prepayments and accrued income	211,426	190,474
Amounts owed by parent company	-	2,318,221
Group Relief	718,374	-
	12,112,239	8,084,937

12. Creditors: amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	872,112	585,049
Trade creditors	587,688	433,498
Amounts owed to group undertakings	17,304,615	17,891,710
Obligations under finance leases and hire purchase agreements (note 14)	1,761,983	1,505,081
Other taxation and social security	129,200	30,451
Other creditors	14,113	209,938
Accruals and deferred income	972,723	712,486
Group Relief	-	221,441
	21,642,434	21,589,654

The UK bank overdraft is unsecured. The overdraft with the French bank Caisse D'Epargne is secured on the assets of the French branch.

CROWN BLUE LINE LIMITED

Notes forming part of the financial statements for the year ended 31 October 2003 (*Continued*)

13. Creditors: amounts falling due after one year

	2003 £	2002 £
Obligations under finance leases and hire purchase agreements (note 14)	<u>7,147,669</u>	<u>5,989,633</u>

14. Obligations under finance leases and hire purchase agreements

	2003 £	2002 £
Due within one year	1,761,983	1,505,081
Due between two and five years	6,267,531	5,140,963
Due after more than five years	880,138	848,670
	<u>8,909,652</u>	<u>7,494,714</u>

Some of the obligations are repayable in monthly instalments over the period of the agreements, however most have been renegotiated so that they are repayable in larger monthly instalments for only six months of every year to mirror the period of cash inflow, and are secured on the assets to which they relate. Interest is charged at rates between 5% and 12 % per annum.

15. Provisions for liabilities and charges

	Deferred taxation £
Deferred tax provided	
1 November 2002	2,777,665
Provided in the year	731,831
At 31 October 2003	<u>3,509,496</u>

The net deferred tax provision as at 31 October 2002 is as follows:

	2003 £	2002 £
Accelerated capital allowances	<u>3,509,496</u>	<u>2,777,665</u>

There is no unprovided deferred taxation at either 31 October 2003 or 31 October 2002.

CROWN BLUE LINE LIMITED

Notes forming part of the financial statements for the year ended 31 October 2003 (Continued)

16. Called up share capital

	2003		2002	
	Number	£	Number	£
<i>Authorised</i>				
Ordinary shares of £1 each	576,379	576,379	576,379	576,379
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	576,379	576,379	576,379	576,379

17. Reconciliation of movements in shareholders' funds for the year ended 31 October 2003

	Called up share capital	Foreign exchange reserve	Share premium account	Profit and loss account	2003 Total	2002 Total
	£	£	£	£	£	£
At 1 November 2002	576,379	(1,362,882)	162,665	988,622	364,784	89,975
Profit for the year	-	-	-	414,592	414,592	299,390
Foreign exchange translation differences	-	(93,254)	-	-	(93,254)	(24,581)
At 31 October 2003	576,379	(1,456,136)	162,665	1,403,214	686,122	364,784

18. 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 credit 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.

Company has given guarantees in respect of certain leasing obligations due by other group companies. The capital outstanding under these obligations as 31 October 2003 amounted to £9,366 (2002: £52,273).

CROWN BLUE LINE LIMITED

Notes forming part of the financial statements for the year ended 31 October 2003 (*Continued*)

19. Related Party Transactions

No disclosure has been made of transactions with group undertakings, as advantage has been taken of the exemption within FRS 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 that form part of the group headed by First Choice Holidays PLC.

20. Operating lease commitments

The Company hires boats and other assets under operation leases, the annual charge for which is determined in arrears. The total amount charged in the year to 31 October 2003 is disclosed in note 4.

As at 31 October 2003 future annual commitments under operating leases were as follows:

	Land and buildings	Other leases	Total
	£	£	£
Less than 1 year	-	4,778	4,778
Expiring within 1 to 5 years	97,913	65,312	163,225
Expiring after 5 years	80,271	-	80,271
	<hr/>	<hr/>	<hr/>
	178,184	70,090	248,274
	<hr/>	<hr/>	<hr/>

21. Ultimate Parent Company

First Choice Holidays PLC, a company registered in England and Wales, is the ultimate parent company. The immediate holding company is Crown Holidays Limited. First Choice Holidays PLC is the parent undertaking of the largest and smallest group of which Crown Blue Line 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.