

1. SKI BOUND LIMITED

SKI BOUND LIMITED
DIRECTORS' REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED

31 October 2001



Registered Number : 1873956

2. SKI BOUND LIMITED

REPORT TO THE DIRECTORS

The directors submit their report and accounts of Ski Bound Limited for the year ended 31 October 2001.

Principal activity

The Company's principal activity is that of a tour operator.

Results and dividends

The Company's profit before taxation for the year was £1,207,000 (2000 : £1,138,000).
The Directors do not propose a dividend for the year ended 31 October 2001 (2000: Nil).
The retained profit for the year transferred to reserves is £809,000 (2000 : £768,000).

Directors and their interests

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

D Blastland	
RW Daniel	Appointed 31 August 2001
PJ Long	
MR Prior	Appointed 15 March 2002

Other Directors who served in the year were as follows:

AN Harwood	Resigned 9 November 2001
D Howell	Resigned 3 May 2001
K C Ivie	Resigned 20 April 2001
PD Lower	Resigned 31 December 2000
S McLeod	Resigned 15 March 2002
PF White	Resigned 31 August 2001

None of the Directors had any beneficial interest in the shares of the Company or any subsidiary undertaking at any time during the year.

Interests in shares and options

At the 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:

	-----Shares-----			-----Share Options-----		Restricted Shares		
	31 October 2001	31 October 2000	31 October 2000	Granted	Exercised	31 October 2001	31 October 2001	31 October 2000
R Daniel	-	-	3,073	-	-	3,073	-	-
A Harwood	-	-	3,465	-	-	3,465	16,736	16,679
S McLeod	31,644	1,500	6,197	-	-	6,197	75,685	59,261

3. SKI BOUND LIMITED

REPORT TO THE DIRECTORS (Continued)

The share interests and options of PJ Long and D Blastland are disclosed in the Annual Report and Accounts of First Choice Holidays PLC.

Share options granted to the Directors and outstanding at the yearend under the Executive Share Option Scheme, the Senior Executive Plan and the Savings Related Share Option Scheme are set out below together with shares awarded under the Restricted Share Plan.

	No. of shares	Option exercise price (p)	Date exercisable
S McLeod			
Restricted Share Plan	47,539	n/a	16/06/2001
Restricted Share Plan	4,631	n/a	05/10/2001
Restricted Share Plan	7,091	n/a	14/12/2002
Restricted Share Plan	66,667	n/a	11/12/2003
Savings Related Share Option Plan	2,079	116.0p	01/11/2001
Savings Related Share Option Plan	4,118	97.6p	01/10/2005
R Daniel			
Savings Related Share Option Plan	3,073	97.6p	01/10/2005
A Harwood			
Restricted Share Plan	11,034	n/a	05/10/2001
Restricted Share Plan	5,645	n/a	14/12/2002
Restricted Share Plan	6,500	n/a	11/12/2003
Savings Related Share Option Plan	3,465	116.0p	01/11/2003

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

The following exercises took place during the year making the Restricted Share Plan

	No. of shares	Date of exercise
S McLeod		
Restricted Share Plan	33,753	15/01/2001
Restricted Share Plan	13,786	08/08/2001
Restricted Share Plan	2,704	29/10/2001

4. SKI BOUND LIMITED

REPORT TO THE DIRECTORS (Continued)

Policy and practice on payment of creditors

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 27 (2000 : 25 days).

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.

Employee Policy

Involvement, health and 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. 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, and 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.

Charitable and political contributions

During the period the Company made charitable donations of £Nil (2000 : £150). The company made no political contributions during the year (2000 : £Nil)

5. SKI BOUND LIMITED

REPORT TO THE DIRECTORS (Continued)

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

A handwritten signature in black ink, appearing to read "Matthew R.", with a stylized flourish at the end.

M Prior

29th April 2002

6. SKI BOUND LIMITED

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 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.

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.

REPORT OF THE INDEPENDENT AUDITORS

To the members of Skibound Limited

We have audited the financial statements set out on pages 8 to 18.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the directors' report and as described on page 6, 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 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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc

Registered Auditor
Chartered Accountants

30th April 2002

London.

PROFIT AND LOSS ACCOUNT
For the year ended 31 October 2001

		31 October 2001 £'000	31 October 2000 £'000
	Note		
Turnover	1	15,529	17,511
Cost of Sales		<u>(14,071)</u>	<u>(15,338)</u>
Gross Profit		1,458	2,173
Administrative expenses		<u>(434)</u>	<u>(1,036)</u>
Operating profit		1,024	1,137
Interest receivable		<u>183</u>	<u>1</u>
Profit on ordinary activities before taxation	2	1,207	1,138
Tax on profit on ordinary activities	4	<u>(398)</u>	<u>(370)</u>
Profit retained for the financial year	11,12	<u>809</u>	<u>768</u>

The results all arose from continuing activities. There were no recognised gains or losses other than the result for the financial period.

