

First Choice Retail (Management Services) Limited

**Directors' report and financial
statements**

Registered Number 3657755

Year ended 31 October 2004



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2004.

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 profit for the year transferred to reserves is £75,985 (2003 Loss: £39,146). The directors do not recommend the payment of a dividend (2003: 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 2004 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 2004	31 Oct 2003	Granted	Exercised
D Wheatley	*1,158	-	21,183	17,222
J Wimbleton	36,161	35,002	305,396	161,022

* shares held under the share incentive plan.

Employee policy

High levels of employee involvement, performance and protection are fundamental to our progress as a company. To this end we focus on high impact initiatives.

A. Equal opportunities

We strive to ensure equality of treatment in recruitment, employment, training and career development for all our current or potential employees. This commitment is underpinned by robust internal and external selection and training processes which are designed to identify and develop talent which reflects the needs of our businesses, customers and the diverse cultures within which we operate. Working arrangements, which support these objectives, include flexible working/job shares, work/life balance policies and apprenticeship programmes.

B. Career opportunities

As a business with seasonal employment needs, we have a range of activities which are designed to retain talent and which have been developed through industry experience and training investment. Internal placement and training support enables our best front-line staff to have the opportunity to move between retail, overseas representation and airline cabin crew in line with seasonal demands. Additionally, systematic organisation and management reviews are regularly conducted across the Group enabling us to identify changing organisational needs and resultant career opportunities.

Directors' report *(continued)*

C. Communication and participation

The involvement of all employees in the affairs of the company continues to be encouraged by a combination of formal and informal programmes.

Regular 'Work in Partnership' meetings take place led by senior management throughout the businesses in addition to meetings with recognised trade unions in certain parts of the Group. This year, the UK staff attitude survey has been made available on the Group's intranet to provide even higher levels of response. The results continue to give us essential information to adapt and change our policies and practices.

Reward strategy is increasingly focused on areas of variable pay in order to both drive performance and also to directly reward individual contribution. This is an area where we intend to increase our efforts as we develop the ability to measure the input and results of individuals and teams. This year the introduction of an all-employee Share Incentive Plan in the UK was well subscribed and, accordingly, a growing proportion of our workforce are acquiring an interest in the shares of the ultimate parent company, First Choice Holidays PLC.

D. Training and development

Over the past year our front-line teams training investment has grown and been expanded to reach all material customer interface points in terms of both service and sales. All of this staff training is in-sourced using our own intimate knowledge of the business. Our management development work combines diagnostics with individual development plans supported by both Group and bespoke training. The development team also supports managers in areas such as objective setting and performance management. These activities contribute directly to a workforce which is differentiated from our competitors by its level of skill, performance, potential and motivation.

E. Policy and practice on payment of creditors

F. 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 (2003: 32 days).

G. 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.

H. 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: 23 August 2005

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 2004 and of its profit for the year then ended have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

23 August 2005

Profit and loss account
for the year ended 31 October 2004

	<i>Note</i>	2004 £	2003 £
Turnover	<i>1</i>	20,390,311	18,470,055
Net operating costs	<i>1</i>	(20,273,033)	(18,449,239)
Gross profit and operating profit		117,278	20,816
Interest payable and similar charges	<i>3</i>	(9,232)	(20,816)
Loss on disposal of fixed assets		(67,519)	-
Profit/(loss) on ordinary activities before taxation	<i>2</i>	40,527	-
Taxation credit/(charge)	<i>5</i>	35,458	(39,146)
Retained profit/(loss) for the year	<i>11</i>	75,985	(39,146)

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 13 form part of these financial statements.

Balance sheet
at 31 October 2004

	<i>Note</i>	2004 £	2003 £
Fixed assets			
Tangible assets	6	702,754	667,072
Current assets			
Debtors	7	21,328,369	11,647,089
Cash at bank and in hand		2,350	-
		<u>21,330,719</u>	<u>11,647,089</u>
Creditors:			
Amounts falling due within one year	8	(21,969,384)	(12,315,540)
Net current liabilities		<u>(638,665)</u>	<u>(668,451)</u>
Total assets less current liabilities		<u>64,089</u>	<u>(1,379)</u>
Provisions for liabilities and charges	9	(28,629)	(39,146)
Net assets/(liabilities)		<u><u>35,460</u></u>	<u><u>(40,525)</u></u>
Capital and reserves			
Called up share capital	10	2	2
Profit and loss account	11	35,458	(40,527)
Equity shareholders' funds/(deficit)		<u><u>35,460</u></u>	<u><u>(40,525)</u></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 23 August 2005 and were signed on its behalf by:


J Wimbleton
 Director

Reconciliation of movements in shareholders' funds
for the year ended 31 October 2004

	2004 £	2003 £
Profit/(loss) for the financial year	75,985	(39,146)
Net increase/(reduction) in shareholders' funds	75,985	(39,146)
Opening shareholders' funds	(40,525)	(1,379)
Closing shareholders' funds/(deficit)	35,460	(40,525)

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, 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 15).

