



First Choice

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

**for year ended
31 October 2004**



Company Number 2469040

FIRST CHOICE OFFICE SERVICES LIMITED

DIRECTORS' REPORT

for the year ended 31 October 2004

The Directors present their report and financial statements of First Choice Office Services Limited for the year ended 31 October 2004.

REVIEW OF THE DEVELOPMENT OF THE BUSINESS

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

RESULTS AND DIVIDENDS

The profit for the year after tax was £663,807 (2003: profit £708,001). The Directors do not propose a dividend for the year (2003: £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 (Appointed 12 May 2004)

Mr H D Thomas resigned on 12 May 2004

First Choice Holidays & Flights Limited held 100 % of the shares in the Company at 31 October 2004. The other Director had no 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				
A D Smith	1,712	-	106,077	-

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 Ltd.

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
for the year ended 31 October 2004

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 the printed name and title.

A D Smith
Director

Date: 27 July 2005

FIRST CHOICE OFFICE SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES for the 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 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 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.

FIRST CHOICE OFFICE SERVICES LIMITED

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.

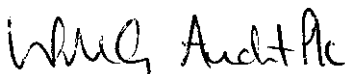
BASIS OF AUDIT OPINION

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 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
Chartered Accountant
Registered Auditor
London

Date: 27/7/05

FIRST CHOICE OFFICE SERVICES LIMITED

PROFIT & LOSS ACCOUNT

for the year ended 31 October 2004

	<i>Note</i>	<i>2004</i> £	<i>2003</i> £
Turnover	2	15,532,148	10,863,326
Operating expenses	3	(14,792,522)	(10,346,025)
		<hr/>	<hr/>
Operating profit and profit on ordinary activities before tax	4	739,626	517,301
Tax on profit on ordinary activities	5	(75,819)	190,700
		<hr/>	<hr/>
Retained profit for the year	10	<u>663,807</u>	<u>708,001</u>

The above results were derived solely from continuing operations.

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

FIRST CHOICE OFFICE SERVICES LIMITED**BALANCE SHEET****As at 31 October 2004**

	<i>Note</i>	<i>2004</i> £	<i>2003</i> £
FIXED ASSETS			
Tangible Assets	6	30,987,065	27,334,942
CREDITORS:			
Amounts falling due within one year	7	<u>(27,132,940)</u>	<u>(23,789,350)</u>
NET CURRENT LIABILITIES		<u>(27,132,940)</u>	<u>(23,789,350)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,854,125	3,545,592
PROVISIONS	8	<u>(1,550,998)</u>	<u>(1,906,272)</u>
NET ASSETS		<u>2,303,127</u>	<u>1,639,320</u>
CAPITAL AND RESERVES			
Share Capital	9	100	100
Profit and loss account	10	<u>2,303,027</u>	<u>1,639,220</u>
Equity Shareholders' funds		<u>2,303,127</u>	<u>1,639,320</u>

Approved by the Board on 27 July 2005 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 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.

Going concern

At 31 October 2004 the company had a deficiency of net assets of some £27,133,000. 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.

FIRST CHOICE OFFICE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2004

1. ACCOUNTING POLICIES (continued)

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

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

	2004	2003
	£	£
Depreciation	8,368,632	6,107,709
Other operating charges	6,423,890	4,238,316
	<u>14,792,522</u>	<u>10,346,025</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

is stated after charging:

	2004	2003
	£	£
Depreciation	8,368,632	6,107,709
Loss on disposal of fixed assets	37,974	10,582
Operating lease rentals		
- Land and buildings	2,686,623	2,196,619
- Motor vehicles	639,592	605,713
- Computer	1,454,538	2,850,799

The Directors did not receive any remuneration for their services during 2004 and 2003. The Company did not employ any staff during 2004 and 2003. The audit fee was borne by another group company during 2004 and 2003.

The comparative disclosure has been subsequently amended and restated.

