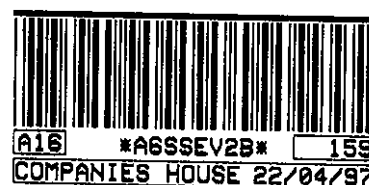


SKI BOUND LIMITED

ACCOUNTS - 31 OCTOBER 1996

**together with directors'
and auditors' reports**

Registered Number : 1873956



REPORT OF THE DIRECTORS

The directors presents their report together with financial statements for the period ended 31 October 1996.

PRINCIPAL ACTIVITY

The principal activity of the company is that of a tour operator.

RESULTS AND DIVIDENDS

The result for the year is shown on page 6. An interim dividend of £4,308.00 was paid. The directors do not recommend the payment of a final dividend. During the period, intergroup indebtedness of £2,638.00 was forgiven in favour of the company.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors consider the result for the year to be satisfactory and report that the company has again strengthened and expanded its position in the UK winter sports tour operating market.

The overall results of the company for the period ended 31 October are set out on page 6.

DIRECTORS

The directors in office during the year are listed below. They did not have any interests in the shares of the company at 1 May 1996 or at 31 October 1996 as recorded in the register maintained by the company in accordance with the provisions of the Companies Act 1985. The interests of the directors in the shares of the ultimate parent undertaking, First Choice Holidays PLC at 31 October 1996 are as follows:

	<u>First Choice Holidays PLC</u>	
	<u>Ordinary shares</u>	
	At 31 October 1996	At 30 April 1996
PJ Long* (appointed 11 November 1996)	-	-
FSK Baron (appointed 20 September 1996 and resigned 11 November 1996)	-	-
D Gill* (appointed 20 September 1996 and resigned 31 January 1997)	-	-
J Bowden	67,133	57,133
M Bole	-	-
A Lay	-	-
P Lower	-	-
P Couchman	-	-
A Marriner	-	-
C Strube	-	-
LS Moir (appointed 31 January 1997)	-	-

* The share interests of those directors who are also directors of First Choice Holidays PLC are disclosed in that company's accounts.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

SKIBOUND LIMITED**REPORT OF THE DIRECTORS (continued)**

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

POLICY ON THE PAYMENT OF CREDITORS

The Confederation of British Industry has published the CBI Prompt Payers Code of Good Practice. At present the company has no formal policy for payment terms to creditors. The complex seasonal and international nature of the company's business makes it inappropriate to set formal standard payment terms. Consideration is given to the nature of the service provided to the company and the jurisdiction in which the supply is made.

The directors will continue to review the company's performance in this area.

EMPLOYMENT INVOLVEMENT

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

DISABLED EMPLOYEES

Applications for employment by disabled persons are fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

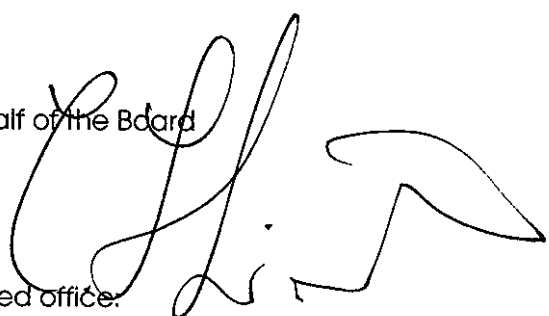
CHARITABLE AND POLITICAL CONTRIBUTIONS

During the period the company made charitable donations of £200.

AUDITORS

Grant Thornton did not seek re-election as auditors and KPMG Audit PLC were appointed to fill the casual vacancy.

On Behalf of the Board



Registered office:
Olivier House
18 Marine Parade
Brighton
BN2 1TL

134 March, 1997



KPMG Audit Plc

1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Report of the auditors to the members of SKIBOUND Limited

We have audited the financial statements on pages 4 to 14.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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 1996 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

14 March 1997

SKIBOUND LIMITED**ACCOUNTING POLICIES**

for the period ended 31 October 1996

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention.

The principle accounting policies of the company are set out below, and are unchanged from the previous year.

GROUP UNDERTAKINGS

The company is exempt from preparing consolidated financial statements under S228 of the Companies Act 1985 as it is part of a larger group, registered in England and Wales, which is preparing consolidated financial statements drawn up to the same date. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Consequently, investments in subsidiaries are recorded at cost less amounts written off. Provisions are made for permanent reductions in value. Only dividends received and receivable are credited to the company's profit and loss account.

