

Sunsail International Ltd

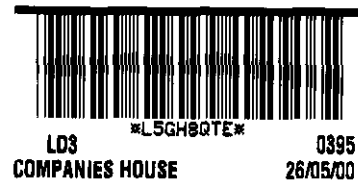
(Formerly Sunsail International Plc)

Report and Financial Statements

Year Ended

31 October 1999

Company Registration No 2746852



KPMG Audit plc
Chartered Accountants

SUNSAIL INTERNATIONAL LTD

Annual report and financial statements for the year ended 31 October 1999

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Directors

C R C Gordon
R J H Green
D Howell (appointed 17 September 1999)
P J Long (appointed 17 September 1999)

Secretary and registered office

RJG Starling
First Choice House, London Road, Crawley, West Sussex RH10 2GX

Company number

2746852

Auditors

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

SUNSAIL INTERNATIONAL LTD

Report of the directors for the year ended 31 October 1999

The directors present their report together with the audited financial statements for the year ended 31 October 1999.

Results and dividends

The loss on ordinary activities after taxation for the year ended 31 October 1999 amounted to £512,000 (1998 - £255,000).

A dividend of 9.6p per ordinary share was proposed and paid in the year (1998 - NIL). The preference share dividend for the year amounts to £258,000 (1998 - £211,000), with a final balance of £36,000 (1998 - £105,000).

Principal activities, trading review and future developments

The Company is the holding company of the group of companies listed in note 9 to the accounts.

Year 2000

The parent company, First Choice Holidays PLC, initiated a programme throughout the Group to meet the challenge posed by the Year 2000 issue. This established a dedicated team to identify the risks arising due to Year 2000 and to formulate a strategy and procedures to ensure that such risks are minimised or eliminated as appropriate.

Subsequent to 1 January 2000 the procedures outlined above have proved effective in dealing with the issue thus far. Prior to First Choice acquisition Sunsail formed a committee to address any Year 2000 issues. Any issues not addressed were dealt with in the subsequent two months thereafter.

Euro

The Company's systems are considered capable of handling the Euro as another currency.

Directors and their interests

The directors of the company at the date of this report are:

C R C Gordon	
R J H Green	
D Howell	(appointed 17 September 1999)
P J Long	(appointed 17 September 1999)

Other directors who served in the year were as follows:

I Armitage	(resigned 17 September 1999)
D C Lewis	(resigned 17 September 1999)
D R Llewellyn	(resigned 17 September 1999)
M Makey	(resigned 17 September 1999)
P Divorne	(resigned 10 February 1999)

SUNSAIL INTERNATIONAL LTD

Report of the directors for the year ended 31 October 1999 (Continued)

As at 31 October 1999, the beneficial interest of the Directors in the ordinary share capital of the company and the ultimate parent company, First Choice Holidays PLC, were as follows.

Sunsail International Limited

		1999 Number	1998 Number
C R C Gordon*	Ordinary 'A' shares	-	332,648
R J H Green	Ordinary 'A' shares	-	105,650
D R Llewellyn	Ordinary 'A' shares	-	14,550
	Ordinary 'B' shares	-	61,458
	Convertible preference shares	-	23,125
P Divorne	Ordinary 'A' shares	-	9,400
D C Lewis	Ordinary 'A' shares	-	16,000

* The beneficial owners of C R C Gordon's shares are C R C Gordon and S A Gordon.

First Choice Holidays PLC

	1999 Shares	1998 Shares
C R C Gordon*	4,428,498	-
R J H Green**	1,442,575	-

* The beneficial owners of C R C Gordon's shares are C R C Gordon and S A Gordon.

** The beneficial owners of R J H Green's shares are R J H Green and S Green.

On 14 December 1999 the following grants were made under the First Choice Holidays PLC Restricted Share Plan.

