

First Choice Retail (Management Services) Limited

**Directors' report and financial
statements**

Registered Number 3657755

Year ended 31 October 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2002.

Principal activities

The principal activity of the Company is that of the provision of management services to other group companies.

Results and dividends

The result for the year is shown in the profit and loss account on page 5. The loss for the year transferred to reserves is £1,381 (2001: £Nil). The directors do not recommend the payment of a dividend (2001: Nil).

Directors and directors' interests

The directors at the date of this report were:

A D Martin
H D Thomas (appointed 31 January 2002)
J Wimbleton

Other directors who served in the period were as follows:

M Gifford (resigned 31 January 2002)

None of the directors had any beneficial interest in the shares of the Company during the year.

As at 31 October 2002 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 Oct 2002	31 Oct 2001	Granted	Exercised
H D Thomas	32,780	29,056	112,300	(3,724)
J Wimbleton	34,811	34,811	595,983	(14,411)

The interests of A D Martin are disclosed in the Annual Report and Accounts of First Choice Holidays PLC.

Directors' report *(continued)*

Employee 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 business. Involvement of employees in the Company's performance is also encouraged by the availability of performance related bonuses 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.

Policy and practice on payment of creditors

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.

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 members in general meetings and the appointment of auditors annually. Accordingly KPMG Audit Plc will continue in office as auditors.

By order of the board



J Walter
Company Secretary

First Choice House
London Road
Crawley
West Sussex
RH10 9GX

Date: 16 July 2003

Statement of 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;
- 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.



KPMG Audit Plc
100 Temple Street
Bristol
BS1 6AG
United Kingdom

Report of the independent auditors to the members of First Choice Retail (Management Services) Limited

We have audited the financial statements on pages 5 to 13.

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 2002 and of its loss for the year then ended have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

16 July 2003

Profit and loss account
for the year ended 31 October 2002

	<i>Note</i>	2002 £	2001 £
Turnover	2	6,845,459	7,841,144
Cost of sales		(6,819,671)	(7,854,194)
Gross profit/(loss)		25,788	(13,050)
Interest receivable and similar income	3	825	31,450
Interest payable and similar charges	4	(26,613)	(18,400)
Profit/(loss) on ordinary activities before taxation		-	-
Taxation	6	(1,381)	-
Retained loss for the year	10	(1,381)	-

All results arose from continuing activities.

The Company had no recognised gains or losses in either year other than the results shown above.

There is no material difference between the Company's results as reported and on an unmodified historical cost basis. Accordingly, no note of historical cost profits and losses has been included.

The notes on pages 8 to 13 form part of these financial statements.

Balance sheet
at 31 October 2002

	<i>Note</i>	2002 £	2001 £
Current assets			
Debtors	7	3,635,962	2,125,733
Creditors			
Amounts falling due within one year.	8	(3,637,341)	(2,125,731)
Net (liabilities)/assets		<u>(1,379)</u>	<u>2</u>
Capital and reserves			
Called up share capital	9	2	2
Profit and loss account	10	(1,381)	-
Equity shareholders' (deficit)/funds		<u>(1,379)</u>	<u>2</u>

The notes on pages 8 to 13 form part of these financial statements.

These financial statements were approved by the board of directors on 16th July 2003 and were signed on its behalf by:



H D Thomas
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 October 2002

	2002 £	2001 £
Loss for the financial year	(1,381)	-
Net (reduction in)/addition to shareholders' funds	(1,381)	-
Opening shareholders' funds	2	2
Closing shareholders' (deficit)/funds	(1,379)	2

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Basis of preparation: Going Concern

The directors of the Company have sought and obtained confirmation in writing from the directors of First Choice Holidays PLC that it intends to support the company for the foreseeable future, and for at least 12 months from the date of approval of these financial statements by continuing to make available such funds as are needed by the Company and in particular not seeking repayment of amounts currently made available.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from the failure of the parent company to provide support to the Company.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the recharge of central costs to group companies. Costs, therefore, include actual overhead costs and are shown as cost of sales, and not administration costs.