GOODWILL

Purchased positive goodwill is written off and negative goodwill credited in full against reserves in the year of acquisition.

TANGIBLE FIXED ASSETS

Tangible fixed assets are shown at original historical cost.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life on the following annual bases:

Fixtures, fittings, equipment and skis	20% reducing balance or 33 1/3% straight line
Motor vehicles	25% reducing balance
Computer equipment	25% reducing balance

CURRENT ASSET INVESTMENTS

Current asset investments are stated at the lower of cost and net realisable value.

BROCHURE AND PROMOTIONAL COSTS

Third party costs incurred in the production of the company's brochures are charged to the profit and loss account in the season in which they relate. Where external costs are incurred relating to future seasons they are carried forward and charged to the profit and loss in the future period in which the related revenue will be receivable, in so far as the directors are satisfied that future revenue will exceed the costs so deferred.

REVENUE INVOICED IN ADVANCE

Amounts invoiced to customers relating to holidays commencing after the year end are deferred and included in "creditors: amounts falling due within one year" as deposits held on behalf of customers

TAXATION

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax has been calculated on the liability method. Deferred tax is provided on timing differences, which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. Unprovided deferred tax is disclosed as a contingent liability.

SKIBOUND LIMITED

ACCOUNTING POLICIES

for the period ended 31 October 1996 (continued)

PENSION COSTS

The company provides pensions to certain senior executives through a defined contribution scheme. Pension contributions payable are charged to the profit and loss account in the year in which they are due and payable.

FOREIGN CURRENCY

Transactions denominated in foreign currencies are recorded at exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as a gain or loss in the profit and loss account.

TURNOVER

Turnover comprises the value of sales (excluding VAT and similar taxes) arising principally from the activity of tour operating and generated in the UK.

LEASES

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

SKIBOUND LIMITED**PROFIT AND LOSS ACCOUNT
for the period ended 31 October 1996**

	Note	Six months ended 31 October 1996 £'000	Year ended 30 April 1996 £'000
Turnover	1	5,022	32,119
Cost of Sales		<u>4,949</u>	<u>27,334</u>
Gross profit		73	4,785
Net operating expenses		(1,050)	(2,598)
Exceptional item	4	<u>2,638</u>	<u>0</u>
Operating profit		1,661	2,187
Dividends Receivable		1,596	450
Interest receivable		108	461
Provision for loss on investment in and loan to subsidiary		0	(29)
Interest payable and similar charges	2	<u>(2)</u>	<u>(6)</u>
Profit on ordinary activities before taxation		3,363	3,063
Tax on profit on ordinary activities	5	0	758
Dividends	6	4,308	3,445
Loss sustained for the financial period	13,14	<u><u>(945)</u></u>	<u><u>(1,140)</u></u>

There were no recognised gains or losses other than the result for the financial period.

The accounting policies on pages 4 to 5 and the notes on pages 8 to 14 form an integral part of these financial statements

BALANCE SHEET
at 31 October 1996

	Note	31 October 1996		30 April 1996	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	7	686		521	
Investments	8	<u>1,279</u>		<u>1,279</u>	
			1,965		1,800
Current assets					
Debtors	9	8,627		3,844	
Investments	10	4		4	
Cash at bank and in hand		<u>1,079</u>		<u>7,825</u>	
		9,710		11,673	
Creditors: amounts falling due					
within one year	11	<u>11,334</u>		<u>12,187</u>	
Net current (liabilities)/assets			(1,624)		(514)
Net assets			<u>341</u>		<u>1,286</u>
Capital and reserves					
Called up share capital	12		250		250
Profit and loss account	13		91		1,036
Shareholders' funds	14		<u>341</u>		<u>1,286</u>

The financial statements were approved by the Board of Directors
on 13th March 1997

)
)
)
) Directors

The accounting policies on pages 4 to 5 and the notes on pages 8 to 14 form an integral part of these financial statements

SKIBOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 October 1996
1. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation are attributable to the principle activity of tour operating.

All turnover is considered to have originated in the United Kingdom.