FIRST CHOICE OFFICE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2004

5. TAXATION

The tax charge in the 31 October 2004 accounts can be summarised as follows:

	2004	2003
	£	£
Tax on profit on ordinary activities:		
(i) Analysis of charge/(credit) in year		
Current tax:		
UK corporation tax on profits for the year	246,287	178,184
Adjustment in respect of previous periods:		
- permanent	181,631	(272,547)
- origination of timing differences	3,175	-
Total current tax	431,093	(94,363)
Deferred tax:		
Origination and reversal of timing differences:		
- current year UK	(397,846)	(124,194)
- adjustment in respect of previous periods	42,572	27,857
Total deferred tax (see note 8)	(355,274)	(96,337)
Tax on profit on ordinary activities	75,819	(190,700)

(ii) Factors affecting tax charge/(credit) for the year

The current tax charge for the year is higher (2003: lower) than the standard rate of corporation tax in the UK(30%). The differences are explained below:

	2004	2003
	£	£
Profit on ordinary activities before tax	739,626	517,301
Profit on ordinary activities at the standard rate of UK corporation tax of 30% (2003: 30%)	221,888	155,190
Effects of:		
- (Income) not (chargeable) for tax purposes	(373,447)	(145,719)
- Capital allowances for year lower than Depreciation	397,846	168,713
- Adjustment to tax charge in respect of previous periods	184,806	(272,547)
Current tax charge/(credit) for the year	431,093	(94,363)

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 2004****6. TANGIBLE FIXED ASSETS**

	<i>Short leasehold property</i> £	<i>Freehold property</i> £	<i>Motor vehicles</i> £	<i>Office & computer equipment</i> £	<i>Total</i> £
Cost					
Brought forward	5,813,517	5,955,876	19,455	30,612,582	42,401,430
Additions	-	-	-	12,058,732	12,058,732
Disposals	-	-	(19,455)	(97,712)	(117,167)
At 31 October 2004	5,813,517	5,955,876	-	42,573,602	54,342,995
Depreciation					
Brought forward	(4,434,798)	(521,632)	(4,053)	(10,106,005)	(15,066,488)
Provided in year	(269,473)	(81,091)	(1,620)	(8,016,448)	(8,368,632)
Disposals	-	-	5673	73,517	79,190
At 31 October 2004	(4,704,271)	(602,723)	-	(18,048,936)	(23,355,930)
Net Book Value					
At 31 October 2004	1,109,246	5,353,153	-	24,524,666	30,987,065
At 31 October 2003	1,378,719	5,434,244	15,402	20,506,577	27,334,942

7. CREDITORS amount falling due within one year

	<i>2004</i> £	<i>2003</i> £
Amounts owed to fellow subsidiary undertakings	26,643,917	23,731,420
Group relief payable	489,023	57,930
	<u>27,132,940</u>	<u>23,789,350</u>

8. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Deferred taxation</i> £
At 1 November 2003	1,906,272
Credited in the year	(355,274)
At 31 October 2004	<u>1,550,998</u>

The net deferred tax provision as at 31 October 2004 is as follows:

	<i>2004</i> £	<i>2003</i> £
Accelerated capital allowances	<u>1,550,998</u>	<u>1,906,272</u>

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

FIRST CHOICE OFFICE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2004

9. CALLED UP SHARE CAPITAL

	<i>2004</i> £	<i>2003</i> £
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 2003	1,639,220
Retained profit for the year	663,807
31 October 2004	<u>2,303,027</u>

11. OPERATING LEASES

At 31 October 2004 the Company has annual commitments under non-cancellable operating leases as follows:

	<i>2004</i> <i>Other</i> £	<i>2003</i> <i>Other</i> £	<i>2004</i> <i>Land and</i> <i>buildings</i> £	<i>2003</i> <i>Land and</i> <i>buildings</i> £
Expiry date:				
Within one year	277,000	1,653,000	285,000	323,000
Between two and five years	486,000	552,000	53,000	348,000
In over five years	-	-	1,450,000	1,474,000
	<u>763,000</u>	<u>2,205,000</u>	<u>1,788,000</u>	<u>2,145,000</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.

The comparative disclosure has been subsequently amended and restated.

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.