SKI BOUND LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 October 2006

Registered Number : 1873956

SKI BOUND LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 October 2006

The directors submit their report and accounts of Ski Bound Limited for the year ended 31 October 2006

Principal activity

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

Business Review

The Ski holiday market during 2006 faced challenging trading conditions with increased competition from the internet and low cost carriers

The Company was profitable with the help of careful capacity management and control of overheads and this strategy will continue for the future The directors believe that the Company is well equipped to face the fast-changing and challenging environment of 2007 and beyond

The directors manage risks and uncertainties of the Company in co-ordination with its fellow subsidiaries in the First Choice Holidays PLC ("First Choice") Group of Companies The directors of First Choice review the Company's risks and uncertainties in the context of the whole Group The directors of the Company believe that this review process is appropriate given that the Company's operations are managed in co-ordination with those of the Mainstream Sector The principal risks and uncertainties which are common to the First Choice Holidays PLC Group and the Company are

- Geo-political events and natural disasters The nature of our business means that we continually face the risk of geo-political events or natural disasters It is for this reason that we ensure we operate with a flexible and efficient business model and minimise the reliance on any one destination

- Commercial relationships We have well established and close relationships with our suppliers and spread our risk by not placing over-reliance on any one supplier in any particular area However, if a relationship was lost or damaged with a major supplier this could have a detrimental effect on our business The management team meets regularly with suppliers to maintain good working relationships

- Information technology. The Company is heavily reliant upon information technology Investment is being made to ensure that we have advanced and efficient systems in place but there is a risk if there were a major failure – particularly if it were to affect selling systems Procedures are in place to minimise the time a selling system is unavailable in the event of such a failure

- Environmental risk The Company uses aircraft to take people on holidays sometimes to countries where tourism is just developing This does have an impact on the environment and we take our corporate and social responsibilities seriously at every level We work with the authorities and suppliers in the destinations we serve to ensure that any local environmental impact is minimised in the best interest of the indigenous population

As the directors manage the Company in co-ordination with the management of the First Choice Activity Sector, they take the view that analysis using key performance indicators ("KPIs") for the Company on a stand-alone basis is not necessary or appropriate for an understanding of the development, performance and positioning of its businesses The KPIs which relate to both the Company and First Choice are

- Emphasis on product differentiation
- Increasing control of the distribution of our tour operating products
- Expansion of online sales to assist the drive to becoming a primarily direct-sale business

SKI BOUND LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 October 2006

Results for the year

The loss for the financial year ended 31 October 2006 amounted to £842k (2005 £3,054k) The Directors do not recommend the payment of a dividend (2005 Nil)

Directors and their interests

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

A L John (appointed 22 November 2005)
D Mee (appointed 22 September 2006)
M R Prior
C L Haines (appointed 22 September 2006)

Other Directors who served in the year were as follows

P J Long (resigned on 22 November 2005)
L J Vincent (resigned on 22 September 2006)
D Blastland (resigned on 22 September 2006)

None of the directors had any beneficial interest in the shares of the Company at any time during the year

As at 31 October 2006, the interests of the Directors in the ordinary share capital of the ultimate parent Company, First Choice Holidays PLC, were as follows

	***Ordinary Shares		*Share Awards	
	31 October 2006	31 October 2005	**Granted 2006**	**Exercised 2006**
D Mee	-	-	68,376	85,227
M R Prior	**3,386**	2,534	16,358	41,262
C L Haines	-	-	-	-
A L John	**66,729**	**61,542	243,110	-

* Includes shares awarded under the Restricted Share Plan and Performance Share Plan
** At date of appointment
*** Includes shares purchased under the Share Incentive Plan

Policy and practice on payment of suppliers

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 The Company did not trade with external suppliers and therefore no trade creditors existed at any point in time in the year

DIRECTORS' REPORT FOR THE YEAR ENDED 31 October 2006 (Continued)

Directors' insurance

The ultimate parent company, First Choice Holidays PLC, 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

Statement as to disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

C L Haines
Director
14 May 2007

Statement of Directors' Responsibilities in respect of the Directors' report and the financial statements

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 and applicable law (UK Generally Accepted Accounting Practice)

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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law

Independent auditor's report to the members of Ski Bound Limited

We have audited the financial statements of Ski Bound Limited for the year ended 31 October 2006 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes These financial statements have been prepared under the accounting policies set out therein

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit PLC

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square, London, EC4Y 8BB

14 May 2007

SKI BOUND LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 October 2006

	Note	31 October 2006 £'000	31 October 2005 £'000
Turnover	1	16,589	13,168
Cost of sales		(14,849)	(12,033)
Gross profit		1,740	1,135
Administrative expenses		(2,735)	(3,622)
Operating loss		(995)	(2,487)
Impairment of investments		-	(867)
Loss on ordinary activities before taxation	2	(995)	(3,354)
Tax credit on loss on ordinary activities	4	153	300
Loss for the financial year	12	(842)	(3,054)

A note on historical profits and losses has not been included as part of these financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis

The results stated above are all derived from continuing operations

The assets acquired from Schools Abroad Limited (note 17) have not generated any material results which merit separate disclosure

