

**First Choice Retail (Management Services) Limited**

**Directors' report and financial  
statements**

**Registered Number 3657755**

**Year ended 31 October 2003**



## Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditors to the members of First Choice Retail (Management Services) Limited	3
Profit and loss account	4
Balance sheet	5
Reconciliation of movements in shareholders' funds	6
Notes	7

## Directors' report

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

### 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 £39,146 (2002: £1,381 (loss)). The directors do not recommend the payment of a dividend (2002: Nil).

### Directors and their interests

The directors at the date of this report were:

D Wheatley (appointed 11 November 2003)  
 J Wimbleton

Other directors who served in the year were as follows:

A D Martin (resigned 11 March 2004)  
 H D Thomas (resigned 11 November 2003).

None of the directors had any beneficial interest in the shares of the Company 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 Oct 2003	31 Oct 2002	Granted	Exercised
H D Thomas	36,643	32,780	-	(6,440)
J Wimbleton	35,002	34,811	-	(57,858)

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

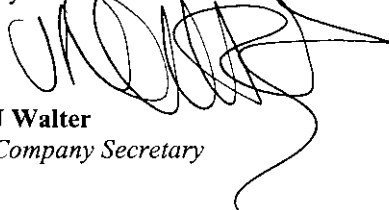
### Directors' insurance

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: 9 June 2004

## 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

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 4 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 2 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 loss for the year then ended have been properly prepared in accordance with the Companies Act 1985.



**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

Dated: 9 JUNE 2004

**Profit and loss account**  
*for the year ended 31 October 2003*

	<i>Note</i>	<b>2003</b> £	2002 £
<b>Turnover</b>		<b>18,470,055</b>	6,845,459
Net operating costs		<b>(18,449,239)</b>	(6,819,671)
<b>Gross profit</b>		<b>20,816</b>	25,788
Interest receivable and similar income	3	-	825
Interest payable and similar charges	4	<b>(20,816)</b>	(26,613)
<b>Profit/(loss) on ordinary activities before taxation</b>	2	-	-
Taxation	6	<b>(39,146)</b>	(1,381)
<b>Retained loss for the year</b>	12	<b>(39,146)</b>	(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.

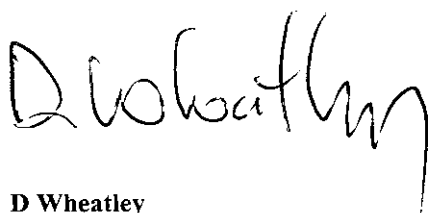
The notes on pages 8 to 14 form part of these financial statements.

**Balance sheet**  
*at 31 October 2003*

	<i>Note</i>	<b>2003</b> £	<b>2002</b> £
<b>Fixed assets</b>			
Tangible assets	7	667,072	-
<b>Current assets</b>			
Debtors	8	11,647,089	3,635,962
<b>Creditors:</b>			
Amounts falling due within one year	9	(12,315,540)	(3,637,341)
<b>Net current liabilities</b>		<u>(668,451)</u>	<u>(1,379)</u>
<b>Total assets less current liabilities</b>		<u>(1,379)</u>	<u>(1,379)</u>
Provisions for liabilities and charges	10	(39,146)	-
<b>Net liabilities</b>		<u>(40,525)</u>	<u>(1,379)</u>
<b>Capital and reserves</b>			
Called up share capital	11	2	2
Profit and loss account	12	(40,527)	(1,381)
<b>Deficit on equity shareholders' funds</b>		<u>(40,525)</u>	<u>(1,379)</u>

The notes on pages 8 to 14 form part of these financial statements.

These financial statements were approved by the board of directors on 9 June 2004 and were signed on its behalf by:



**D Wheatley**  
 Director

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

	2003 £	2002 £
Loss for the financial year	(39,146)	(1,381)
Net reduction in shareholders' funds	(39,146)	(1,381)
Opening shareholders' funds	(1,379)	2
Closing shareholders' (deficit)/funds	(40,525)	(1,379)



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts.

#### ***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 net operating costs, and not administration costs.

#### ***Depreciation***

Depreciation is calculated to write down the cost less the estimated residual value of all tangible fixed assets over their expected useful lives. The rates and periods generally applicable are:

Leasehold property	Over the lease term
Computers, furniture and equipment	10% to 33 1/3% per annum straight line

#### ***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.

*Notes (continued)*

**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 16).

**2 Profit/(loss) on ordinary activities before taxation**

	2003 £	2002 £
<i>Profit/(loss) on ordinary activities before taxation is stated:</i>		
<i>After charging:</i>		
Depreciation	48,375	-
Hire of other assets – rentals payable under operating leases	296,717	138,450
	<u>          </u>	<u>          </u>

All audit fees are borne by other group companies.

