

First Choice Retail (Management Services) Limited

**Directors' report and financial
statements**

Registered Number 3657755

Year ended 31 October 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2001.

Principal activities

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

Business review

The result for the year is shown in the profit and loss account on page 6.

Proposed dividend

The directors do not recommend the payment of a dividend (2000: Nil).

Directors and directors' interests

The directors at the date of this report were:

A D Martin (appointed 28 September 2001)
 H D Thomas (appointed 31 January 2002)
 J Wimbleton (appointed 21 September 2001)

Other directors who served in the period were as follows:

M Gifford (resigned 31 January 2002)
 D Howell (resigned 3 May 2001)
 G Reilly (resigned 31 March 2001)
 P D K Shanks (resigned 30 September 2001)

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

As at 31 October 2001 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				Restricted Shares			
	31 Oct 2001	31 Oct 2000*	31 Oct 2000*	Granted	Exercised	31 Oct 2001	31 Oct 2000*	Granted	Exercised	31 Oct 2001
M Gifford	37,639	19,387	-	-	-	-	50,723	50,000	(30,421)	70,302
J Wimbleton	34,811	81,743	6,601	-	-	6,601	314,678	-	(8,112)	306,566

*or at date of appointment

The interests of A D Martin are disclosed in the accounts of the ultimate parent undertaking, First Choice Holidays PLC.

Directors' report *(continued)*

	Number of shares	Date first exercisable
M Gifford		
Restricted Share Plan	4,495	6 October 2001
	15,807	15 December 2002
	50,000	12 December 2003
J Wimbledon		
Restricted Share Plan	5,780	6 October 2001
	26,108	16 December 2001
	152,727	15 December 2002
	121,951	12 December 2003
Savings Related Share Options Scheme	3,724	1 October 2001
	2,877	1 October 2003

The following exercises took place during the year under the restricted share plan:

	Number of options exercised	Date option exercised
M Gifford	17,119	3 January 2001
	6,992	2 July 2001
	6,310	19 October 2001
J Wimbledon	8,112	19 October 2001

For full details of the above schemes, reference should be made to the Annual Report and Accounts of First Choice Holidays PLC.

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.

Directors' report *(continued)*

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.

Introduction of the Euro

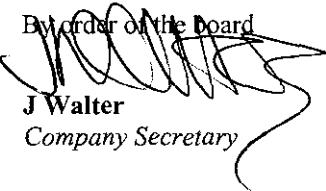
The Company has made preparations to trade and operate in the Euro and this has been achieved without significant additional costs being incurred.

The Board consider that the Company is prepared for the introduction of the Euro and that no operational difficulties will arise from the currency's implementation.

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: 26 April 2002

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 6 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, 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 2001 and of its result for the year then ended have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

26 APRIL 2002

Profit and loss account
for the year ended 31 October 2001

	<i>Note</i>	2001 £000	2000 £000
Turnover	2	7,841	6,191
Cost of sales	2	(7,854)	(6,191)
		<hr/>	<hr/>
Operating Loss		(13)	-
Interest receivable and similar income	3	31	-
Interest payable and similar charges	4	(18)	-
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		-	-
Taxation		-	-
		<hr/>	<hr/>
Result for the financial year		-	-
		<hr/>	<hr/>

Balance sheet
at 31 October 2001

	<i>Note</i>	2001 £	2000 £
Current assets			
Debtors	7	5,724,268	2
Creditors:			
Amounts falling due within one year.	8	(5,724,266)	-
Net assets		<u>2</u>	<u>2</u>
Capital and reserves			
Called up share capital	9	2	2
Profit and loss account		-	-
Equity shareholders' funds		<u>2</u>	<u>2</u>

These financial statements were approved by the board of directors on 26 April 2002 and were signed on its behalf by:



Hywel Thomas
Director

Statement of total recognised gains and losses
for the year to 31 October 2001

	2001 £	2000 £
Result for the financial year	-	-
Total recognised gains and losses relating to the financial year	-	-

Reconciliation of movements in shareholders' funds
for the year to 31 October 2001

	2001 £	2000 £
Opening Shareholders Funds	2	2
Result for the financial year	-	-
Closing shareholders' funds	2	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.

The following accounting policies have been consistently applied in dealing with items considered material in relation to the accounts. The Company has adopted during the year, to the extent set out below, the requirements of the following new Financial Reporting Standards (FRS):

FRS 18: Accounting policies – The Company complies with this Standard which gives guidance relating to the selection, application and disclosure of accounting policies applied in the financial statements. The adoption of FRS 18 has had no material impact on the Company's accounts.

FRS 19: Deferred tax – The Company has fully adopted the Standard, which requires full rather than partial provision for deferred tax liabilities. This has resulted in a change in accounting policy for the Company. However, in prior periods, the Company has had no unprovided deferred tax timing differences and hence the new policy has not required a prior period adjustment. The additional disclosure requirements of FRS 19 are included in the notes to the accounts

Leases

Operating lease rentals are charged 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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the Company's principal activity.

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 13).

Notes *(continued)*

2 Turnover and profit on ordinary activities before taxation

	2001 £000	2000 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	-	-
Other services - fees paid to the auditor and its associates	-	-
Operating leases - property	113	56
	<u>113</u>	<u>56</u>

All audit fees are borne by other group companies.

3 Interest receivable and similar income

	2001 £000	2000 £000
Bank interest receivable	23	-
Other interest receivable	8	-
	<u>31</u>	<u>-</u>

4 Interest Payable and similar charges

	2001 £000	2000 £000
On bank loans, overdrafts and other loans	18	-
	<u>18</u>	<u>-</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	
	2001	2000
Management and Administration	132	113

Notes *(continued)*

5 Directors and employees *(continued)*

The aggregate payroll costs of these persons were as follows:

	2001 £000	2000 £000
Wages and salaries	2,673	2,020
Social security costs	257	196
Other pension costs (note 11)	129	74
	<u>3,059</u>	<u>2,290</u>

Remuneration in respect of directors was as follows:

	2001 £000	2000 £000
Emoluments	291	342
Pension contributions to money purchase pension schemes	52	43
	<u>343</u>	<u>385</u>

During the year 2 directors (2000: 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:

	2001 £000	2000 £000
Emoluments	179	254
Pension contributions to money purchase pension schemes	36	32
	<u>215</u>	<u>286</u>

6 Taxation

No taxation charges arise during the year (2000 - £nil).

7 Debtors

	2001 £	2000 £
Amounts owed by group undertakings	5,724,268	2

Notes (continued)

8 Creditors: Amounts falling due within one year.

	2001 £	2000 £
Amounts owed to group undertakings	5,724,266	-

9 Called up share capital

	2001 £	2000 £
<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 Commitments

- (a) There were no capital commitments at the end of the financial year.
- (b) Annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings 2001 £000	Land and Buildings 2000 £000
Operating leases which expire:		
Over five years	138	66

11 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 £129,200 (2000: £73,724). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

12 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.

Notes *(continued)*

13 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.