The notes on pages 10 to 18 form an integral part of these financial statements.

9. SKI BOUND LIMITED

BALANCE SHEET
At 31 October 2001

	Note	31 October 2001		31 October 2000	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	5	209		261	
Investments	6	<u>1,325</u>		<u>1,325</u>	
			1,534		1,586
Current assets					
Stock		58		104	
Debtors	7	159,808		144,981	
Investments	8	<u>3</u>		<u>4</u>	
		159,869		145,089	
Creditors: amounts falling due within one year	9	(155,382)		(141,463)	
Net current assets			<u>4,487</u>		<u>3,626</u>
Net assets			<u>6,021</u>		<u>5,212</u>
Capital and reserves					
Called up share capital	10		3,250		3,250
Profit and loss account	11		<u>2771</u>		<u>1,962</u>
Equity shareholders' funds	12		<u>6,021</u>		<u>5,212</u>

The financial statements were approved by the Board of Directors on 29th April 2002, and signed on its behalf by:



M Prior
Director

The notes on pages 10 to 17 form an integral part of these financial statements.

10. SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2001

1. Accounting policies

The following accounting policies have been consistently applied, in dealing with items considered material in relation to the Accounts.

Accounting convention

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Company undertaking

The Company is exempt from preparing consolidated financial statements under S228 of the Companies Act 1985 as it is part of a larger company, 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.

Depreciation

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% or 33 1/3% straight line
Motor vehicles	25% straight line
Computer equipment	33 1/3% straight line

Current asset investments

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

Marketing costs

Third party brochure and other marketing costs are charged to the profit and loss account in the season to which they relate.

Client money received in advance

Client money received at the balance sheet date relating to holidays commencing and travel departing after the year end is included in creditors.

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 times of income and expenditure are included in tax computations in periods different from their inclusion in the financial statements

Stock

Stock is valued at the lower of cost or net realisable value.

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 October 2001****Pension costs**

The Company provides pensions to employees 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

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date except to the extent covered by forward exchange contracts. The benefit of foreign exchange contracts purchased to cover future seasons' requirements is accounted for in the season to which the contract relates. Exchange gains and losses arising on trading and translation of monetary assets and liabilities are dealt with through the profit and loss account.

Turnover

Turnover represents the aggregate amount of revenue receivable in the ordinary course of business principally from the activity of tour operating in the UK. Turnover excludes intra-company transactions and is stated net of commission and discounts. Revenue is recognised on the date of departure and the related costs of holidays and flights are charged to the profit and loss account on the same basis. Turnover by destination is not materially different from such turnover by origin.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Related parties

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.

2. Profit on ordinary activities before taxation

The Profit on ordinary activities before taxation is attributable to the principal activity of tour operating.

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

	31 October 2001	31 October 2000
	£'000	£'000
Depreciation of tangible fixed assets	101	81
Other operating lease rentals	150	92
Auditors' remuneration – audit fees	-	-
Exchange differences	(794)	(508)

12. SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 October 2001

3. Staff Costs

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

	31 October 2001 £'000	31 October 2000 £'000
Staff costs during the period were as follows:		
UK wages and salaries	2,721	1,425
Overseas wages and salaries	1,100	668
Social security costs	251	285
Pension costs	132	112
	<u>4,204</u>	<u>2,490</u>

The average weekly number of people employed by the Company during the period was as follows:

	Number 2001	Number 2000
Selling	71	70
Administration and operations	76	82
Overseas	477	492
	<u>624</u>	<u>644</u>

	31 October 2001 £'000	31 October 2000 £'000
Directors' salaries	246	345
Pension Contributions	14	33
	<u>260</u>	<u>378</u>

The number of directors with benefits accruing under the defined contribution pension was 5 (2000 : 5).

The highest paid director received £84,333 (2000 : £71,444) and pension contributions of £8,433 (2000 : £7,144) were made on his behalf by the Company and its fellow subsidiary undertakings. The remuneration of the directors, who are also directors of First Choice Holidays PLC are disclosed in that company's accounts.

13. SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 October 2001

4. Tax on profit on ordinary activities

The tax charge in the 31 October 2001 accounts can be summarised as follows:

Tax on profit on ordinary activities:

i) Analysis of charge in year

	2001 £'000	2000 £'000
Current tax:		
UK corporation tax on profits of the year	345	326
Adjustment in respect of previous periods:		
- permanent	60	28
- origination of timing differences	6	(2)
- utilisation of losses	-	-
Total current tax	411	352
Deferred tax:		
Origination and reversal of timing differences:		
- current year UK	(7)	16
- adjustment in respect of previous periods	(6)	2
Total deferred tax	(13)	18
Tax on profit on ordinary activities	398	370

ii) Factors affecting tax charge for year

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

	2001 £'000	2000 £'000
Profit on ordinary activities before tax	1,139	1,138
Profit on ordinary activities at the standard rate of UK Corporation tax of 30% (2000 : 30%)	342	341
Effects of:		
- expenses not deductible for tax purposes	3	1
- capital allowances for year in excess of depreciation	-	(16)
- adjustment to tax charge in respect of previous periods	66	26
Current tax charge for year	411	352

14. SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2001

5. Tangible fixed assets

	Motor vehicles <u>£'000</u>	Furniture, fittings, equipment & Ski's <u>£'000</u>	Computer equipment <u>£'000</u>	Total <u>£'000</u>
Cost				
At 1 November 2000	21	677	26	724
Addition	24	45		69
Disposals	(21)		(26)	(47)
At 31 October 2001	24	722	-	746
Depreciation				
At 1 November 2000	16	429	18	463
Provided in the year	6	102	6	114
Disposals	(16)		(24)	(40)
At 31 October 2001	6	531	-	537
Net book amounts				
At 31 October 2001	18	191	-	209
At 31 October 2000	5	248	8	261

6. Investments in subsidiary undertakings

	Shares in group undertakings <u>£'000</u>
Cost at 1 November 2000 and 31 October 2000	1,345
Provision at 1 November 2000 and 31 October 2001	(20)
Net book value at 31 October 2001	1,325

15. SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 October 2001

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

	Country of Incorporation or registration and principle country of operation	Principal activity
Schools Abroad Limited	England	Tour operator
* Ski Partners Limited	England	Dormant
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
* Lirotel SRL	Italy	Hotel operator
Hotelreisen Limited	England	Holding company
* Hotelreisen GMBH	Austria	Hotel operator
Skibound Holidays Limited	England	Flight chartering
Sunscape Holidays Limited	England	Dormant

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

During the year Skibound France SARL, Molay Travel SARL and Mont Charvin Ski were transferred to First Choice (France) SAS – another Group company. The value of the investment transferred from Ski Bound Limited was equal to the value of the investment acquired in First Choice (France) SAS by Ski Bound Limited.

7. Debtors

	31 October 2001 £'000	31 October 2000 £'000
Trade debtors	131	238
Deposits for accommodation and other services	1,227	831
Deferred brochure, and other costs	3,396	3,129
Amounts owed by subsidiary undertakings	154,232	138,702
Corporation tax recoverable	-	970
Deferred tax	47	46
ACT recoverable	613	962
Other debtors	113	62
Prepayments and accrued income	49	41
	<u>159,808</u>	<u>144,981</u>

16. SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2001

8. **Current asset investments**

	Year ended 31 October 2001 £'000	Year ended 31 October 2000 £'000
UK listed investments	3	4
Aggregate market value of the listed investments	3	3

9. **Creditors: amounts falling due within one year**

	31 October 2001 £'000	31 October 2000 £'000
Bank loans and overdrafts	1,344	1,587
Trade creditors	795	1,169
Deposit received for departures after 31 October 2000/ 1999	4,237	3,529
Amounts owed to subsidiary undertakings	148,612	134,767
VAT	52	25
Corporation tax payable	27	-
Social security and other taxes		92
Accruals and deferred income	205	180
Other creditors	110	114
	155,382	141,463

10. **Called up share capital**

	31 October 2001 £'000	31 October 2000 £'000
Authorised		
300,000 'A' shares of £1 each	300	300
3,700,000 ordinary shares of £1 each	3,700	3,700
	4,000	4,000
Allotted, called up and fully paid		
167,502 'A' shares of £1 each	168	168
3,082,501 ordinary shares of £1 each	3,082	3,082
	3,250	3,250

17. SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2001

11. Profit and loss account

	31 October 2001 £'000
Retained profit at 1 November 2000	1,962
Result for the financial year	809
Retained profit at 31 October 2001	<u>2771</u>

12. Reconciliation of movements in shareholders' funds

	31 October 2001 £'000	31 October 2000 £'000
Profit for the period	809	768
Shareholders' funds at 1 November	5,212	4,444
Shareholders' funds at 31 October	<u>6,021</u>	<u>5,212</u>

18. SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 October 2001

13. 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 groups' bankers and insurance obligors in respect of bonds and other guarantees given by various other group companies.

c) Lease commitments

The minimum annual rentals under non-cancellable operating leases are as follows;

	Land and buildings £'000
31 October 2001	
Operating leases which expire - within 2-5 years	<u>154</u>
31 October 2000	
Operating leases which expire - within 2-5 years	<u>154</u>

14. Ultimate parent undertaking

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 Ski Bound Limited is a member and of 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, West Sussex, RH10 9GX.