SKI BOUND LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 October 2005

Registered Number : 1873956

DIRECTORS' REPORT FOR THE YEAR ENDED 31 October 2005

The directors submit their report and accounts of Ski Bound Limited for the year ended 31 October 2005.

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 £3,354k (2004 : £3,215k).
The Directors do not propose a dividend for the year ended 31 October 2005 (2004: Nil).
The retained loss for the year transferred to reserves is £3,054k (2004 : £2,601k).

Directors and their interests

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

D Blastland
A L John (appointed 22 November 2005)
M R Prior
L J Vincent

P J Long resigned on 22 November 2005

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 2005, the interests of the directors who served during the financial year 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 2005	31 October 2004	Granted	Exercised
M R Prior	2,534*	1,619*	-	-
L J Vincent	-	-	-	-

*Share 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.

SKI BOUND LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31 October 2005 (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 13 days (2004: 12 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
27 April 2006

SKI BOUND LIMITED

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 UK 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 a 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 Ski Bound 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 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

28 April 2006

SKI BOUND LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 October 2005

	Note	31 October 2005 £'000	31 October 2004 £'000
Turnover	1	13,168	16,793
Cost of sales		(12,033)	(17,259)
Gross profit/(loss)		1,135	(466)
Administrative expenses		(3,622)	(2,762)
Operating loss		(2,487)	(3,228)
Impairment of investments		(867)	-
Interest receivable		-	13
Loss on ordinary activities before taxation	2	(3,354)	(3,215)
Tax credit on loss on ordinary activities	4	300	614
Loss retained for the financial year	11	(3,054)	(2,601)

The results all arose from continuing activities.

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

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 2005

	Note	31 October 2005 £'000	31 October 2004 £'000
Fixed assets			
Tangible fixed assets	5	17	44
Investments	6	497	1,364
		514	1,408
Current assets			
Stock		14	40
Debtors	7	31,543	52,568
Investments	8	3	3
Cash at bank and in hand		11,019	787
		42,579	53,398
Creditors: amounts falling due within one year	9	(43,833)	(52,492)
Net current (liabilities)/assets		(1,254)	906
Net assets		(740)	2,314
Capital and reserves			
Called up share capital	10	3,250	3,250
Profit and loss account	11	(3,990)	(936)
Equity shareholders' funds	12	(740)	2,314

The financial statements were approved by the Board of Directors on 27 April 2006, and signed on its behalf by:

Lorna Vincent
Director

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2005

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.

The directors have drawn up accounts on a going concern basis as the Directors have received assurance from First Choice Holidays PLC, the Company's parent company, that it will provide all necessary financial support to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these accounts and thereafter, for as long as the Company remains a member of the group.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2005

Stock

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

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 2005

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. Loss on ordinary activities before taxation

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

	2005 £'000	2004 £'000
Depreciation of tangible fixed assets	27	51
Operating lease rentals	193	200
Exchange differences	1	(9)

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:

	2005 £'000	2004 £'000
Staff costs during the period were as follows:		
UK wages and salaries	1,681	1,953
Overseas wages and salaries	310	668
Social security costs	247	325
Pension costs	86	88
	2,324	3,034

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

	2005	2004
Selling	17	32
Administration and operations	22	24
Overseas	55	88
	94	144

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2005

	2005 £'000	2004 £'000
Directors' emoluments	232	133
Pension Contributions	17	12
	249	145

The number of directors with benefits accruing under the defined contribution pension scheme was 2 (2004 : 2).