Profit on ordinary activities before taxation is stated after charging/ (crediting):

	Six Months 31 October 1996 £'000	Year Ended 30 April 1996 £'000
Depreciation of tangible fixed assets	129	222
Hire of plant and equipment under operating leases	2	29
Other operating lease rentals	61	120
Auditors' remuneration - audit fees	17	11
- non audit fees	-	3
- non audit fees paid to former auditors	-	-
Exchange differences	(36)	2

2. Interest payable and similar charges

	£'000	£'000
Interest payable		
- on bank loans, overdrafts and other loans payable within 5 years	<u>2</u>	<u>6</u>

3. Staff Costs

Particulars of employees (including executive directors) are as shown below:

1996

	£'000	£'000
Staff costs during the year were as follows:		
UK wages and salaries	862	1,560
Overseas wages and salaries	127	873
Social security costs	89	164
Other pension costs	34	-
	<u>1,112</u>	<u>2,597</u>

The average weekly number of person employed by the company during the period was as follows:

	Number	Number
Selling	39	42
Administration and operations	58	55
Overseas	104	327
	<u>201</u>	<u>424</u>

SKIBOUND LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the period ended 31 October 1996 (continued)****3. Staff Costs (continued)**

	Six Months 31 October 1996 £'000	Year Ended 30 April 1996 £'000
Directors' remuneration (including pension contributions)	<u>212</u>	<u>444</u>

The directors' remuneration shown above (excluding pensions and pension contributions) included:

	£'000	£'000
Chairman and highest paid director	<u>45</u>	<u>91</u>

Directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	Number	Number
£0 - £5,000	2	1
£15,001 - £20,000	-	1
£20,001 - £25,000	2	-
£25,001 - £30,000	2	-
£30,001 - £35,000	2	-
£45,001 - £50,000	1	2
£50,001 - £55,000	-	2
£65,001 - £70,000	-	2
£90,001 - £95,000	-	1

4. Exceptional Item

	£'000	£'000
Intergroup indebtedness forgiven in favour of company.	<u>2,638</u>	<u>-</u>

5. Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	£'000	£'000
Corporation tax at 33%	-	827
	<u>-</u>	<u>827</u>
Over provision in respect of prior years	-	(69)
	<u>-</u>	<u>758</u>

SKIBOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 October 1996 (continued)

6. Dividends

Dividends comprise:-

	Six Months 31 October 1996 £'000	Year Ended 30 April 1996 £'000
Interim paid	<u>4,308</u>	<u>3,445</u>

7. Tangible fixed assets

	<u>Total</u> £'000	<u>Motor vehicles</u> £'000	<u>Furniture, fittings, equipment and ski's</u> £'000	<u>Computer equipment</u> £'000
Cost				
At 1 May 1996	1,237	231	669	337
Additions	294	0	184	110
Disposals	<u>(4)</u>	<u>(4)</u>	<u>0</u>	<u>0</u>
At 31 October 1996	<u>1,527</u>	<u>227</u>	<u>853</u>	<u>447</u>
Depreciation				
At 1 May 1996	716	120	359	237
Provided in the year	127	14	79	34
Disposals	<u>(2)</u>	<u>(2)</u>	<u>0</u>	<u>0</u>
At 31 October 1996	<u>841</u>	<u>132</u>	<u>438</u>	<u>271</u>
Net book amounts				
At 31 October 1996	<u>686</u>	<u>95</u>	<u>415</u>	<u>176</u>
At 30 April 1996	<u>521</u>	<u>111</u>	<u>310</u>	<u>100</u>

8. Investments in subsidiary undertakings

Cost of Acquisition
£'000

Cost at 1 May 1996 and 31 October 1996	<u><u>1,299</u></u>
Provision at 1 May 1996 and 31 October 1996	<u><u>20</u></u>
Net book amount at 1 May 1996 and 31 October 1996	<u><u>1,279</u></u>

SKIBOUND LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the period ended 31 October 1996 (continued)****8. Investments in subsidiary undertakings (continued)**

The subsidiary undertakings of the company, in which the company holds 100% of the ordinary share capital, are as follows:

	<u>Country of Incorporation or registration and principle country of operation</u>	<u>Principal activity</u>
Schools Abroad Limited	England	Tour operator
* Ski Partners Limited	England	Dormant
SARL SkiBound France	France	Hotel operator
SARL Molay Travel	France	Hotel operator
Club Skibound Limited	England	Finance and Leasing
Francotel Limited	England	Holding company
* Le Piolet SCI	France	Hotel operator
TravelBound European Tours Limited	England	Holding company
* Molay Travel SCI	France	Hotel operator
* SARL Belle Aurore	France	Hotel operator
Hotelreisen Limited	England	Holding company
* Hotelreisen GMBH	Austria	Hotel operator
Lirotel SRL	Italy	Hotel operator
Skibound Holidays Limited	England	Flight chartering
Sunscape Holidays Limited	England	Dormant

Companies prefixed with an * are subsidiaries of the preceding subsidiary undertaking.

