

**FIRST CHOICE OFFICE SERVICES LIMITED
DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS**

**for year ended
31 October 2005**



Company Number 2469040

FIRST CHOICE OFFICE SERVICES LIMITED

DIRECTORS' REPORT for the year ended 31 October 2005

The Directors present their report and financial statements of First Choice Office Services Limited for the year ended 31 October 2005.

PRINCIPAL ACTIVITY

The principal activity of the Company is that of a provider of services to other companies within the First Choice Holidays PLC Group of Companies.

RESULTS AND DIVIDENDS

The profit for the year after tax was £106,777 (2004: profit £663,807). The Directors do not propose a dividend for the year (2004: £nil).

DIRECTORS AND THEIR INTERESTS

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

First Choice Holidays & Flights Limited
A D Smith

The Directors had no beneficial interest in the shares of the Company at any time during the year.

As at 31 October 2005, 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 2005	31 October 2004	Granted	Exercised
Ordinary Shares				
A D Smith	*2,626	*1,712	50,328	-

* Shares held under the Share Incentive Plan

POLICY ON PAYMENT OF SUPPLIERS

It is the Company policy that payments to suppliers, whether in advance or after the provision of the 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. The Company has not calculated the average creditor settlement period as all trade creditors are held within the books of First Choice Holidays & Flights Limited.

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.

FIRST CHOICE OFFICE SERVICES LIMITED

**DIRECTORS' REPORT (continued)
for the year ended 31 October 2005**

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 handwritten signature in black ink, appearing to read 'A D Smith', written over a horizontal line.

**A D Smith
Director**

Date: 11 July 2006

FIRST CHOICE OFFICE SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES for the year ended 31 October 2005

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 being 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.

INDEPENDENT AUDITORS' REPORT
to the members of FIRST CHOICE OFFICE SERVICES LIMITED

We have audited the financial statements on pages 5 to 11.

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 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 2005 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 Accountant
Registered Auditor
London

Date: 13 July 2006

FIRST CHOICE OFFICE SERVICES LIMITED

PROFIT & LOSS ACCOUNT
for the year ended 31 October 2005

	<i>Note</i>	2005 £	2004 £
Turnover	2	18,857,072	15,532,148
Operating expenses	3	(17,959,116)	(14,792,522)
Operating profit and profit on ordinary activities before tax	4	897,956	739,626
Tax on profit on ordinary activities	5	(791,179)	(75,819)
Retained profit for the year	10	<u>106,777</u>	<u>663,807</u>

The above results were derived solely from continuing operations.

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

The Company's historic cost profits and losses are the same as its reported result.


The notes on pages 7-11 form part of these financial statements.

FIRST CHOICE OFFICE SERVICES LIMITED**BALANCE SHEET****As at 31 October 2005**

	<i>Note</i>	2005 £	2004 £
FIXED ASSETS			
Tangible Assets	6	34,698,514	30,987,065
CREDITORS:			
Amounts falling due within one year	7	<u>(31,229,707)</u>	<u>(27,132,940)</u>
NET CURRENT LIABILITIES		<u>(31,229,707)</u>	<u>(27,132,940)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,468,807</u>	<u>3,854,125</u>
PROVISIONS	8	<u>(1,058,903)</u>	<u>(1,550,998)</u>
NET ASSETS		<u>2,409,904</u>	<u>2,303,127</u>
CAPITAL AND RESERVES			
Share Capital	9	100	100
Profit and loss account	10	<u>2,409,804</u>	<u>2,303,027</u>
Equity Shareholders' funds		<u>2,409,904</u>	<u>2,303,127</u>

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

Approved by the Board on 11 July 2006 and signed on their behalf by:



A D Smith
Director

FIRST CHOICE OFFICE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2005

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.

Going concern

At 31 October 2005 the Company had a deficiency of net assets of some £31,229,707. The accounts are prepared on a going-concern basis as First Choice Holidays PLC have agreed to provide financial support to the Company in order that it can continue to trade and meet its liabilities as they fall due, for as long as they remain a member of the Group.

Cash flow statement

The Company is exempt under Financial Reporting Standard No 1 (Revised) from the requirement to prepare a cashflow statement as it is a wholly owned subsidiary of First Choice Holidays PLC, on the grounds that First Choice Holidays PLC includes the Company in its own published consolidated financial statements.

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.

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. 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.

Operating lease

Rentals payable and receivable under operating leases are charged or credited to the profit and loss account on a straight line basis over the period of the lease.

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.

Depreciation

Depreciation is provided on all tangible fixed assets, other than land, 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 life.

The rates and methods used are as follows:

Leasehold properties	Period of lease
Motor vehicles	4 years
Office equipment	4 years
Computer equipment	3-7 years

FIRST CHOICE OFFICE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2005

2. TURNOVER

The turnover and pre-tax profit are attributable to management services provided to other group companies net of VAT which are provided in the United Kingdom and arise from continuing operations. Turnover is recognised to match the provision of the related management services.

