

SKI BOUND LIMITED

SKIBOUND LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 October 2004



Registered Number : 1873956

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2004

The directors submit their report and accounts of Ski Bound Limited for the year ended 31 October 2004.

Principal activity

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

Results and dividends

The Company's loss before taxation for the year was £3,215k (2003 : £2,589k loss).
The Directors do not propose a dividend for the year ended 31 October 2004 (2003: Nil).
The retained loss for the year transferred to reserves is £2,601k (2003 : £1,693k).

Directors and their interests

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

D Blastland
P J Long
M R Prior
L J Vincent Appointed 11 June 2004

Other Directors who served in the year were as follows:

R W Daniel Resigned 11 June 2004

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

At 31 October 2004, the interests of the directors in the ordinary share capital and share options of the ultimate parent company, First Choice Holidays PLC, were as follows:

	Ordinary Shares		Options	
	31 October 2004	31 October 2003	Granted 2004	Exercised 2004
M R Prior	2,453*	1,844*	31,425	-
L J Vincent	-	-	-	-

*including shares held under the Share Incentive Plan

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

DIRECTORS REPORT FOR THE YEAR ENDED 31 OCTOBER 2004 (Continued)

Policy and practice on payment of creditors

It is the Company policy that payments to suppliers, whether in advance or after the provision of the goods and services, are made on the basis of the terms that have been agreed with them. Due to the nature of the Company's operations and common to the industry as a whole, payments are often made in advance of the provision of goods and services. At the year end, the number of creditor days outstanding was 12 days (2003: 17 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.

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



Lorna Vincent
Director
28 April 2005

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.



KPMG Audit Plc

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of SkiBound Limited

We have audited the financial statements on pages 6 to 16.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, 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 audit 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

28 April 2005

SKI BOUND LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 October 2004

		31 October 2004	31 October 2003
		£'000	£'000
	Note		
Turnover	1	16,793	17,213
Cost of Sales		(17,259)	(16,691)
Gross Profit/(loss)		(466)	522
Administrative expenses		(2,762)	(3,118)
Operating Loss		(3,228)	(2,596)
Interest receivable		13	7
Loss on ordinary activities before taxation	2	(3,215)	(2,589)
Tax credit on loss on ordinary activities	4	614	896
Loss retained for the financial year	11	(2,601)	(1,693)

The results all arose from continuing activities.

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

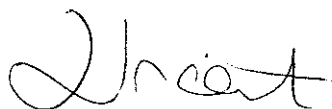
The historic cost loss is the same as the reported loss.

The notes on pages 8 to 16 form an integral part of these financial statements.

SKI BOUND LIMITED
BALANCE SHEET
At 31 October 2004

		31 October 2004	31 October 2003
	Note	£'000	£'000
Fixed assets			
Tangible fixed assets	5	44	64
Investments	6	1,364	1,325
		<u>1,408</u>	<u>1,389</u>
Current assets			
Stock		40	74
Debtors	7	52,568	238,505
Investments	8	3	3
Cash at bank and in hand		787	561
		<u>53,398</u>	<u>239,143</u>
Creditors: amounts falling due within one year	9	(52,492)	(235,617)
Net current assets		<u>906</u>	<u>3,526</u>
Net assets		<u>2,314</u>	<u>4,915</u>
Capital and reserves			
Called up share capital	10	3,250	3,250
Profit and loss account	11	(936)	1,665
Equity shareholders' funds	12	<u>2,314</u>	<u>4,915</u>

The financial statements were approved by the Board of Directors on 28 April 2005, and signed on its behalf by:



Lorna Vincent
Director

The notes on pages 8 to 16 form an integral part of these financial statements.

SKI BOUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2004

1. Accounting policies

Basis of Preparation

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.

Tangible fixed assets and depreciation

Tangible fixed assets are depreciated on a straight-line basis 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%
Motor vehicles	25%
Computer equipment	33 1/3%

Investments

Investments in subsidiary undertakings are stated at cost less any diminution in value.

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.

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 2004

Deferred taxation

Except as otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date. Timing differences arise when items of income and expenditure are included in tax computations in periods different from their inclusion in the financial statements.

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

Transactions in overseas currencies are translated at the exchange rate ruling at the date of the transaction or, where forward cover has been arranged, at the contractual rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date or at a contractual rate if applicable and any exchange differences arising are taken to the profit and loss account in the season to which the contract relates.

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. Travel Agency commissions, together with related costs, are recognised on receipt of final payment. 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.

The Directors confirm that no other related party transactions have been undertaken which require disclosure in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2004

Cash flow statement

The Company is exempt under Financial Reporting Standard No 1 (Revised) from the requirement to prepare a cashflow statement as it is a wholly owned subsidiary of First Choice Holidays PLC and First Choice Holidays PLC includes the Company's cashflow in its own published consolidated financial statements.

2. Profit on ordinary activities before taxation

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

	2004	2003
	£'000	£'000
Depreciation of tangible fixed assets	51	111
Operating lease rentals	200	203
Exchange differences	(9)	(4)

Auditors' remuneration for the year and prior year have been borne by another Group company.

3. Staff Costs

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

	2004	2003
	£'000	£'000
Staff costs during the period were as follows:		
UK wages and salaries	1,953	2,122
Overseas wages and salaries	668	2,333
Social security costs	325	332
Pension costs	88	86
	<u>3,034</u>	<u>4,873</u>

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

	2004	2003
Selling	32	34
Administration and operations	24	36
Overseas	88	99
	<u>144</u>	<u>169</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2004

	2004 £'000	2003 £'000
Directors' emoluments	133	111
Pension Contributions	12	9
	<u>145</u>	<u>120</u>

The number of directors with benefits accruing under the defined contribution pension was 2 (2003 : 1).