2 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated:	2004	2003
	£	£
<i>After charging:</i>		
Depreciation	187,884	48,375
Hire of other assets – rentals payable under operating leases	154,852	296,717
	<u> </u>	<u> </u>

All audit fees are borne by other group companies.

3 Interest payable and similar charges

	2004	2003
	£	£
Bank overdraft interest	9,232	20,816
	<u> </u>	<u> </u>

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	
	2004	2003
Management and administration	260	246
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£	£
Wages and salaries	5,140,632	4,916,936
Social security costs	527,781	452,534
Other pension costs (note 14)	236,132	212,249
	<u> </u>	<u> </u>
	5,904,545	5,581,719
	<u> </u>	<u> </u>

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

Notes (continued)

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 in the year		
Current tax:		
UK corporation tax on profits for the year	13,495	-
Adjustment in respect of previous periods:		
- Permanent	(38,436)	-
	<hr/>	<hr/>
Total current tax	(24,941)	-
	<hr/>	<hr/>
Deferred tax:		
Origination and reversal of timing differences:		
- Current year UK	(10,517)	39,146
	<hr/>	<hr/>
Total deferred tax (see note 10)	(10,517)	39,146
	<hr/>	<hr/>
Tax on loss on ordinary activities	(35,458)	39,146
	<hr/>	<hr/>

(ii) Factors affecting tax credit for the year

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

	2004 £	2003 £
Profit on ordinary activities before tax	40,527	-
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of UK corporation tax of 30% (2003: 30%)	12,158	-
Effects of:		
- Expenses/(income) not deductible/(chargeable) for tax purposes	11,854	(39,146)
- Capital allowances for the period in excess of depreciation	(10,517)	39,146
- Adjustment to tax in respect of previous periods	(38,436)	-
	<hr/>	<hr/>
Current tax charge for the year	(24,941)	-
	<hr/>	<hr/>

Notes (Continued)

6 Tangible Fixed Assets

	Short Leasehold property £	Computers Furniture & equipment £	Total £
Cost or valuation			
As at 1 November 2003	32,543	682,904	715,447
Additions	16,956	258,354	275,310
Disposals	(33,519)	(28,396)	(61,915)
	<hr/>	<hr/>	<hr/>
As at 31 October 2004	15,980	912,862	928,842
	<hr/>	<hr/>	<hr/>
Depreciation			
As at 1 November 2003	1,060	47,315	48,375
Charge for year	3,575	184,269	187,844
Disposals	(3,412)	(6,719)	(10,131)
	<hr/>	<hr/>	<hr/>
As at 31 October 2004	1,223	224,865	226,088
	<hr/>	<hr/>	<hr/>
Net book value			
As at 31 October 2004	14,757	687,997	702,754
	<hr/>	<hr/>	<hr/>
As at 31 October 2003	31,483	635,589	667,072
	<hr/>	<hr/>	<hr/>

7 Debtors

	2004 £	2003 £
Trade Debtors	1,228,649	-
Amounts owed by group undertakings	19,832,382	11,447,630
Group relief	24,941	-
Other debtors	23,195	1,908
Prepayments and accrued income	219,202	197,551
	<hr/>	<hr/>
	21,328,369	11,647,089
	<hr/>	<hr/>

All debtors fall due within one year

Notes (Continued)

8 Creditors: Amounts falling due within one year

	2004 £	2003 £
Amounts owed to group companies	19,994,015	11,664,451
Accruals and deferred income	1,975,369	651,089
	<u>21,969,384</u>	<u>12,315,540</u>

9 Provisions for liabilities and charges

	Deferred taxation £
As at 1 November 2003	39,146
Provided in the year	(10,517)
As at 31 October 2004	<u>28,629</u>

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

	Amounts provided 2004 £	2003 £
Accelerated capital allowances	<u>28,629</u>	<u>39,146</u>

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

10 Called up share capital

	2004 £	2003 £
<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 2003	(40,527)
Retained profit for the year	75,985
	<hr/>
At 31 October 2004	35,458
	<hr/>

12 Commitments

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

	Land and buildings 2004 £	Land and Buildings 2003 £
Operating leases which expire:		
Over five years	165,000	138,000
	<hr/>	<hr/>

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 £236,132 (2003: £212,249). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

14 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.

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.