3. OPERATING EXPENSES

	2005	2004
	£	£
Depreciation	10,681,058	8,368,632
Other operating charges	7,278,058	6,423,890
	<u>17,959,116</u>	<u>14,792,522</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

is stated after charging:

	2005	2004
	£	£
Depreciation	10,681,058	8,368,632
Loss on disposal of fixed assets	150,283	37,974
Operating lease rentals		
- Land and buildings	5,160,199	2,686,623
- Motor vehicles	808,748	639,592
- Computer	182,188	1,454,538

The Directors did not receive any remuneration for their services during 2005 and 2004. The Company did not employ any staff during 2005 and 2004. The audit fee was borne by another Group Company during 2005 and 2004.

FIRST CHOICE OFFICE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2005

5. TAXATION

The tax charge in the 31 October 2005 accounts can be summarised as follows:

	2005	2004
	£	£
Tax on profit on ordinary activities:		
(i) Analysis of charge in year		
Current tax:		
Amounts payable to fellow Group subsidiaries in respect of tax saved by group relief	886,235	246,287
Adjustment in respect of previous periods:		
- permanent	397,039	181,631
- origination of timing differences	-	3,175
Total current tax	1,283,274	431,093
Deferred tax:		
Origination and reversal of timing differences:		
- current year UK	(516,421)	(397,846)
- adjustment in respect of previous periods	24,326	42,572
Total deferred tax (see note 8)	(492,095)	(355,274)
Tax on profit on ordinary activities	791,179	75,819

(ii) Factors affecting tax charge for the year

The current tax charge for the year is higher (2004: higher) than the standard rate of corporation tax in the UK(30%). The differences are explained below:

	2005	2004
	£	£
Profit on ordinary activities before tax	897,956	739,626
Profit on ordinary activities at the standard rate of UK corporation tax of 30% (2004: 30%)	269,387	221,888
Effects of:		
- Expenses/(Income) not deductible/(chargeable) for tax purposes	36,300	(373,447)
- Capital allowances for year lower than Depreciation	516,421	397,846
- Adjustment to tax charge in respect of previous Periods	397,039	184,806
- Depreciation on non qualifying assets	23,650	-
- Loss on disposal of non qualifying assets	40,477	-
Current tax charge for the year	1,283,274	431,093

The future taxation charge/(credit) is anticipated to follow the UK statutory rate of corporation tax, subject to the level of income or expenses not chargeable or deductible for tax purposes.

FIRST CHOICE OFFICE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 October 2005**6. TANGIBLE FIXED ASSETS**

	Short leasehold property £	Freehold property £	Office & computer equipment £	Total £
Cost				
Brought forward	5,813,517	5,955,876	42,573,602	54,342,995
Additions	-	-	14,407,867	14,407,867
Disposals	(94,460)	-	-	(94,460)
At 31 October 2005	5,719,057	5,955,876	56,981,469	68,656,402
Depreciation				
Brought forward	(4,704,271)	(602,723)	(18,048,936)	(23,355,930)
Provided in year	(267,773)	(78,834)	(10,334,451)	(10,681,058)
Disposals	79,100	-	-	79,100
At 31 October 2005	(4,892,944)	(681,557)	(28,383,387)	(33,957,888)
Net Book Value				
At 31 October 2005	826,113	5,274,319	28,598,082	34,698,514
At 31 October 2004	1,109,246	5,353,153	24,524,666	30,987,065

7. CREDITORS amount falling due within one year

	2005 £	2004 £
Amounts owed to fellow subsidiary undertakings	29,457,410	26,643,917
Group relief payable	1,772,297	489,023
	<u>31,229,707</u>	<u>27,132,940</u>

8. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 November 2004	1,550,998
Credited in the year	(492,095)
At 31 October 2005	<u>1,058,903</u>

The net deferred tax provision as at 31 October 2005 is as follows:

	2005 £	2004 £
Accelerated capital allowances	<u>1,058,903</u>	<u>1,550,998</u>

There is no unprovided deferred taxation at either 31 October 2005 or 31 October 2004.

FIRST CHOICE OFFICE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2005

9. CALLED UP SHARE CAPITAL

	2005	2004
	£	£
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Issued and fully paid		
100 ordinary shares of £1 each	100	100

10. PROFIT AND LOSS

	£
1 November 2004	2,303,027
Retained profit for the year	106,777
31 October 2005	<u>2,409,804</u>

11. OPERATING LEASES

At 31 October 2005 the Company has annual commitments under non-cancellable operating leases as follows:

	2005	2004	2005	2004
	Other	Other	Land and	Land and
	£	£	buildings	buildings
Expiry date:			£	£
Within one year	345,000	277,000	216,000	285,000
Between two and five years	439,000	486,000	1,707,000	53,000
In over five years	-	-	641,000	1,450,000
	<u>784,000</u>	<u>763,000</u>	<u>2,564,000</u>	<u>1,788,000</u>

The above are the contracted obligations of the Company which are recharged as appropriate to those fellow subsidiaries that make use of the facilities.

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 First Choice Office Services Limited is a member and for which Group accounts are drawn up. Copies of those Group accounts are available from The Company Secretary, First Choice Holidays PLC, First Choice House, London Road, Crawley, West Sussex, RH10 9GX.