

# **MARAHEATH LIMITED**

## **Directors' Report and Financial Statements**

**For the year ended 31 October 2006**

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**Company Number 4002549**

## **MARAHEATH LIMITED**

### **DIRECTORS' REPORT for the year ended 31 October 2006**

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The Directors present their annual report and the audited financial statements of Maraheath Limited for the year ended 31 October 2006

#### **PRINCIPAL ACTIVITY**

The Company is the holding company of Citalia Holidays Limited and owns its entire issued share capital

#### **RESULTS AND DIVIDENDS**

The profit on ordinary activities before tax for the period was £121 (2005 £8,000,337) No income was received during the year from subsidiary undertakings The directors do not recommend the payment of a dividend (2005 £8,500,000)

#### **BUSINESS REVIEW**

The Company's principal investment is held in Citalia Holidays Limited, a tour operator which forms an integral part of the Specialist holiday business of First Choice Holidays PLC The Company's business performance, risks and uncertainties and key performance indicators are therefore wholly driven by the underlying operating performance of Citalia Holidays Limited

Details of the principal risks, uncertainties, key performance indicators and business performance of Citalia Holidays Limited are given in its financial statements for the year ended 31 October 2006, which can be obtained from the address given in note 11

#### **DIRECTORS AND THEIR INTERESTS**

The Directors of the Company at the date of this report are

D Blastland

A L John (appointed 22 November 2005)

None of the directors had any beneficial interest in the shares of the Company or any subsidiary undertaking at any time during the period

As at 31 October 2006 the interests of the directors in the share capita of First Choice Holidays Plc, the ultimate parent company, were as follows

	Ordinary shares		*Share Awards	
	31 October 2006	31 October 2005	Granted 2006	Exercised 2006
A L John	<b>**66,729</b>	<b>**61,464</b>	243,110	-

\*Includes shares awarded under the Performance Share Plan and Deferred Annual Bonus Scheme

\*\*Includes shares purchased under the Share Incentive Plan

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

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

The directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

## **MARAHEATH LIMITED**

### **DIRECTORS' REPORT (Continued) for the year ended 31 October 2006**

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#### **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

#### **POLICY AND PRACTICE ON PAYMENT OF SUPPLIERS**


It is the Company's policy wherever possible to agree terms of payment with suppliers in advance to ensure that suppliers are made aware of the terms of payment and both parties abide by those terms

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. The Company has not calculated the average creditor settlement period as, due to the differing terms in force, any such average would be meaningless

#### **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



Andrew John  
Director

Dated 17 August 2007

## **MARAHEATH LIMITED**

### **Statement of Directors' Responsibilities in respect of the Directors' report and the financial statements**

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The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

## **MARAHEATH LIMITED**

### **Independent auditor's report to the members of Maraheath Limited**

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We have audited the financial statements of Maraheath Limited for the year ended 31 October 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, 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 other transactions is not disclosed. We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2006 and of its profit for the year then ended, the financial statements have been properly prepared in accordance with the Companies Act 1985, and the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit PLC

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
8 Salisbury Square, London, EC4Y 8BB

22 August 2007

**MARAHEATH LIMITED**

**PROFIT AND LOSS ACCOUNT**

**For the year ended 31 October 2006**

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	<i>Notes</i>	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
Income receivable from subsidiary undertakings		-	8,000,000
Interest receivable	4	<u>121</u>	<u>337</u>
<b>Profit on ordinary activities before taxation</b>		<b>121</b>	<b>8,000,337</b>
Taxation on profit on ordinary activities	5	<u>(36)</u>	<u>(101)</u>
<b>Profit for the financial year</b>	9	<u><b>85</b></u>	<u><b>8,000,236</b></u>

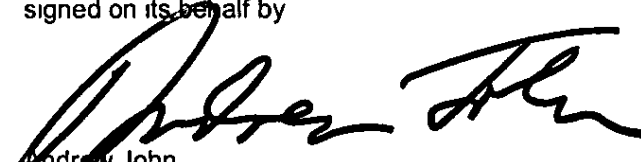
There were no recognised gains or losses other than the profit for the financial year

All results relate to continuing operations

**MARAHEATH LIMITED****BALANCE SHEET**  
**At 31 October 2006**

		2006	2005
	Notes	£	£
<b>FIXED ASSETS</b>			
Investments	6	<u>20,500,000</u>	<u>20,500,000</u>
<b>CURRENT ASSETS</b>			
Cash at bank		<u>-</u>	<u>27,162</u>
<b>CREDITORS</b> Amounts falling due within one year	7	<u>(4,073,358)</u>	<u>(4,100,605)</u>
Net current liabilities		<u>(4,073,358)</u>	<u>(4,073,443)</u>
<b>NET ASSETS</b>		<u>16,426,642</u>	<u>16,426,557</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	100,000	100,000
Share premium	9	16,225,000	16,225,000
Profit and loss account	9	<u>101,642</u>	<u>101,557</u>
<b>Equity shareholders' funds</b>		<u>16,426,642</u>	<u>16,426,557</u>

These financial statements were approved by the board of directors on 17 August 2007 and were signed on its behalf by



Andrew John  
Director

Handwritten signature or scribble.



## **MARAHEATH LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 October 2006**

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#### **1 ACCOUNTING POLICIES**

##### **Basis of preparation**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

##### **Going concern**

At 31 October 2006 the Company had net current liabilities. The directors of the parent company, First Choice Holidays PLC have confirmed their intention to make continued financial support available to enable the company to meet liabilities as they fall due. As a result the financial statements have been prepared on a going concern basis.