	Number Of Shares	Date first exercisable
C R C Gordon	94,909	14.12.02
R J H Green	19,309	14.12.02

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

The interests of D Howell and P J Long are disclosed in the financial statements of First Choice Holidays PLC.

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Report of the directors for the year ended 31 October 1999 (*Continued*)

Terms of payment

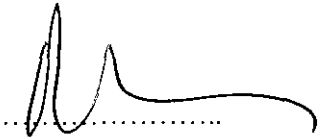
It is not the Company's policy to follow a code or standard on payment practice. It is the Company's policy wherever possible to agree terms of payment with suppliers in advance to ensure that suppliers are made aware of the terms of payment and both parties abide by those terms. At the year end the Company's average creditor payment days was 12 (1998 – 32).

Auditors

BDO Stoy Hayward resigned as auditors of the company on 19 October 1999 and, in accordance with Section 385 of the Companies Act 1985, KPMG Audit Plc were appointed by the shareholders in their place.

KPMG Audit Plc have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'R J G Starling', written over a dotted line.

R J G Starling
Secretary
Dated

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.

Auditor's Report

To the members of Sunsail International Limited

We have audited the accounts on pages 7 to 18.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 5, 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. 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 accounts.

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 1999 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 Accountant
Registered Auditor

26 May 2000.....
Dated

SUNSAIL INTERNATIONAL LTD

Profit and loss account for the year ended 31 October 1999

	Note	1999 £'000	1998 £'000
Administrative expenses		(94)	(191)
Operating loss		(94)	(191)
Interest receivable and similar income	5	47	35
Interest payable and similar charges	6	(42)	(99)
Exceptional items	2	(439)	-
Loss on ordinary activities before taxation	2	(528)	(255)
Tax on loss on ordinary activities	7	16	-
Loss on ordinary activities after taxation	13	(512)	(255)
Dividends receivable		1,000	800
Dividends (on equity and non-equity shares)	8	(446)	(211)
Retained profit for the financial year		42	334

There is no difference between historical profit/(loss) and those reported within the accounts.

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 9 to 18 form part of these financial statements.


SUNSAIL INTERNATIONAL LTD

Balance sheet at 31 October 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Investments	9	7,902	7,902
Current assets			
Debtors	10	4,930	4,368
Cash at bank & in hand		82	-
		<u>5,012</u>	<u>4,368</u>
Creditors: amounts falling due within one year	11	<u>(7,863)</u>	<u>(7,320)</u>
Net current liabilities		<u>(2,851)</u>	<u>(2,952)</u>
		<u>5,051</u>	<u>4,950</u>
Capital and reserves			
Called up share capital (including non-equity interests)	12	230	229
Share premium account	13	4,211	4,153
Profit and loss account	13	505	463
Capital Redemption Reserve	13	105	105
Shareholders' funds	14	<u>5,051</u>	<u>4,950</u>

FRS4 requires the analysis of total shareholders' funds between non-equity shareholders' funds and those relating to equity shareholders, as defined by FRS4. Non-equity shareholders funds total £2,630,000 at 31 October 1999 (1998 - £2,620,000) (see note 14).

The financial statements were approved by the Board on 19th May 2000


R J H Green
Director

The notes on pages 9 to 18 form part of these financial statements.

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 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 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.

As the company is a wholly owned subsidiary of First Choice Holidays PLC, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of First Choice Holidays PLC, within which this company is included, can be obtained from the address on page 18.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Foreign currencies

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

2 Loss on ordinary activities before taxation

	1999 £'000	1998 £'000
This has been arrived at after charging:		
Auditors' fees	7	12
Exceptional costs relating to sale of company	439	-
	<u> </u>	<u> </u>

SUNSAIL INTERNATIONAL LTDNotes forming part of the financial statements for the year ended 31 October 1999 *(Continued)***3 Staff Costs**

	1999 £'000	1998 £'000
Staff costs consist of:		
Wages and salaries	4	5

The average number of employees during the year was:

	Number	Number
Administration	1	1

4 Directors' emoluments

	1999 £'000	1998 £'000
Aggregate emoluments	28	67
Compensation for loss of office	-	30
Sums paid to third parties for directors' services	65	31
	93	128

Fees were paid to Mercury Asset Management plc for the services of I Armitage and to ECI Ventures Limited for the services of M Makey.

