

First Choice Office Services Limited

Directors' report and financial
Statements

Year Ended

31 October 2006

Company Registration No 2469040

THURSDAY



AW8UPSJ8

A20

30/08/2007

217

COMPANIES HOUSE

FIRST CHOICE OFFICE SERVICES LIMITED

Report of the Directors for the year ended 31 October 2006

The Directors present their report and financial statements of First Choice Office Services Limited for the year ended 31 October 2006

Principal activity

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

Results for the year

The profit after taxation for the year ended 31 October 2006 amounted to £241,107 (2005 profit £106,777) The Directors do not recommend the payment of a dividend (2005 £Nil)

Business review

The Company provides overhead, information technology, property and employee services to other companies within the First Choice Group. The directors therefore manage risks and uncertainties of the Company in co-ordination with its fellow subsidiaries in the First Choice Holidays PLC ("First Choice") Group of Companies. The directors of the Company believe that this review process is appropriate given that the Company's operations are managed in co-ordination with those of the Group and Mainstream Sectors of First Choice.

The principal risks and uncertainties which are common to the First Choice Holidays PLC Group and the Company are

- Geo-political events and natural disasters. The nature of our business means that the Company continually face the risk of geo-political events or natural disasters. It is for this reason that we ensure we operate with a flexible and efficient business model and minimise the reliance on any one destination.
- Commercial relationships. We have well established and close relationships with our suppliers and spread our risk by not placing over-reliance on any one supplier in any particular area. However, if a relationship was lost or damaged with a major supplier this could have a detrimental effect on our business. The management team meets regularly with suppliers to maintain good working relationships.
- Information technology. The Company is heavily reliant upon information technology. Investment is being made to ensure that we have advanced and efficient systems in place but there is a risk if there were a major failure – particularly if it were to affect selling systems. Procedures are in place to minimise the time a selling system is unavailable in the event of such a failure.
- Environmental risk. The Company uses aircraft to take people on holidays sometimes to countries where tourism is just developing. This does have an impact on the environment and we take our corporate and social responsibilities seriously at every level. We work with the authorities and suppliers in the destinations we serve to ensure that any local environmental impact is minimised in the best interest of the indigenous population.

As the directors manage the Company in co-ordination with the management of the First Choice Mainstream Sector, they take the view that analysis using key performance indicators ("KPIs") for the Company on a stand-alone basis is not necessary or appropriate for an understanding of the development, performance and positioning of its businesses. The KPIs which relate to both the Company and First Choice are

- Emphasis on product differentiation
- Increasing control of the distribution of our tour operating products
- Expansion of online sales to assist the drive to becoming a primarily direct-sale business

FIRST CHOICE OFFICE SERVICES LIMITED

Report of the Directors for the year ended 31 October 2006

Directors and their interests

The Directors at the date of this report are

First Choice Holidays & Flights Limited
A D Smith

None of the Directors had any beneficial interest in the shares of the Company at any time during the year. As at 31 October 2006, the interests of the Directors in the ordinary share capital of the ultimate parent Company, First Choice Holidays PLC, were as follows

	Ordinary shares		*Share Awards	
	31 October 2006	31 October 2005	Granted	Exercised
A D Smith	**3,478	**2,626	34,705	-

* Includes shares awarded under the Restricted Share Plan and Performance Share Plan

** Includes shares held under the Share Incentive Plan

Directors' insurance

The ultimate parent Company, First Choice Holidays PLC, 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

Statement as to disclosure of information to auditors

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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 D Smith
Director

Dated 24 August 2007

FIRST CHOICE SERVICES LIMITED

Statement of Directors' Responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Standards).

The financial statements are required by law to 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 these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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 auditor's report to the members of First Choice Office Services Limited

We have audited the financial statements of First Choice Office Services Limited for the year ended 31 October 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of the Movement in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 October 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

8 Salisbury Square, London, EC4Y 8BB

Date: 28 August 2007

FIRST CHOICE OFFICE SERVICES LIMITED

Profit and loss account for the year ended 31 October 2006

	Note	2006 £	2005 £
Turnover	1	16,106,110	18,857,072
Operating expenses		(15,649,104)	(18,109,399)
Operating profit	2	457,006	747,673
Profit on disposal of fixed assets	2	128,775	150,283
Profit before taxation		585,781	897,956
Tax on profit on ordinary activities	3	(344,674)	(791,179)
Profit for the financial year	9	241,107	106,777

The results stated above are all derived from continuing operations

The Company has no other recognised gains or losses for the year Accordingly no statement of total recognised gains and losses has been presented