9. Debtors	31 October 1996	30 April 1996
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	0	136
Deposits for accommodation and other services	978	814
Deferred brochure costs	619	157
Amounts owed by subsidiary undertakings	5,460	1,860
Corporation tax recoverable	259	259
ACT recoverable	962	-
Prepayments and accrued income	318	550
Other debtors	31	68
	<u>8,627</u>	<u>3,844</u>

SKIBOUND LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the period ended 31 October 1996 (continued)****10. Current asset investments**

	31 October 1996 £'000	30 April 1996 £'000
UK listed investments	<u>4</u>	<u>4</u>
Aggregate market value of the listed investments	<u>2</u>	<u>3</u>

11. Creditors: amounts falling due within one year

	£'000	£'000
Trade creditors	977	2,400
Deposit received for departures after 31 October 1996 / 30 April 1996	5,216	4,739
Amounts owed to subsidiary undertakings	3,179	3,832
UK corporation tax and ACT payable	777	777
ACT on proposed dividends	962	-
VAT	5	200
Social security, PAYE and other taxes	68	67
Accruals and deferred income	139	119
Other creditors	<u>11</u>	<u>53</u>
	<u>11,334</u>	<u>12,187</u>

12. Called up share capital

	£'000	£'000
Authorised		
300,000 'A' shares of £1 each	300	300
300,000 ordinary shares of £1 each	<u>300</u>	<u>300</u>
	<u>600</u>	<u>600</u>
Allotted, called up and fully paid		
167,502 'A' shares of £1 each	168	168
82,501 ordinary shares of £1 each	<u>82</u>	<u>82</u>
	<u>250</u>	<u>250</u>

SKIBOUND LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the period ended 31 October 1996 (continued)****13. Profit and loss account**

	31 October 1996 £'000
Retained profit at 1 May 1996	1,036
Result for the financial period	<u>(945)</u>
Retained profit at 31 October 1996	<u>91</u>

14. Reconciliation of movements in shareholders' funds

	31 October 1996 £'000	30 April 1996 £'000
Profit for the period	3,363	2,305
Dividends	<u>4,308</u>	<u>3,445</u>
	(945)	(1,140)
Shareholders' funds at 1 May	<u>1,286</u>	<u>2,426</u>
Shareholders' funds at 31 October	<u>341</u>	<u>1,286</u>

15. Guarantees and other financial commitments**a.) Capital commitments**

There was no capital expenditure authorised or contracted for at the balance sheet date.

b.) Contingent liabilities

- i.) the company has entered into a number of agreements with appropriate guarantees to lease hotels and other accommodation overseas for the future trading periods at commercial rates;
- ii.) there are contingent liabilities under counter indemnities given to the companies bankers and insurance obligors in respect of bonds and other guarantees given by various other group companies.

SKIBOUND LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the period ended 31 October 1996 (continued)****15. Guarantees and other financial commitments (continued)**

c.) Lease commitments

The minimum annual rentals under leases are as follows;

	Land and Buildings £'000
31 October 1996	
Operating leases which expire	
- within 2-5 years	<u>118</u>
30 April 1996	
Operating leases which expire	
- within 1 year	32
- within 2-5 years	24
- after 5 years	<u>55</u>
	<u><u>111</u></u>

16. Tour operators' bonds

Bonds have been lodged on behalf of the company with the Civil Aviation Authority and the FTO Trust Fund Limited of Association of British Travel Agents Limited for £6,120,000 (30 April 1996 : £6,120,000).

17. Ultimate parent undertaking

The ultimate parent undertaking is First Choice Holidays, a company registered in England and Wales. Consolidated financial statements for the year ended 31 October 1996 have been prepared by First Choice Holidays PLC and are available from First Choice House, London Road, Crawley, West Sussex, RH10 2GX.