	1999 £'000	1998 £'000
Highest paid director		
Total emoluments	29	47

5 Interest receivable and similar income

	1999 £'000	1998 £'000
Bank and other interest	47	-
Exchange gains	-	35
	47	35

6 Interest payable and similar charges

	1999 £'000	1998 £'000
Bank interest	42	99

SUNSAIL INTERNATIONAL LTD

Notes forming part of the financial statements for the year ended 31 October 1999 (Continued)

7 Tax on profit on ordinary activities

	1999 £'000	1998 £'000
UK corporation tax	(16)	-
	(16)	-

8 Dividends

	1999 £'000	1998 £'000
Paid on preference shares	222	106
Proposed on preference shares	36	105
Paid on ordinary shares	188	-
	446	211

9 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 31 October 1998 and 31 October 1999	7,902

This represents the investment in the following wholly owned subsidiaries:

Name of company	Description of shares held	% of voting shares held	Country of incorporation/ registration
Sunsail Worldwide Sailing Limited	49,208,000 ordinary shares of 5 pence each	100	United Kingdom
Sunsail Limited	1,327,956 ordinary shares of 5 pence each	100	United Kingdom

The directors are of the opinion that the net asset value of the subsidiaries is at least equivalent to the carrying value in the balance sheet of Sunsail International Ltd.

9 Investments (Continued)

Details of the indirect shareholdings held by the company are shown below.

Name of company	Description of shares held	% of voting shares held	Country of incorporation/ registration
Sunsail France SA	5,000 ordinary shares of 100 francs each	100	France
Sunsail Hellas MEPE	2 shares of 500,000 drachma each	100	Greece
Versun Yacht Shipping SA	495 shares of 10,000 drachma each	49	Greece
Hellenic Island Holidays SA	1,337 shares of 10,000 drachma each	49	Greece
Hellenic Sailing Holidays SA	7,425 shares of 1,000 drachma each	49	Greece
Hellenic Sailing SA	495 shares of 10,000 drachma each	49	Greece
Alcor Yachting SA	100 bearer shares with a par value of Sfr500 each	100	Switzerland
ACA Yachting Ventures Inc	1,000 shares with a par value of US\$1 each	100	USA
Bahamas Yachting Services Inc	100 shares of a par value of US\$1 each	100	USA
Aeromar Travel Inc	100 shares with a par value of US\$1 each	100	USA
Alkor Yat Turizm AS	3,507,559 shares of TL1,000 each	99	Turkey
Sunsail Voyages Sari	500 shares of FF100 each	100	France
Sunsail (Adriatic) d.o.o.	1 ordinary share of Kn 18,600	100	Croatia

The above subsidiaries are involved in the provision of sailing or club holidays.

SUNSAIL INTERNATIONAL LTD

Notes forming part of the financial statements for the year ended 31 October 1999 *(Continued)*

9 Investments *(Continued)*

Name of company	Description of shares held	% of voting shares held	Country of incorporation/ registration
Sunsail Sarl	10,000 shares of FF100 each	100	France
Sunsail Antilles Sarl	500 shares of FF100 each	100	France
C & C Yacht Management Limited	200 shares of US\$1 each	100	Cayman
Maxi Yen SLU	1,000 ordinary shares of 1,000 Pesetas each	100	Spain
Sunsail (Seychelles) Limited	100 ordinary shares of 1,000 Rupees each	100	Republic of Seychelles
Sunsail (Thailand) Company Limited	30,000 shares of Baht 100 each	56	Thailand
Sunsail (Antigua) Limited	2 shares of US\$1 each	100	Antigua

The above subsidiaries are involved in yacht ownership or management.