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.

Contributions to pension funds

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contribution payable to the scheme in respect of the accounting period.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Cash flow

The Company is exempt from the requirements of Financial Reporting Standard 1 (revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary of First Choice Holidays PLC. The consolidated financial statements of First Choice Holidays PLC, which include the Company are publicly available (address given in note 14).

Notes *(continued)*

2 Profit/(loss) on ordinary activities before taxation

	2002 £	2001 £
<i>Profit/(loss) on ordinary activities before taxation is stated:</i>		
<i>After charging:</i>		
Hire of other assets – rentals payable under operating leases	<u>138,450</u>	<u>113,500</u>

All audit fees are borne by other group companies.

3 Interest receivable and similar income

	2002 £	2001 £
Bank interest receivable	-	22,950
Other interest receivable	825	8,500
	<u>825</u>	<u>31,450</u>

4 Interest payable and similar charges

	2002 £	2001 £
On bank loans, overdrafts and other loans	<u>26,613</u>	<u>18,400</u>

5 Directors and employees

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2002	2001
Management and administration	<u>107</u>	<u>132</u>

Notes *(continued)*

The aggregate payroll costs of these persons were as follows:

	2002 £	2001 £
Wages and salaries	1,969,646	2,673,144
Social security costs	173,704	257,157
Other pension costs (note 12)	77,319	129,298
	<u>2,220,669</u>	<u>3,059,599</u>

Remuneration in respect of directors was as follows:

	2002 £	2001 £
Directors' emoluments	22,500	291,360
Company contributions to money purchase pension schemes	4,444	51,673
	<u>26,944</u>	<u>343,033</u>

During the year 1 director (2001: 2 directors) participated in money purchase pension schemes.

The emoluments in respect of the highest paid director, including amounts paid to other group companies, are as follows:

	2002 £	2001 £
Directors' emoluments	22,500	178,891
Company contributions to money purchase pension schemes	4,444	35,750
	<u>26,944</u>	<u>214,641</u>

Notes (continued)

6 Taxation

The tax charge in the 31 October 2002 accounts can be summarised as follows:

Tax on profit on ordinary activities.

(i) Analysis of charge in year

	2002 £	2001 £
Current tax:		
UK Corporation tax on profits of the year		
Adjustment in respect of previous periods:		
- permanent	1,381	-
	<hr/>	<hr/>
Total current tax	1,381	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	1,381	-
	<hr/>	<hr/>

(ii) Factors affecting tax charge for the year

The tax charge for the year is higher than (2001: equal to) the standard rate of corporation tax in the UK 30%. The differences are explained below.

	2002 £	2001 £
Profit on ordinary activities before tax	-	-
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of UK corporation tax of 30% (2001: 30%)	-	-
Effects of:		
- Adjustment to tax charge in respect of previous periods	1,381	-
	<hr/>	<hr/>
Current tax charge for the year	1,381	-
	<hr/>	<hr/>

7 Debtors

	2002 £	2001 £
Amounts owed by group undertakings	3,635,962	2,125,733
	<hr/>	<hr/>

Notes (continued)

8 Creditors: amounts falling due within one year.

	2002 £	2001 £
Amounts owed to group undertakings	3,637,341	2,125,731

9 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2

10 Reserves

	Profit and loss account £
At 1 November 2001	-
Retained loss for the year	(1,381)
At 31 October 2002	(1,381)

11 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2002 £	Land and buildings 2001 £
Operating leases which expire:		
Over five years	138,000	138,000

Notes *(continued)*

12 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the fund and amounted to £77,319 (2001: £129,298). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

13 Related party disclosures

As the Company is a wholly owned subsidiary of First Choice Holidays PLC, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entries which form part of the Group.

14 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 Retail (Management 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.