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

4. Tax on loss on ordinary activities

The tax charge in the 31 October 2005 accounts can be summarised as follows:

Tax on loss on ordinary activities:

i) Analysis of credit in year

	2005 £'000	2004 £'000
Current tax:		
Amount receivable from fellow subsidiaries in respect of group relief	(830)	(1,071)
Adjustment in respect of previous periods:		
- permanent	521	437
Total current tax credit	(309)	(634)
Deferred tax:		
Origination and reversal of timing differences:		
- current year UK	9	7
- adjustment in respect of previous periods	-	13
Total deferred tax	9	20
Tax credit on loss on ordinary activities	(300)	(614)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2005

ii) Factors affecting tax credit for year

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

	2005 £'000	2004 £'000
Loss on ordinary activities before tax	(3,354)	(3,215)
Loss on ordinary activities at the standard rate of UK Corporation tax of 30% (2004 : 30%)	(1,006)	(965)
Effects of:		
- Amounts not chargeable for tax purposes	185	(99)
- Adjustment to tax credit in respect of previous periods	521	437
- Depreciation for year less than capital allowances	(9)	(7)
Current tax credit for year	(309)	(634)

5. **Tangible fixed assets**

	Motor vehicles £'000	Fixtures, fittings, equipment & skis £'000	Computer equipment £'000	Total £'000
Cost				
At 1 November 2004	31	799	38	868
Additions	-	-	-	-
At 31 October 2005	**31**	**799**	**38**	**868**
Depreciation				
At 1 November 2004	**31**	**780**	**13**	**824**
Provided in the year	-	15	12	27
At 31 October 2005	**31**	**795**	**25**	**851**
Net book amounts				
At 31 October 2005	**-**	**4**	**13**	**17**
At 31 October 2004	-	19	25	44

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2005

6. Investments in subsidiary undertakings

	Shares in group undertakings £'000
Cost at 1 November 2004 and 31 October 2005	1,364
Impairment of investment	(867)
Provision at 1 November 2004 and 31 October 2005	-
Net book value at 1 November 2004 and 31 October 2005	497

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

7. Debtors

	2005 £'000	2004 £'000
Trade debtors	11	61
Deposits for accommodation and other services	832	910
Deferred brochure and other costs	2,500	2,491
Amounts owed by subsidiary undertakings	25,748	46,806
Deferred tax asset	46	55
Other debtors	54	352
VAT	208	-
Prepayments and accrued income	58	113
Group relief	2,086	1,780
	31,543	52,568

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2005

8. Current asset investments

	2005 £'000	2004 £'000
UK listed investments	3	3
Aggregate market value of the listed investments	3	3

9. Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	425	552
Client money received in advance	3,270	3,164
Amounts owed to subsidiary undertakings	39,683	48,163
VAT	-	152
Accruals	17	80
Other creditors	438	381
	43,833	52,492

10. Called up share capital

	2005 £'000	2004 £'000
Authorised		
300,000 'A' ordinary 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' ordinary shares of £1 each	168	168
3,082,501 ordinary shares of £1 each	3,082	3,082
	3,250	3,250

11. Profit and loss account

	31 October 2005 £'000
Retained loss at 1 November 2004	(936)
Loss for the financial year	(3,054)
Retained loss at 31 October 2005	(3,990)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2005

12. **Reconciliation of movements in shareholders' funds**

	2005 £'000	2004 £'000
Loss for the financial year	(3,054)	(2,601)
Opening equity shareholders' funds	2,314	4,915
Closing equity shareholders' funds	(740)	2,314

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 2005		
Operating leases which expire – in the 2-5th years inclusive	193	249
31 October 2004		
Operating leases which expire – in the 2-5th years inclusive	186	268

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 £75m; and syndicated bank facilities of £310m and £240m. All agreements are in the name of First Choice Holidays PLC.

15. **Deferred tax asset**

	2005 £'000
At 1 November 2004	(55)
Provided in the period	9
At 31 October 2005	(46)

The net deferred tax position as at 31 October 2005 is as follows :

	2005 £'000	2004 £'000
Accelerated capital allowances	(46)	(55)
	(46)	(55)

There is no unprovided deferred taxation at either 31 October 2005 or 31 October 2004.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2005

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.

17. **Post Balance Sheet Events**

On 10 February 2006, the business and assets of Schools Abroad Ltd were acquired by a company within the First Choice Group. Total consideration comprised £1,671,421 based on the net book value of assets. No goodwill arose on acquisition and no fair value adjustments were made.