

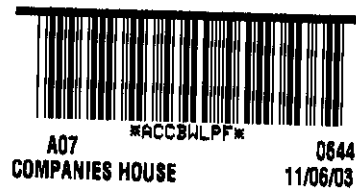
Sunsail Limited

Report and Financial Statements

Year Ended

31 October 2002

Company Registration Number 1239190



SUNSAIL LIMITED

Annual report and financial statements for the year ended 31 October 2002

Contents

Directors and Company information

Page

1 - 2	Report of the directors
3	Statement of directors' responsibilities
4	Report of the auditors
5	Profit and loss account
6	Balance sheet
7 - 13	Notes forming part of the financial statements

Directors

C R C Gordon
R J H Green
A G D Howard
M R West

Company Secretary and registered office

J Walter
Sunsail Limited, The Port House, Port Solent, Portsmouth, Hampshire, PO6 4TH

Company number

1239190

Auditors

KPMG Audit Plc, 8 Salisbury Square, London, EC4Y 8BB

SUNSAIL LIMITED

Report of the directors for the year ended 31 October 2002

The directors present their report together with the audited financial statements for the year ended 31 October 2002.

Activities and results

The profit on ordinary activities after taxation amounted to £2,026,000 (2001 - £1,853,000).

The directors do not recommend the payment of a dividend (2001 - £Nil).

Principal activities, trading review and future developments

The Company is principally engaged in promoting and providing sailing and club holidays. The Company is expanding its club programme and yachting destinations and the directors anticipate a growth of both turnover and pre-tax profitability.

Directors and their interests

The directors at the date of this report are:

C R C Gordon
R J H Green
A G D Howard
M R West

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

As at 31 October 2002, the interests of the Directors in the ordinary share capital of the ultimate parent Company, First Choice Holidays PLC, were as follows:

	Ordinary Shares	
	31 October 2002	31 October 2001
C R C Gordon	2,231,605	474,268
R J H Green	209,359	1,042,204
A G D Howard	108,387	108,387
M R West	5,770	5,770

SUNSAIL LIMITED

Report of the directors for the year ended 31 October 2002 (continued)

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 businesses.

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.

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. At the year end the Company's average creditor payment days was 37 (2001– 23).

Director's 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

In accordance with Section 384 of the Companies Act 1985, our resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



R J H Green
Director

Dated 24 April 2003

SUNSAIL LIMITED

Statement of directors' responsibilities

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 of the Company 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 departure 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 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SUNSAIL LIMITED

Report of the auditors

Report of the independent auditors to the members of Sunsail 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 auditor

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 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 2002 and of its profit 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

London

Dated 25/4/2003

SUNSAIL LIMITED**Profit and loss account for the year ended 31 October 2002**

	Note*	2002 £'000	2001 £'000
Turnover	2	42,587	42,602
Cost of sales		(34,780)	(34,923)
		<hr/>	<hr/>
Gross profit		7,807	7,679
Distribution costs		(1,289)	(1,516)
Administrative expenses		(3,305)	(2,464)
		<hr/>	<hr/>
Operating profit		3,213	3,699
Interest payable and similar charges	6	(434)	(679)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	2,779	3,020
Tax on profit on ordinary activities	7	(753)	(1,167)
		<hr/>	<hr/>
Retained profit for the financial year	15	2,026	1,853
		<hr/>	<hr/>

The historical cost profits and losses of the company are the same as its reported results.

The results stated above are all derived from continuing operations.

There are no recognised gains and losses other than those included in the profit and loss account.

