

First Choice Retail (Management Services) Limited

**Directors' report and financial
statements**

Registered Number 3657755

Year ended 31 October 2005



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2005.

Principal activities

The principal activity of the Company is that of the provision of management services to Group Companies.

Results and dividends

The result for the year is shown in the profit and loss account on page 4. The loss for the year transferred to reserves is £35,417 (2004 Profit: £75,985). The directors do not recommend the payment of a dividend (2004: Nil).

Directors and their interests

The directors at the date of this report were:

D Wheatley
J Wimbleton

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

As at 31 October 2005 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 2005	31 Oct 2004	Granted	Exercised
D Wheatley	*3,287	*1,158	26,973	19,196
J Wimbleton	*26,729	*25,814	87,631	132,691

* shares held under the Share Incentive Plan.

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.

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. At the year end, the number of creditor days outstanding was 32 days (2004: 32 days)

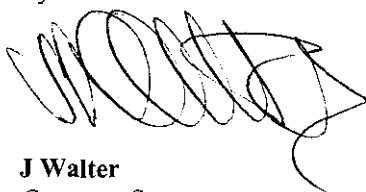
Directors' insurance

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 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



J Walter
Company Secretary

First Choice House
London Road
Crawley
West Sussex
RH10 9GX

Date: 24 April 2006

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
PO Box 695
8 Salisbury Square
EC4Y 8BB
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 12.

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 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

24 April 2006

Profit and loss account
for the year ended 31 October 2005

	<i>Note</i>	2005 £	2004 £
Turnover	<i>1</i>	18,638,925	20,390,311
Net operating costs		(18,673,223)	(20,273,033)
Gross (loss)/profit and operating (loss)/profit		(34,298)	117,278
Interest payable and similar charges	<i>3</i>	-	(9,232)
Interest receivable	<i>2</i>	82	-
Loss on disposal of fixed assets		(1,242)	(67,519)
(Loss)/profit on ordinary activities before taxation	<i>2</i>	(35,458)	40,527
Taxation credit	<i>5</i>	41	35,458
Retained (loss)/profit for the year	<i>11</i>	(35,417)	75,985

All results arose from continuing activities.

A note on historical cost profits and losses has not been included as part of these financial statements as there is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

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

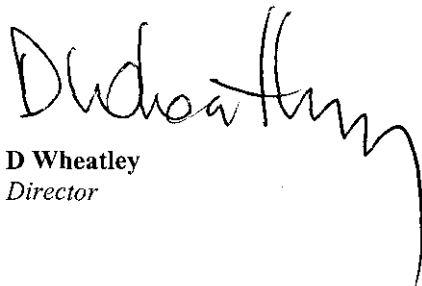
The notes on pages 7 to 12 form part of these financial statements.

Balance sheet
at 31 October 2005

	<i>Note</i>	2005 £	2004 £
Fixed assets			
Tangible assets	6	659,354	702,754
Current assets			
Debtors	7	2,411,324	21,328,369
Cash at bank and in hand		-	2,350
		2,411,324	21,330,719
Creditors:			
Amounts falling due within one year	8	(3,046,595)	(21,969,384)
Net current liabilities		(635,271)	(638,665)
Total assets less current liabilities		24,083	64,089
Provisions for liabilities and charges	9	(24,040)	(28,629)
Net assets		43	35,460
Capital and reserves			
Called up share capital	10	2	2
Profit and loss account	11	41	35,458
Equity shareholders' funds		43	35,460

The notes on pages 7 to 12 form part of these financial statements.

These financial statements were approved by the board of directors on 24 April 2006 and were signed on its behalf by:


D Wheatley
 Director

Reconciliation of movements in shareholders' funds
for the year ended 31 October 2005

	2005 £	2004 £
(Loss)/profit for the financial year	(35,417)	75,985
Net (reduction)/increase in shareholders' funds	(35,417)	75,985
Opening shareholders' funds	35,460	(40,525)
Closing shareholders' funds	43	35,460

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.

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	5 years straight line
Furniture and equipment	8 years 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 Group operates a defined contribution pension scheme and charges are made to the Company for staff employed. Pension liabilities are charged to the profit and loss account as they fall due.

