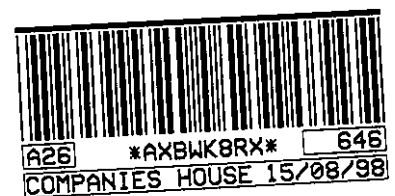


# **SKI BOUND LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1997**

**together with directors'  
and auditor's reports**

**Registered Number : 1873956**



**SKIBOUND LIMITED****Report of the directors**

The directors present their report together with financial statements for the year ended 31 October 1997.

**Principle 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 7. The directors do not recommend payment of a final dividend.

**Review of the business and future developments**

The company continues to operate in very competitive markets but the directors consider the result for the year to be satisfactory and are optimistic that the company will operate profitably during the forthcoming year.

**Directors and their interests**

The directors in office during the year are listed below. They did not have any interests in the shares of the company at 1 November 1996 or at 31 October 1997 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 1997 are as follows:

	<b><u>First Choice Holidays PLC</u></b>	
	<b><u>Ordinary shares</u></b>	
	<b>At 31 October 1997 or appointment</b>	<b>At 31 October 1996 or appointment</b>
PJ Long* (appointed 11 November 1996)	-	-
FSK Baron* (resigned 11 November 1996)	-	-
D Gill* (resigned 11 November 1996)	-	-
L Moir* (appointed 31 January 1997)	-	-
D Blastland (appointed 2 September 1997)	30,483	30,483
J Bowden (resigned 30 September 1997)	-	57,133
S Mcleod (appointed 30 June 1997)	-	-
C Strube (resigned 30 June 1997)	-	-
A Lay (resigned 30 April 1997)	-	-
M Bole (resigned 31 December 1997)	-	-
A Hickmott (appointed 1 November 1997)	-	-
D Howell (appointed 16 December 1997)	10,000	-
P Lower	-	-
P Couchman	-	-
A Marriner	-	-

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

D Howell has been granted options over 150,000 ordinary shares on appointment in First Choice Holidays PLC. The options are exercisable on 23 December 2001.

D Blastland has been granted options over ordinary shares in First Choice Holidays PLC in the following executive share option schemes:

	<b>No. of Shares</b>	<b>Option exercise price</b>	<b>Date first exercisable</b>
Executive share option scheme	19,485	98.88p	21 July 1998
Executive share option scheme	104,200	63.07p	29 July 1995
Restricted share plan	105,600	93.00p	16 December 2000
Senior executive plan	87,042	77.50p	23 July 2001

Details of the individual schemes included are disclosed in the accounts of First Choice Holidays PLC.

## **SKIBOUND LIMITED**

### **Report of the directors (continued)**

#### **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.

At 31 October 1997, trade creditors represented 24 days purchases. (1996:37 days)

#### **Employees 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 £715

#### **Auditors**

The directors will place a resolution before the annual general meeting to reappoint KPMG Audit Plc as auditors for the ensuing year.

On Behalf of the Board



Stuart McLeod  
Director

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

29 April 1998

## **SKIBOUND LIMITED**

### **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.

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.

## **AUDITOR'S REPORT**

### **To the shareholders of Skibound Limited**

We have audited the financial statements set out on pages 5 to 15.

### **Respective responsibilities of directors and auditors**

As described on page 3 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 at 31 October 1997 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

*30 April* 1998

## **SKIBOUND LIMITED**

### **Accounting policies**

for the year ended 31 October 1997

The financial statements have been prepared in accordance with applicable Accounting Standards and 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 received from 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 to the extent that the liability is expected to crystallise in the foreseeable future.

**SKIBOUND LIMITED****Accounting policies**

for the year ended 31 October 1997 (continued)

**Cashflow statement**

Under Financial Reporting Standard No. 1 (Revised) the company is exempt from the requirement to prepare a cashflow statement, as a wholly owned subsidiary of First Choice Holidays PLC, on the grounds that First Choice Holidays PLC includes the company in its own published consolidated financial statements.

**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.

**Related Parties**

As the company is a wholly owned subsidiary of First Choice Holidays PLC, it has taken advantage of the exemptions contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

**SKIBOUND LIMITED****PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 October 1997**

	Note	Year ended 31 October 1997 £'000	Six months ended 31 October 1996 £'000
Turnover	1	19,395	5,022
Cost of Sales		<u>17,761</u>	<u>4,949</u>
Gross profit		1,634	73
Net administrative expenses		<u>2,385</u>	<u>1,050</u>
Operating Loss		(751 )	(977 )
Dividends Receivable		0	1,596
Interest receivable		61	107
Interest payable and similar charges	2	<u>(9 )</u>	<u>(2 )</u>
(Loss)/Profit on ordinary activities before exceptional item		(699 )	725
Exceptional item	4	0	2,638
(Loss)/Profit on ordinary activities before taxation		<u>(699 )</u>	<u>3,364</u>
Tax (credit) on (Loss)/profit on ordinary activities	5	(759 )	0
Profit on ordinary activities after taxation		<u>60</u>	<u>3,364</u>
Dividends	6	0	4,308
Profit/(Loss) sustained for the financial period	13	<u><u>60</u></u>	<u><u>(944 )</u></u>

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

The accounting policies on pages 5 to 6 and the notes on pages 9 to 15 form an integral part of these financial statements.