* The notes on pages 7 to 13 form part of these financial statements

SUNSAIL LIMITED

Balance sheet at 31 October 2002

	Note*	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	8	2,801	3,079
Current assets			
Stocks	10	219	225
Debtors	11	73,688	47,489
Cash at bank and in hand		-	4
		<u>73,907</u>	<u>47,718</u>
Creditors: amounts falling due within one year	12	(65,729)	(41,798)
Net current assets		<u>8,178</u>	<u>5,920</u>
Total assets less current liabilities		<u>10,979</u>	<u>8,999</u>
Provision for liabilities and charges	13	(169)	(215)
Net assets		<u>10,810</u>	<u>8,784</u>
Capital and reserves			
Called up share capital	14	66	66
Profit and loss account	15	10,744	8,718
Shareholders' funds - equity	16	<u>10,810</u>	<u>8,784</u>

The financial statements were approved by the Board on 24 April 2003



.....
R J H Green
 Director

* The notes on pages 7 to 13 form part of these financial statements

SUNSAIL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2002

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Tangible fixed assets

Depreciation is calculated on a straight-line basis to write off the cost, less estimated residual values, of tangible fixed assets over their estimated useful lives to the business. Estimated useful lives are as follows:

Yacht and dinghy fleet	4 – 15 years
Motor vehicles	4 years
Club leasehold improvements	Over term of lease
Office furniture and equipment	4 – 10 years

Leases

Operating rentals are charged to profit and loss on a straight line basis over the period of the lease.

Stock

Stock is valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value is based on estimated selling price, less any further costs of realisation.

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.

Client monies received in advance

Client Monies Received at balance sheet date relating to holidays commencing and flights departing after the year-end are included in creditors.

SUNSAIL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2002 (Continued)

1. Accounting policies (Continued)

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling on the balance sheet date. Transactions in foreign currencies are recorded at the exchange rate prevailing in the month in which they arise. Differences arising due to exchange fluctuations have been reflected in the profit and loss account.

2. Turnover

Turnover represents the total amount, excluding value added tax, invoiced by the Company in respect of services provided in the ordinary course of business and arises primarily in the United Kingdom. Revenue is recognised on the date of departure and the related costs of distribution and of providing the holidays and flights are charged to the profit and loss account on the same basis.

3. Profit on ordinary activities before taxation

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation is stated after charging/ (crediting):		
Depreciation on fixed assets	613	637
Profit on disposal of fixed assets	(14)	(24)
Operating lease rentals – yachts	272	527
Operating lease rentals - land and buildings	1,856	1,876
Auditor's remuneration	30	29
	<u> </u>	<u> </u>

4. Staff costs

	2002 £'000	2001 £'000
Staff costs consist of:		
Wages and salaries	3,160	3,160
Social security costs	397	358
Pension costs	15	2
	<u> </u>	<u> </u>
	3,572	3,520
	<u> </u>	<u> </u>
	2002 Number	2001 Number
The average number of employees during the year was:		
Selling and administration	58	54
Operations	206	258
	<u> </u>	<u> </u>
	264	312
	<u> </u>	<u> </u>

SUNSAIL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2002 (Continued)

5. Directors' emoluments

The emoluments of the directors of the company were paid by another group company, Sunsail Worldwide Sailing Limited and are disclosed in that company's financial statements.

6. Interest payable and similar charges

	2002 £'000	2001 £'000
Payable to group company	433	677
Exchange losses	1	2
	<u>434</u>	<u>679</u>

7. Taxation

The tax charge in the 31 October 2002 accounts can be summarised as follows:

	2002 £'000	2001 £'000
Tax on profit on ordinary activities:		
(i) Analysis of charge in year		
Current tax:		
UK corporation tax on profits of the year	833	982
Adjustment in respect of previous periods:		
- Permanent	(22)	185
- Origination of timing differences	(12)	(208)
	<u>799</u>	<u>959</u>
Total current tax	799	959
Deferred tax:		
Origination and reversal of timing differences:		
- Current year UK	(58)	(44)
- Adjustment in respect of previous periods	12	252
	<u>(46)</u>	<u>208</u>
Total deferred tax	(46)	208
Tax on profit on ordinary activities	<u>753</u>	<u>1,167</u>

SUNSAIL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2002 (*Continued*)

7. Taxation (*continued*)

(ii) Factors affecting tax charge for year

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

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	2,779	3,020
Profit on ordinary activities at the standard rate of UK corporation tax of 30% (2001: 30%)	834	906
Effects of:		
- (Income)/expenses not taxable/deductible for tax purposes	(63)	31
- Depreciation for year in excess of capital allowances	62	45
- Adjustment to tax charge in respect of previous periods	(34)	(23)
Current tax charge for year	799	959