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 15).

Notes *(continued)*

2 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated:	2005	2004
	£	£
<i>After charging:</i>		
Depreciation	207,127	187,884
Hire of other assets – rentals payable under operating leases	323,228	154,852
<i>after crediting:</i>		
Interest receivable	(82)	-

All audit fees are borne by other group companies.

3 Interest payable and similar charges

	2005	2004
	£	£
Bank overdraft interest	-	9,232

4 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	
	2005	2004
Management and administration	93	260

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£	£
Wages and salaries	4,974,594	5,140,632
Social security costs	304,844	527,781
Other pension costs (note 13)	178,778	236,132
	5,458,216	5,904,545

Remuneration in respect of directors is borne by another Group Company.

Notes (continued)

5 Taxation

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

	2005 £	2004 £
Tax on (loss)/profit on ordinary activities:		
(i) Analysis of charge/(credit) in the year		
Current tax:		
UK corporation tax on (loss)/profit for the year	(5,466)	13,495
Adjustment in respect of previous years:		
- Permanent	10,014	(38,436)
Total current tax	4,548	(24,941)
Deferred tax:		
Origination and reversal of timing differences:		
- Current year UK	(4,589)	(10,517)
Total deferred tax (see note 9)	(4,589)	(10,517)
Tax (credit) on (loss)/profit on ordinary activities	(41)	(35,458)

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

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

	2005 £	2004 £
(Loss)/profit on ordinary activities before tax	(35,458)	40,527
(Loss)/profit on ordinary activities at the standard rate of UK corporation tax of 30% (2004: 30%)	(10,637)	12,158
Effects of:		
- Expenses not deductible for tax purposes	582	11,854
- Capital allowances for the period in excess of depreciation	4,589	(10,517)
- Adjustment to tax in respect of previous years	10,014	(38,436)
Current tax charge/(credit) for the year	4,548	(24,941)

Notes (Continued)

6 Tangible fixed assets

	Short leasehold property £	Computers Furniture and equipment £	Total £
Cost			
As at 1 November 2004	15,980	912,862	928,842
Additions	-	171,893	171,893
Disposals	-	(13,236)	(13,236)
As at 31 October 2005	15,980	1,071,519	1,087,499
Depreciation			
As at 1 November 2004	1,223	224,865	226,088
Charge for year	1,401	205,726	207,127
Disposals	-	(5,070)	(5,070)
As at 31 October 2005	2,624	425,521	428,145
Net book value			
As at 31 October 2005	13,356	645,998	659,354
As at 31 October 2004	14,757	687,997	702,754

7 Debtors

	2005 £	2004 £
Trade debtors	615,945	1,228,649
Amounts owed by group undertakings	1,110,288	19,832,382
Group relief	20,393	24,941
Other debtors	13,164	23,195
Prepayments and accrued income	581,225	219,202
Taxation and social security	70,309	-
	2,411,324	21,328,369

All debtors fall due within one year

Notes (Continued)

8 Creditors: Amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	902,430	-
Amounts owed to group companies	472,072	19,994,015
Accruals and deferred income	1,672,093	1,975,369
	<u>3,046,595</u>	<u>21,969,384</u>

9 Provisions for liabilities and charges

	Deferred taxation £
As at 1 November 2004	28,629
Utilised in the year	(4,589)
As at 31 October 2005	<u>24,040</u>

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

	Amounts provided 2005 £	2004 £
Accelerated capital allowances	<u>24,040</u>	<u>28,629</u>

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

10 Called up share capital

	2005 £	2004 £
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

Notes (continued)

11 Reserves

	Profit and loss account £
At 1 November 2004	35,458
Retained loss for the year	(35,417)
At 31 October 2005	41

12 Commitments

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

	Land and buildings 2005 £	Land and buildings 2004 £
Operating leases which expire:		
Over five years	375,228	165,000

13 Pension scheme

The Company participates in the First Choice Holidays PLC defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the fund and amounted to £178,778 (2004: £236,132). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

14 Related party transactions

The Company has taken advantage of the exemption contained in FRS 8. It has therefore not disclosed transactions or balances with entries, which form part of the Group.

15 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.