The Group also has a number of dormant subsidiaries, which do not have any material effect on the results or financial position, and have not been listed.

10 Debtors

	1999 £'000	1998 £'000
Other debtors	55	-
Taxation recoverable	-	337
Amounts owed by subsidiary undertakings	4,875	4,031
	<hr/>	<hr/>
	4,930	4,368
	<hr/>	<hr/>

SUNSAIL INTERNATIONAL LTD

Notes forming part of the financial statements for the year ended 31 October 1999 (*Continued*)

11 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Bank overdraft*	-	1,552
Amounts owed to subsidiary undertakings	7,796	5,459
Taxation and social security	-	6
Dividend payable	36	105
Other creditors and accruals	31	198
	<hr/>	<hr/>
	7,863	7,320
	<hr/>	<hr/>

* Secured by debenture over the group's assets

12 Share capital

	1999		1998	
	Number	£'000	Number	£'000
<i>Authorised</i>				
Equity interests				
'A' ordinary shares of 5p each	565,817	29	565,817	29
'B' ordinary shares of 5p each	1,406,647	70	1,171,724	58
'C' ordinary shares of 5p each	-	-	257,882	13
Non-equity interest				
Cumulative redeemable convertible preference shares of 5p each	2,637,955	132	2,637,955	132
Deferred ordinary shares of 5p each	22,959	1	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
		232		232
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>				
Equity interests				
'A' ordinary shares of 5p each	557,467	27	518,467	26
'B' ordinary shares of 5p each	1,406,647	71	1,171,724	58
'C' ordinary shares of 5p each	-	-	257,882	13
Non-equity interest				
Cumulative redeemable convertible preference shares of 5p each	2,637,955	132	2,637,955	132
	<hr/>	<hr/>	<hr/>	<hr/>
		230		229
	<hr/>	<hr/>	<hr/>	<hr/>

12 Called up share capital (*Continued*)**Shares allotted during the year**

During the year the following share options were exercised:

Class	Number allotted	Nominal Value	Consideration	
'A' ordinary shares	28,000	£1,400	24p per share	of 5p each
'A' ordinary shares	11,000	£ 550	470p per share	of 5p each

On 17 September 1999 22,959 'C' ordinary shares were converted to deferred shares. These were purchased by the company for £1. The remaining 234,923 'C' shares were converted to 'B' ordinary shares.

Dividends

The dividend rights attaching to the above shares are as follows:

The 'A' ordinary shares, 'B' ordinary shares and 'C' ordinary shares will be entitled to a dividend at the discretion of the company. No dividend can be paid without the consent of the 'B' and 'C' ordinary shareholders holding at least 75% of the nominal value of the 'B' and 'C' ordinary shares.

Cumulative redeemable convertible preference shares

These shares are entitled to a fixed cumulative preference dividend of 10p per annum on each share until 1 August 2000. Thereafter, the following rates apply:

Financial Year Ending:	pence in the £
31 October 2000	11.6 p
31 October 2001	13.8 p
31 October 2002	21.3 p
31 October 2003	25 p
31 October 2004	25 p
31 October 2005	25 p

Deferred shares

Deferred shareholders are not entitled to any dividend.

12 Called up share capital (Continued)**Redemption of shares***Cumulative redeemable convertible preference shares*

The cumulative redeemable convertible preference shares of 5p each are compulsorily redeemable at a price of £1 per share together with any accrued dividends on the following dates:

Date to be redeemed	Number of shares
1 August 2002	879,318
1 August 2003	879,318
1 August 2004	879,319
	<hr/>
	2,637,955
	<hr/>

The company may redeem the shares at an earlier date.

Voting rights

'A' ordinary, 'B' ordinary and 'C' ordinary shareholders have one vote per share.