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

The notes on pages 7 to 13 form part of these financial statements

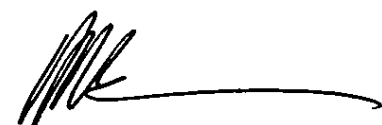
FIRST CHOICE OFFICE SERVICES LIMITED

Balance sheet as at 31 October 2006

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	4	29,822,252	34,698,514
Debtors	5	24,543	-
Creditors : amounts falling due within one year	6	(27,195,784)	(31,229,707)
Net current liabilities		(27,171,241)	(31,229,707)
Total assets less current liabilities		2,651,011	3,468,807
Provisions	7	-	(1,058,903)
Net assets		2,651,011	2,409,904
Capital and reserves			
Called up share capital	8	100	100
Profit and loss account	9	2,650,911	2,409,804
Equity shareholders' funds		2,651,011	2,409,904

The notes on pages 7 to 13 form part of these financial statements

The financial statements were approved by the Board on 24 August 2007 and signed on their behalf by



A D Smith
Director

FIRST CHOICE OFFICE SERVICES LIMITED

Reconciliation of the movement in shareholders' funds for the year ended 31 October 2006

	2006 £	2005 £
Opening shareholders' funds	2,409,904	2,303,127
Loss for the year	241,107	106,777
Closing shareholders' funds	<u>2,651,011</u>	<u>2,409,904</u>

FIRST CHOICE OFFICE SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 October 2006

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, except as noted below

New Financial Reporting Standards

In these financial statements, the following new Financial Reporting Standards have been adopted for the first time

FRS 21 Events after the balance sheet date

Under previous UK GAAP, dividends proposed after the balance sheet date but before the financial statements were approved, were recorded as liabilities in the financial statements. During the year, the Company has adopted FRS 21. This requires dividends to be recorded as liabilities in the financial statements only in the period in which they are approved for payment and are no longer at the discretion of the Company. As no dividends were proposed at 31 October 2006 and 31 October 2005, this change in accounting policy has not impacted these financial statements.

FRS 25 Financial instruments – presentation and disclosure

The presentation requirements of FRS 25 are applicable within these financial statements. Equity dividends are debited directly to equity. The presentational requirements of this new standard have not otherwise impacted these financial statements.

FRS 28 Corresponding amounts

This has no effect because it comprises the same requirements for comparative information as previously required by the Companies Act 1985.

Basis of preparation

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

Cash flow statement

The Company is exempt under Financial Reporting Standard No 1 (Revised) from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of First Choice Holidays PLC and First Choice Holidays PLC includes the Company's cash flow in its own published consolidated financial statements.

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 on an accruals basis to match the provision of the related management services.

Deferred taxation

Except as otherwise required by accounting standards, full provision without discounting is made for all deferred taxation 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.

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.

Foreign currencies

Transactions in overseas currencies are translated into Sterling at the exchange rate ruling at the date of the transaction or, where forward cover has been arranged, at the contractual rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date or at a contractual rate if applicable and any exchange differences arising are taken to the profit and loss account in the season to which the contract relates.

FIRST CHOICE OFFICE SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 October 2006 (*continued*)

1. Accounting policies (*continued*)

Tangible fixed assets

Tangible fixed assets are stated at historic cost, less accumulated depreciation and provision for impairment. Depreciation is provided on all tangible 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

Freehold properties	50 years
Leasehold properties	Period of lease
Motor vehicles	5 years
Office equipment	4 years
Computer equipment	3-5 years

2. Operating profit

Operating profit is stated after charging

	2006 £	2005 £
Depreciation	11,552,105	10,681,058
Loss on disposal of fixed assets	128,775	150,283
Operating lease rentals		
- Land and buildings	3,327,918	5,160,199
- Motor vehicles	506,843	808,748
- Computer	4,688	182,188

The Directors did not receive any remuneration for their services during 2006 and 2005

The Company did not employ any staff during 2006 and 2005

In 2006 and 2005 the audit fee was borne by another Group company. The audit fee relating to the Company was as follows

	2006 £	2005 £
Fee for the audit of the Company	13,000	10,000

Fees paid to the Company's auditors KPMG Audit Plc, and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements. This is on the basis that such non-audit fees are disclosed in the consolidated accounts of the Company's ultimate parent, First Choice Holidays PLC.

FIRST CHOICE OFFICE SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 October 2006 (continued)

3. Taxation

The tax charge in the 31 October 2006 accounts can be summarised as follows

	2006 £	2005 £
Tax on profit on ordinary activities		
(i) Analysis of charge in year		
Current tax		
Amount payable to fellow Group subsidiaries in respect of group relief	1,419,423	886,235
Adjustment in respect of previous years		
- permanent	8,697	397,039
Total current tax	1,428,120	1,283,274
Deferred tax		
Origination and reversal of timing differences		
- current year UK	(1,083,446)	(516,421)
- adjustment in respect of previous years	-	24,326
Total deferred tax	(1,083,446)	(492,095)
Tax charge on profit on ordinary activities	344,674	791,179