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

4. Tax on profit on ordinary activities

The tax charge in the 31 October 2004 accounts can be summarised as follows:

Tax on profit on ordinary activities:

i) Analysis of charge in year

	2004 £'000	2003 £'000
Current tax:		
UK corporation tax on loss for the year	(1,071)	(892)
Adjustment in respect of previous periods:		
- permanent	437	10
- origination of timing differences	-	(14)
Total current tax credit	<u>(634)</u>	<u>(896)</u>
Deferred tax:		
Origination and reversal of timing differences:		
- current year UK	7	(14)
- adjustment in respect of previous periods	13	14
Total deferred tax	<u>20</u>	<u>-</u>
Tax credit on loss on ordinary activities	<u>(614)</u>	<u>(896)</u>

SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 October 2004

ii) Factors affecting tax charge for year

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

	2004 £'000	2003 £'000
Loss on ordinary activities before tax	(3,215)	(2,589)
Loss on ordinary activities at the standard rate of UK Corporation tax of 30% (2003 : 30%)	(965)	(777)
Effects of:		
- Amounts not chargeable for tax purposes	(99)	(123)
- Adjustment to tax credit in respect of previous periods	437	(4)
- Depreciation for year in excess of / (less than) capital allowance	(7)	8
Current tax credit for year	(634)	(896)

5. Tangible fixed assets

	Motor vehicles £'000	Fixtures, fittings, equipment & skis £'000	Computer equipment £'000	Total £'000
Cost				
At 1 November 2003	31	795	11	837
Additions	-	4	27	31
At 31 October 2004	31	799	38	868
Depreciation				
At 1 November 2003	23	746	4	773
Provided in the year	8	34	9	51
At 31 October 2004	31	780	13	824
Net book amounts				
At 31 October 2004	-	19	25	44
At 31 October 2003	8	49	7	64

SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 October 2004

6. Investments in subsidiary undertakings

	Shares in group undertakings £'000
Cost at 1 November 2003	1,325
Transfer of Le Piolet SCI from Francotel Ltd	25
Transfer of Hotelreisen GmbH from Hotelreisen Ltd	14
Provision at 1 November 2003 and 31 October 2004	-
Net book value at 31 October 2004	1,364

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 principal country of operation	Principal activity
Schools Abroad Limited	England	Tour operator
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

7. Debtors

	2004 £'000	2003 £'000
Trade debtors	61	51
Deposits for accommodation and other services	910	1,048
Deferred brochure and other costs	2,491	3,315
Amounts owed by subsidiary undertakings	46,806	232,017
Deferred tax asset	55	75
ACT recoverable	-	613
Other debtors	352	379
Prepayments and accrued income	113	111
Group relief	1,780	896
	52,568	238,505

SKI BOUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2004

8. Current asset investments

	2004	2003
	£'000	£'000
UK listed investments	3	3
Aggregate market value of the listed investments	3	3

9. Creditors: amounts falling due within one year

	2004	2003
	£'000	£'000
Trade creditors	552	796
Client money received in advance	3,164	4,548
Amounts owed to subsidiary undertakings	48,163	229,427
VAT	152	168
Corporation tax payable	-	(57)
Accruals	80	80
Other creditors	381	655
	<u>52,492</u>	<u>235,617</u>

10. Called up share capital

	2004	2003
	£'000	£'000
Authorised		
300,000 'A' ordinary shares of £1 each	300	300
3,700,000 ordinary shares of £1 each	3,700	3,700
	<u>4,000</u>	<u>4,000</u>
Allotted, called up and fully paid		
167,502 'A' ordinary shares of £1 each	168	168
3,082,501 ordinary shares of £1 each	3,082	3,082
	<u>3,250</u>	<u>3,250</u>

11. Profit and loss account

	31 October 2004
	£'000
Retained profit at 1 November 2003	1,665
Result for the financial year	<u>(2,601)</u>
Retained loss at 31 October 2004	<u>(936)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2004

12. Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Loss for the financial year	(2,601)	(1,693)
Opening equity shareholders' funds	4,915	6,608
Closing equity shareholders' funds	<u>2,314</u>	<u>4,915</u>

13. Guarantees and other financial commitments

- a) Capital commitments
There was no capital expenditure authorised or contracted for at the balance sheet date.
- b) Lease commitments

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

	Land and buildings £'000	Overseas accommodation commitments £'000
31 October 2004		
Operating leases which expire – within 2-5 years	<u>186</u>	<u>268</u>
31 October 2003		
Operating leases which expire – within 2-5 years	<u>203</u>	<u>125</u>

14. Contingent Liability

The Company is at any time defending a number of actions against it arising in the normal course of business, none of which are material. Provision is made for these actions where this is deemed appropriate.

The Company is one of several guarantors to the following First Choice Holidays PLC facility agreements: a syndicated surety bonding facility of £62.5m; and a syndicated bank facility of £310m. All agreements are in the name of First Choice Holidays PLC.

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 October 2004****15. Deferred tax asset**

	2004
	£'000
At 1 November 2003	(75)
Provided / (credited) in the period	20
At 31 October 2004	<u>(55)</u>

The net deferred tax position as at 31 October 2004 is as follows :

	2004	2003
	£'000	£'000
Accelerated capital allowances	(55)	(75)
Other short term timing differences	-	-
	<u>(55)</u>	<u>(75)</u>

There is no unprovided deferred taxation at either 31 October 2004 or 31 October 2003.

16. 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 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, West Sussex, RH10 9GX.