**BALANCE SHEET**  
**At 31 October 1997**

	Note	31 October 1997		31 October 1996	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	7	576		686	
Investments	8	<u>1,319</u>		<u>1,279</u>	
			1,895		1,965
Current assets					
Debtors	9	39,469		8,627	
Investments	10	4		4	
Cash at bank and in hand		<u>1,322</u>		<u>1,079</u>	
		40,795		9,710	
Creditors: amounts falling due					
within one year	11	<u>39,288</u>		<u>11,333</u>	
Net current assets/(liabilities)			1,507		(1,623 )
Net assets			<u>3,402</u>		<u>342</u>
Capital and reserves					
Called up share capital	12		3,250		250
Profit and loss account	13		152		92
Equity Shareholders' funds	14		<u>3,402</u>		<u>342</u>

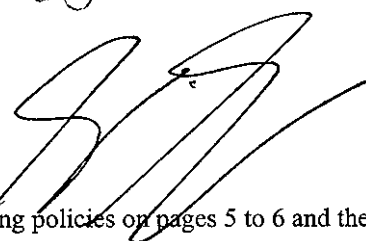
The financial statements were approved by the Board of Directors  
on 29 April 1998.

D Blastland



Directors

S Mcleod



The accounting policies on pages 5 to 6 and the notes on pages 9 to 15 form an integral part of  
these financial statements

## SKIBOUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 October 1997**

**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):

	Year ended 31 October 1997 £'000	Six months ended 31 October 1996 £'000
Depreciation of tangible fixed assets	351	129
Hire of plant and equipment under operating leases		2
Other operating lease rentals	107	61
Auditors' remuneration - audit fees	17	17
- non audit fees	-	-
- non audit fees paid to former auditors	1	-
Exchange differences	<u>531</u>	<u>(36 )</u>

**2. Interest payable and similar charges**

	£'000	£'000
Interest payable		
- on bank loans and overdrafts	<u>9</u>	<u>2</u>

**3. Staff Costs**

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

	£'000	£'000
Staff costs during the period were as follows:		
UK wages and salaries	1,970	862
Overseas wages and salaries	881	127
Social security costs	216	89
Pension costs	72	34
	<u>3,139</u>	<u>1,112</u>

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

	Number	Number
Selling	48	39
Administration and operations	64	58
Overseas	369	104
	<u>481</u>	<u>201</u>

## SKIBOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 October 1997 (continued)

## 3. Staff Costs (continued)

	Year ended 31 October 1997 £'000	Six months ended 31 October 1996 £'000
Directors' salaries	443	178
Pension Contributions	66	34
	<u>509</u>	<u>212</u>

The number of directors with benefits accruing under the defined contribution pension was 4 (1996:5)

The highest paid director received £126,000 (1996:£45,000) and pension contributions of £26,000 (1996:£11,250) were made on his behalf.

The remuneration of the directors, who are also directors of First Choice Holidays PLC are disclosed in that company's accounts.

## 4. Exceptional Item

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

There is no tax charge arising on this item.

## 5. Tax on loss on ordinary activities

The tax credit is based on the loss for the year and comprises:

	£'000	£'000
Group relief received in respect of the current year	(235)	
Current year deferred tax	(16)	-
	<u>(251)</u>	<u>-</u>
Group relief received in respect of prior years	(441)	
Prior year deferred tax	(67)	-
	<u>(759)</u>	<u>-</u>

## SKIBOUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 1997 (continued)

## 6. Dividends

Dividends comprise:-

	Year Ended 31 October 1997 £'000	Six Months 31 October 1996 £'000
Interim paid	<u>0</u>	<u>4,308</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
<b>Cost</b>				
At 1 November 1996	1,527	227	853	447
Additions	276	0	220	56
Disposals	<u>(126 )</u>	<u>(126 )</u>	<u>0</u>	<u>0</u>
<b>At 31 October 1997</b>	<u><b>1,677</b></u>	<u><b>101</b></u>	<u><b>1,073</b></u>	<u><b>503</b></u>
<b>Depreciation</b>				
At 1 November 1996	842	132	438	272
Provided in the year	351	15	259	77
Disposals	<u>(92 )</u>	<u>(92 )</u>	<u>0</u>	<u>0</u>
<b>At 31 October 1997</b>	<u><b>1,101</b></u>	<u><b>55</b></u>	<u><b>697</b></u>	<u><b>349</b></u>
<b>Net book amounts</b>				
<b>At 31 October 1997</b>	<u><b>576</b></u>	<u><b>46</b></u>	<u><b>376</b></u>	<u><b>154</b></u>
At 31 October 1996	<u>685</u>	<u>95</u>	<u>415</u>	<u>175</u>

## 8. Investments

	Shares in group undertakings £'000
Cost at 31 October 1996	1,299
Additions	40
Cost at 31 October 1997	<u>1,339</u>
Provision at 1 November 1996 and 31 October 1997	<u>20</u>
Net book amount at 31 October 1997	<u>1,319</u>
Net book amount at 31 October 1996	<u>1,279</u>

## SKIBOUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 1997 (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:

	Country of Incorporation or registration and principle country of operation	Principal activity
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 1997 £'000	31 October 1996 £'000
Amounts falling due within one year:		
Trade debtors	0	0
Deposits for accommodation and other services	1,578	978
Deferred brochure costs	673	619
Amounts owed by subsidiary undertakings	34,690	5,460
VAT	388	0
Corporation tax recoverable	936	259
Deferred tax	83	0
ACT recoverable	962	962
Other debtors	42	31
Prepayments and accrued income	117	318
	<u>39,469</u>	<u>8,627</u>

## SKIBOUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 1997 (continued)

10. Current asset investments	31 October 1997 £'000	31 October 1996 £'000
UK listed investments	<u>4</u>	<u>4</u>
Aggregate market value of the listed investments	<u>3</u>	<u>2</u>
11. Creditors: amounts falling due within one year	£'000	£'000
Trade creditors	895	977
Deposit received for departures after 31 October 1997 / 31 October 1996	5,341	5,216
Amounts owed to subsidiary undertakings	32,851	3,178
UK corporation tax and ACT payable	0	777
ACT on proposed dividends	0	962
Social security and other taxes	51	73
Accruals and deferred income	99	139
Other creditors	<u>51</u>	<u>11</u>
	<u>39,288</u>	<u>11,333</u>
Included in other creditors is £5,000 (1996:£7,000) in respect of pension contributions payable.		
12. Called up share capital	£'000	£'000
Authorised		
300,000 'A' shares of £1 each	300	300
3,700,000 (1996: 300,000) ordinary shares of £1 each	<u>3,700</u>	<u>300</u>
	<u>4,000</u>	<u>600</u>
Allotted, called up and fully paid		
167,502 'A' shares of £1 each	168	168
3,082,501(1996: 82,501) ordinary shares of £1 each	<u>3,082</u>	<u>82</u>
	<u>3,250</u>	<u>250</u>

On 15 September 1997 the authorised share capital of the company was increased by the creation of 3,400,000 ordinary shares of £1 each. On that day 3,000,000 ordinary shares of £1 each were issued at par to the existing shareholder.

# SKIBOUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 1997 (continued)

### 13. Profit and loss account

	31 October 1997 £'000
Retained profit at 1 November 1996	92
Result for the financial year	<u>60</u>
Retained profit at 31 October 1997	<u><u>152</u></u>

### 14. Reconciliation of movements in shareholders' funds

	31 October 1997 £'000	31 October 1996 £'000
Profit for the period	60	3,364
Ordinary shares issued in year	3,000	---
Dividends paid	<u>0</u>	<u>(4,308 )</u>
Net addition/(reduction) in shareholders' funds	3,060	(944 )
Shareholders' funds at 1 November	<u>342</u>	<u>1,286</u>
Shareholders' funds at 31 October	<u><u>3,402</u></u>	<u><u>342</u></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 groups 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 year ended 31 October 1997 (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 1997	
Operating leases which expire	
- within 2-5 years	<u>118</u>
31 October 1996	
Operating leases which expire	
- within 2-5 years	<u>118</u>

**16. Ultimate parent undertaking**

The ultimate parent undertaking is First Choice Holidays PLC, a company registered in England and Wales. Consolidated financial statements for the year ended 31 October 1997 have been prepared by First Choice Holidays PLC and are available from First Choice House, London Road, Crawley, West Sussex, RH10 2GX.



**SKIBOUND LIMITED****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 October 1997 (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 1997	
Operating leases which expire	
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