(ii) Factors affecting tax charge for the year

The tax charge for the year is higher (2005 higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2006 £	2005 £
Profit on ordinary activities before tax	585,781	897,956
Current tax on ordinary activities before tax at the standard rate of UK corporation tax of 30% (2005 30%)	175,734	269,387
Effects of		
- Expenses not deductible for tax purposes	44,928	36,300
- Capital allowances for year lower than depreciation	651,713	516,421
- Other timing differences - chargeable gains arising in the year	500,226	-
- Depreciation on non qualifying assets	8,118	23,650
- Loss on disposal of non qualifying assets	38,704	40,477
- Adjustments in respect of previous periods	8,697	397,039
Current tax charge for the year	1,428,120	1,283,274

(iii) Factors affecting the future tax charge

The UK statutory rate of corporation tax is anticipated to decrease to 28% with effect from 1 April 2008. Other factors that may affect the future tax charge are disclosed in notes 5 and 6

FIRST CHOICE OFFICE SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 October 2006 (*continued*)

4 Tangible fixed assets

	Short leasehold property £	Freehold property £	Office, computer equipment & motor vehicle £	Total £
Cost				
Brought forward	5,719,057	5,955,876	56,981,469	68,656,402
Additions	-	-	10,965,185	10,965,185
Disposals	-	(4,602,876)	(911,966)	(5,514,842)
Transfers from group company	-	-	35,548	35,548
At 31 October 2006	<u>5,719,057</u>	<u>1,353,000</u>	<u>67,070,236</u>	<u>74,142,293</u>
Depreciation				
Brought forward	(4,892,944)	(681,557)	(28,383,387)	(33,957,888)
Provided for the year	(262,672)	(27,060)	(11,262,373)	(11,552,105)
Disposals	-	339,462	881,605	1,221,067
Transfers from group company	-	-	(31,115)	(31,115)
At 31 October 2006	<u>(5,155,616)</u>	<u>(369,155)</u>	<u>(38,795,270)</u>	<u>(44,320,041)</u>
Net book value				
At 31 October 2006	<u>563,441</u>	<u>983,845</u>	<u>28,274,966</u>	<u>29,822,252</u>
At 31 October 2005	<u>826,113</u>	<u>5,274,319</u>	<u>28,598,082</u>	<u>34,698,514</u>

During the year, the Company disposed of certain freehold property and other fixed assets resulting in a profit on disposal of £128,775 (2005 £150,283)

Further consideration of up to £2.2m may be receivable upon the freehold property sale if certain planning consents are achieved by the purchaser. As this further consideration is contingent (estimated until 2008) it has not been recognised in the profit and loss account for the year ended 31 October 2006 and is only disclosed in these financial statements.

5 Debtors

	2006 £	2005 £
Deferred tax asset (see note 7)	<u>24,543</u>	<u>-</u>

6 Creditors, amounts falling due within one year

	2006 £	2005 £
Amounts owed to fellow subsidiary undertakings	23,995,367	29,457,410
Group relief payable	<u>3,200,417</u>	<u>1,772,297</u>
	<u>27,195,784</u>	<u>31,229,707</u>

FIRST CHOICE OFFICE SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 October 2006 (*continued*)

7 Provisions for liabilities and charges

	Deferred taxation £
At 1 November 2005	1,058,903
Credited in period	(1,083,446)
Transferred to deferred tax asset	<u>24,543</u>
At 31 October 2006	<u>-</u>

At 31 October, the deferred tax liability/(asset) comprises

	2006 £	2005 £
Accelerated capital allowances	475,683	1,058,903
Other timing differences – chargeable gains arising in the year	(500,226)	-
	<u>24,543</u>	<u>1,058,903</u>

The deferred tax asset arising from other timing differences relates to contingent consideration arising on the disposal of freehold property which is taxable in the year but which has not been recorded within the profit and loss account for accounting purposes. Further details of the disposal are given in note 4.

There is no unprovided deferred taxation at either 31 October 2006 or 31 October 2005.

8 Share capital

	2006 £	2005 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Issued and fully paid</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

9 Reserves

	Profit and loss £
1 November 2005	2,409,804
Retained profit for the year	<u>241,107</u>
At 31 October 2006	<u>2,650,911</u>

FIRST CHOICE OFFICE SERVICES LIMITED

Notes forming part of the financial statements for the year ended 31 October 2006 (*continued*)

10. Operating leases

At 31 October 2006 the Company has annual commitments under non-cancellable operating leases as follows

	2006 Land and buildings £	2006 Other £	2005 Land and buildings £	2005 Other £
Expiry date				
Within one year	240,000	395,000	216,000	345,000
Between two and five years	1,246,000	494,000	1,707,000	439,000
In over five years	641,000	-	641,000	-
	<u>2,127,000</u>	<u>889,000</u>	<u>2,564,000</u>	<u>784,000</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

11 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 disclosure", as the Company 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.

12 Ultimate and immediate Parent Company

First Choice Holidays PLC, a Company registered in England and Wales, is the ultimate and immediate 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 these Group accounts are available from the Company Secretary, First Choice Holidays PLC, First Choice House, London Road, Crawley, West Sussex, RH10 9GX.