**3 Interest receivable and similar income**

	2003 £	2002 £
Other interest receivable	-	825
	<u>          </u>	<u>          </u>
	-	825
	<u>          </u>	<u>          </u>

**4 Interest payable and similar charges**

	2003 £	2002 £
Bank overdraft interest	20,816	26,613
	<u>          </u>	<u>          </u>

## Notes (continued)

### 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	
	2003	2002
Management and administration	246	107

The aggregate payroll costs of these persons were as follows:

	2003 £	2002 £
Wages and salaries	4,916,936	1,969,646
Social security costs	452,534	173,704
Other pension costs (note 14)	212,249	77,319
	<u>5,581,719</u>	<u>2,220,669</u>

Remuneration in respect of directors was as follows:

	2003 £	2002 £
Directors' emoluments	-	22,500
Company contributions to money purchase pension schemes	-	4,444
	<u>-</u>	<u>26,944</u>

During the year no directors (2002: 1 director) participated in money purchase pension schemes.

Remuneration in respect of directors was paid through another group company for the current year.

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

	2003 £	2002 £
Directors' emoluments	-	22,500
Company contributions to money purchase pension schemes	-	4,444
	<u>-</u>	<u>26,944</u>

## Notes (continued)

### 6 Taxation

The tax 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 the year		
Current tax:		
UK corporation tax on losses for the year	-	-
Adjustment in respect of previous periods: permanent	-	1,381
Total current tax	-	1,381
Deferred tax:		
Origination and reversal of timing differences: current year UK	39,146	-
Total deferred tax (see note 10)	39,146	-
Tax on loss on ordinary activities	39,146	1,381

#### (ii) Factors affecting tax credit for the year

The tax charge for the year is lower (2002: higher) than the standard rate of UK corporation tax of 30% (2002: 30%). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	-	-
on ordinary activities at the standard rate of UK corporation tax of 30% (2002: 30%)	-	-
Effects of:		
expenses not deductible for tax purposes	(39,146)	-
depreciation in excess of capital allowances for year	39,146	-
adjustment to tax in respect of previous periods	-	1,381
Current tax charge for the year	-	1,381

**Notes** (Continued)

**7 Tangible Fixed Assets**

	Short Leasehold property £	Computers Furniture & equipment £	Total £
<i>Cost or valuation</i>			
Additions	32,543	682,904	715,447
As at 31 October 2003	32,543	682,904	715,447
Depreciation Provided in the year	1,060	47,315	48,375
As at 31 October 2003	1,060	47,315	48,375
<i>Net book value</i>			
As at 31 October 2003	31,483	635,589	667,072
As at 31 October 2002	-	-	-

**8 Debtors**

	2003 £	2002 £
Amounts owed by group undertakings	11,447,630	3,635,962
Other debtors	1,908	-
Prepayments and accrued income	197,551	-
	11,647,089	3,635,962
All debtors fall due within one year		

**9 Creditors: Amounts falling due within one year**

	2003 £	2002 £
Amounts owed to group undertakings	11,664,451	3,637,341
Accruals and deferred income	651,089	-
	12,315,540	3,637,341

## Notes (continued)

### 10 Provisions for liabilities and charges

	Deferred taxation £
As at 1 November 2002	-
Provided in the year	39,146
<b>As at 31 October 2003</b>	<b>39,146</b>
	Amounts provided
	2003                      2002
	£                              £
Accelerated capital allowances	39,146                      -

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

### 11 Called up share capital

	2003 £	2002 £
<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

### 12 Reserves

	Profit and loss account £
At 1 November 2002	(1,381)
Retained loss for the year	(39,146)
<b>At 31 October 2003</b>	<b>(40,527)</b>

## Notes (continued)

### 13 Commitments

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

	<b>Land and buildings 2003 £</b>	<b>Land and buildings 2002 £</b>
Operating leases which expire:		
Over five years	<b>138,000</b>	138,000

### 14 Pension scheme

The Company participates in a Group operated defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the fund and amounted to £212,249 (2002: £77,319). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

### 15 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.

### 16 Ultimate parent company

First Choice Holidays PLC, a company registered in England and Wales, is the immediate and 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.