##### **New Financial Reporting Standards**

In these financial statements, the following Financial Reporting Standards have been adopted for the first time:

##### **FRS 21 Events after the balance sheet date**

Under previous UK GAAP, dividends proposed after the balance sheet date but before the financial statements were approved, were recorded as liabilities in the financial statements. During the year, the Company has adopted FRS 21. This requires dividends to be recorded as liabilities in the financial statements only in the period in which they are approved for payment and are no longer at the discretion of the Company. As no dividends were proposed at 31 October 2005 and 31 October 2004, this change in accounting policy has not impacted these financial statements.

##### **FRS 25 Financial instruments – presentation and disclosure**

The presentation requirements of FRS 25 are applicable within these financial statements but have not impacted these financial statements in the current or prior year.

##### **FRS 28 Corresponding amounts**

This has no effect because it comprises the same requirements for comparative information as previously required by the Companies Act 1985.

##### **Accounting convention**

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

##### **Group financial statements**

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

##### **Cash flow statement**

The Company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of First Choice Holidays PLC and its cash flows are included within the consolidated cash flow statement of the group.

## **MARAHEATH LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 October 2006**

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#### **1 ACCOUNTING POLICIES (Continued)**

##### **Investments**

Investments are stated at cost, less provision for permanent diminution in value. Dividends are credited to the profit and loss account when receivable.

##### **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.

#### **2 AUDITORS**

In 2006 and 2005, auditors' remuneration was borne by another Group company. The audit fee relating to the company was as follows:

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Fees for the audit of the company	<u><b>3,000</b></u>	<u><b>3,000</b></u>

Fees paid to the Company's auditors, KPMG Audit Plc, and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements. This is on the basis that such non-audit fees are disclosed in the consolidated accounts of the company's ultimate parent, First Choice Holidays PLC.

#### **3 DIRECTORS AND EMPLOYEES**

The Company had no employees during the year (2005: £nil).

The directors received no remuneration during the year from the Company (2005: £nil).

The Company draws on the employee resources of Citalia Holidays Limited. A management charge is made by Citalia Holidays Limited to cover the Company's share of staff and other operating costs.

#### **4 INTEREST RECEIVABLE**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Bank interest received	<u><b>121</b></u>	<u><b>337</b></u>

**MARAHEATH LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 October 2006****5 TAXATION**

The tax charge in the 31 October 2006 accounts can be summarised as follows

**(i) Analysis of charge in year**

	2006 £	2005 £
Current tax		
UK corporation tax on profits of	36	101
Total current tax	<u>36</u>	<u>101</u>

There is no deferred tax charge/credit during the year (2005 £nil)

**(ii) Factors affecting tax charge for year**

The tax charge for the current year is equal to the standard rate of corporation tax in the UK of 30% (2005 30%) In the prior year the tax charge was lower than the profit for the year at the standard rate of UK corporation tax

	2006 £	2005 £
Profit on ordinary activities before tax	<u>121</u>	<u>8,000,337</u>
Profit on ordinary activities at the standard rate of UK corporation tax of 30% (2005 30%)	36	2,400,101
Effect of Non-taxable income (dividends received)	-	(2,400,000)
Current tax charge for year	<u>36</u>	<u>101</u>

The company has no unprovided deferred tax liabilities or unrecognised deferred tax assets

**(iii) Factors affecting the future tax charge**

The future tax rate is expected to follow the UK statutory rate of corporation tax, excluding the effect of non-taxable income arising from dividend income The UK statutory rate of corporation tax will reduce to 28% from 1 April 2008

**MARAHEATH LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 October 2006****6 INVESTMENTS**

	Investment in subsidiary £
<b>Cost and net book value</b>	
As at 1 November 2005 and 31 October 2006	<u>20,500,000</u>

Principal operating subsidiary	% held	Nature of business	Country of registration/ incorporation
Citalia Holidays Limited	100	Tour operator	England & Wales

**7 CREDITORS: amounts falling due within one year**

	2006 £	2005 £
Amounts owed to subsidiary undertaking	3,822,859	3,850,142
Taxation - Group relief payable	499	463
Amounts owed to parent undertaking	<u>250,000</u>	<u>250,000</u>
	<u>4,073,358</u>	<u>4,100,605</u>

**8 SHARE CAPITAL**

	2006 £	2005 £
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Authorised and fully paid</b>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

**MARAHEATH LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 October 2006****9 EQUITY SHAREHOLDERS' FUNDS**

	Share Capital	Share Premium	Profit and loss account	2006 Total	2005 Total
	£	£	£	£	£
At 1 November 2005	100,000	16,225,000	101,557	<b>16,426,557</b>	16,426,321
Profit for the year	-	-	85	<b>85</b>	8,000,236
Dividends paid	-	-	-	-	(8,000,000)
<b>At 31 October 2006</b>	<b>100,000</b>	<b>16,225,000</b>	<b>101,642</b>	<b>16,426,642</b>	<b>16,426,557</b>

**10 RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption contained in Financial Reporting Standard No 8 "Related Party Disclosure" as it is a wholly owned subsidiary of First Choice Holidays PLC. Therefore the Company has not disclosed transactions or balances with entities which form part of the Group headed by First Choice Holidays PLC.

**11 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 Maraheath 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.