The cumulative redeemable convertible preference shareholders have voting rights on certain resolutions only such as winding up, or varying rights unless the preference dividends are unpaid, in which case they have full voting rights.

Deferred shareholders have no voting rights.

Winding up

On a winding up shareholders would be repaid in the following order:

- 1) Accrued dividends for cumulative redeemable convertible preference shares.
- 2) Repayment of issue price of cumulative redeemable convertible preference shares.
- 3) Accrued dividends for 'B' and 'C' ordinary shares.
- 4) Repayment of issue price of 'B' and 'C' ordinary shares.
- 5) Accrued dividend for 'A' ordinary shares.
- 6) Repayment of issue price of 'A' ordinary shares
- 7) Balance to be distributed between A, B and C ordinary shareholders in proportion to the nominal value.
- 8) If balance distributed exceeds £100,000 per share, deferred shareholders will be entitled to a repayment of shares at their issue price.

SUNSAIL INTERNATIONAL LTDNotes forming part of the financial statements for the year ended 31 October 1999 *(Continued)***13 Reserves**

	Share premium account £'000	Profit and loss account £'000
At 1 November 1998	4,153	463
Profit for year	-	(512)
Dividends receivable		1,000
Dividends paid (note 8)	-	(446)
Share Issue	57	-
Discount on buy back of deferred shares	1	-
	<hr/>	<hr/>
At 31 October 1999	4,211	505
	<hr/> <hr/>	<hr/> <hr/>

£2,478,112 (1998 - £2,478,112) of the share premium account is attributable to non-equity interests.

14 Reconciliation of movements in shareholders' funds

	1999 £'000	1998 £'000
Profit for the financial year	488	545
Dividends payable (note 8)	(446)	(211)
Issue of shares	59	-
	<hr/>	<hr/>
Net addition to shareholders' funds	101	334
Opening shareholders' funds	4,950	4,616
	<hr/>	<hr/>
Closing shareholders' funds	5,051	4,950
	<hr/> <hr/>	<hr/> <hr/>
Attributable to equity interest	2,421	2,330
Attributable to non-equity interest	2,630	2,620
	<hr/>	<hr/>
	5,051	4,950
	<hr/> <hr/>	<hr/> <hr/>

SUNSAIL INTERNATIONAL LTD

Notes forming part of the financial statements for the year ended 31 October 1999 (*Continued*)

15 Contingent liabilities

At 31 October 1999 the company had contingent liabilities in respect of bank and contractual performance guarantees and other matters arising in the ordinary course of business entered into for or on behalf of certain group undertakings. It is not expected that any material liability will arise in respect thereof.

16 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 International Ltd 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 2GX.

17 Related Party Transactions

No disclosure has been made of transactions with group undertakings, as advantage has been taken of the exemption within FRS8, granted to subsidiary undertakings of which 90% or more of the voting rights are controlled within the group. There are no other related party transactions required to be disclosed in these financial statements.

18 Post Balance Sheet Events

On 1 December 1999 the authorised share capital was increased from £231,669 to £284,067 by 1,047,967 ordinary shares of 5p each.

'A' Ordinary shares were issued pursuant to the exercise of share options at 5p per share, on the following dates:

Date	Number
1 December 1999	86,962
15 March 2000	112,387

On 15 March 2000 all the issued and unissued cumulative redeemable preference shares of 5 pence each, 'A' ordinary shares of 5 pence each, 'B' ordinary shares of 5 pence each and deferred shares of 5 pence each in the Company were redesignated as Ordinary shares of 5 pence each, having the rights and restrictions set out in the new Articles of Association.

Following the post year end changes in share capital, as outlined above, authorised and allotted share capital of the company is as follows:

	Number	£'000
<i>Authorised</i>		
Ordinary shares of 5 p each	5,681,345	284
<i>Allotted, called up and fully paid</i>		
Ordinary shares of 5 p each	4,801,148	240