8. Tangible assets

	Yacht and dinghy fleet £'000	Motor vehicles £'000	Club leasehold improvement £'000	Office furniture and equipment £'000	Total £'000
<i>Cost</i>					
1 November 2001	4,149	187	2,013	281	6,630
Additions	52	15	250	37	354
Disposals	(28)	(4)	(8)	-	(40)
At 31 October 2002	4,173	198	2,255	318	6,944
<i>Depreciation</i>					
1 November 2001	2,211	142	998	200	3,551
Charge for the year	349	19	214	31	613
Disposals	(14)	(4)	(3)	-	(21)
At 31 October 2002	2,546	157	1,209	231	4,143
<i>Net book value</i>					
At 31 October 2002	1,627	41	1,046	87	2,801
At 31 October 2001	1,938	45	1,015	81	3,079

SUNSAIL LIMITED**Notes forming part of the financial statements for the year ended 31 October 2002 (Continued)****9. Investments**

Subsidiary undertakings are all dormant and therefore have not been listed.

10. Stocks

	2002 £'000	2001 £'000
Raw materials and consumables	219	225

11. Debtors

	2002 £'000	2001 £'000
Trade debtors	56	91
Amounts owed by group undertakings	71,269	45,201
Amounts owed by fellow subsidiaries	271	172
Other debtors	351	351
Prepayments and accrued income	1,741	1,674
	73,688	47,489

12. Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Bank loans and overdrafts	3,302	654
Payments received on account	3,158	2,457
Trade creditors	229	233
Amounts owed to group undertakings	27,437	19,917
Amounts owed to ultimate parent undertaking and fellow subsidiaries	29,471	16,317
Other creditors including taxation and social security	445	476
Accruals and deferred income	1,687	1,744
	65,729	41,798

SUNSAIL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2002 (*Continued*)

13. Provisions for liabilities and charges

	Deferred taxation	
	£'000	
1 November 2001	215	
Credited in the year	(46)	
	<hr/>	
At 31 October 2002	169	
	<hr/> <hr/>	
The net deferred tax provision as at 31 October 2002 is as follows:		
	2002	2001
	£'000	£'000
Accelerated capital allowances	173	232
Other short term timing differences	(4)	(17)
	<hr/>	<hr/>
	169	215

There is no unprovided deferred taxation at either 31 October 2002 or 31 October 2001.

14. Share capital

	2002		2001	
	Number	Nominal value £'000	Number	Nominal value £'000
<i>Authorised</i>				
Ordinary shares of 5p each	1,600,000	80	1,600,000	80
		<hr/>		<hr/>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 5p each	1,327,956	66	1,327,956	66
		<hr/>		<hr/>

15. Reserves

	Profit and loss account £'000
At 1 November 2001	8,718
Profit for the year	2,026
	<hr/>
At 31 October 2002	10,744
	<hr/>

SUNSAIL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2002 (Continued)

16. Reconciliation of movement in shareholders' funds

	2002 £'000	2001 £'000
Profit for the financial year	2,026	1,853
Net addition to shareholders' funds	2,026	1,853
Opening shareholders' funds	8,784	6,931
Closing shareholders' funds	10,810	8,784

All shareholders' funds relate to equity interests.

17. Capital and other commitments

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

	Land and buildings	
	2002 £'000	2001 £'000
Operating leases expiring:		
Within one year	435	135
Between two and five years	1,173	1,355
More than five years	810	385
	2,418	1,875

At the balance sheet date, there was £Nil (2001 - £Nil) capital expenditure contracted but not provided for.

18. Related party transactions

No disclosure has been made of transactions with group undertakings as advantage has been taken of the exemption within FRS 8 "Related party disclosure", as the Company is a wholly owned subsidiary of First Choice Holidays PLC. Therefore the Company has not disclosed transactions or balances with entities that form part of the group headed by First Choice Holidays PLC.

19. 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 Sunsail 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.