The notes on pages 9 to 16 form part of these financial statements

SKI BOUND LIMITED

BALANCE SHEET
At 31 October 2006

	Note	31 October 2006 £'000	Restated 31 October 2005 £'000
Fixed assets			
Tangible fixed assets	5	18	17
Investments	6	497	497
		515	514
Current assets			
Stock		-	14
Debtors	7	29,762	31,372
Investments	8	3	3
Cash at bank and in hand		-	11,019
		29,765	42,408
Creditors amounts falling due within one year	9	(24,239)	(43,833)
Net current assets / (liabilities)		5,526	(1,425)
Creditors amounts falling due after one year	10	(7,794)	-
Net liabilities		(1,753)	(911)
Capital and reserves			
Called up share capital	11	3,250	3,250
Profit and loss account	12	(5,003)	(4,161)
Deficit in equity shareholders' funds	13	(1,753)	(911)

The notes on pages 9 to 16 form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 14 May 2007, and signed on its behalf by

C L Haines
Director

SKI BOUND LIMITED

Statement of total recognised gains and losses for the year ended 31 October 2006

	Note	2006 £'000	Restated 2005 £'000
Loss for the financial year		(842)	(3,054)
Total gains and losses recognised relating to the financial year		(842)	(3,054)
Effect of prior year adjustment (note 1)		(171)	-
Total recognised gains and losses since the last annual report		(1,013)	(3,054)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2006

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, except as noted below

New Financial Reporting Standards

In these financial statements, the following new Financial Reporting Standards have been adopted for the first time

FRS 21. Events after the balance sheet date

Under FRS 21 dividends are recorded as liabilities in the period in which they are approved Under UK GAAP dividends were previously recorded when proposed As the Company has not paid an equity dividend in the last two financial years, the adoption of FRS 21 has had no impact on this year's financial statements

FRS 28. Corresponding amounts

This has no effect because it comprises the same requirements for comparative information as previously required by the Companies Act 1985

Change in accounting policies

Previously, the Company's policy was to charge brochure, other marketing costs and other sales related costs to the profit and loss account in the season to which they relate During the year, the Directors reviewed this accounting policy and have concluded that it is now more appropriate to charge these costs to the profit and loss account as incurred In considering this matter, the Directors have had regard both to the guidance under International Financial Reporting Standards (IFRS), which is more specific on the circumstances in which marketing and other direct costs of providing holidays may be deferred and matched against associated revenue, and to the practice of the Group and its competitors in their consolidated financial statements prepared under IFRS The impact of this change (including related taxation) is to reduce net assets by £171,000 at 31 October 2005 and 31 October 2004 respectively The profit and loss account for the year ended 31 October 2005 has not been restated

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention

Under Financial Reporting Standard 1 (revised 1996), 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

1 ACCOUNTING POLICIES (CONTINUED)

Group support

At 31 October 2006, the Company had net liabilities The financial statements have been prepared on a going concern basis The ultimate parent company, First Choice Holidays PLC, has confirmed its intention to provide financial support to the Company as may be required in order that it can continue to trade and meet its liabilities as they fall due for the next 12 months

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%

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

Marketing and other direct sales costs

Marketing, advertising and other promotional costs, including those related to the production of brochures, are expensed as incurred

Deferred taxation

Except as otherwise required by accounting standards, full provision without discounting is made for all deferred taxation 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

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

Loss on ordinary activities before taxation is stated after charging

	2006 £'000	2005 £'000
Depreciation of tangible fixed assets	12	27
Operating lease rentals	185	193
Exchange differences	19	1

Auditors' remuneration

In 2006 and 2005, auditors' remuneration was paid by another Group company The audit fee relating to the company was as follows

	2006 £'000	2005 £'000
Audit of these financial statements	13	12

Fees paid to the company's auditors, KPMG Audit Plc, and its associates for services other than the statutory audit of the company are not disclosed in these financial statements This is on the basis that such non-audit fees are disclosed in the consolidated accounts of the company's ultimate parent, First Choice Holidays PLC

3 STAFF COSTS

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

	2006 £'000	2005 £'000
Staff costs during the period were as follows		
UK wages and salaries	1,115	1,681
Overseas wages and salaries	73	310
Social security costs	123	247
Pension costs	48	86
	1,359	2,324

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

	2006	2005
Selling	18	17
Administration and operations	33	22
Overseas	13	55
	64	94

	2006 £'000	2005 £'000
Directors' emoluments	337	232
Pension contributions	20	17
	357	249

The number of directors with benefits accruing under the defined contribution pension scheme was 2 (2005 2)

4 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit in the 31 October 2006 accounts can be summarised as follows

Tax on loss on ordinary activities

i) Analysis of credit in year

	2006 £'000	2005 £'000
Current tax		
UK corporation tax on loss for the year	(384)	(830)
Adjustment in respect of previous periods		
- permanent	151	521
Total current tax credit	(233)	(309)
Deferred tax		
Origination and reversal of timing differences		
- current year UK	80	9
- adjustment in respect of previous periods	-	-
Total deferred tax	80	9
Tax credit on loss on ordinary activities	(153)	(300)

ii) Factors affecting tax credit for year

The tax credit for the year is lower (2005 lower) than the standard rate of corporation tax in the year (30%) The differences are explained below

	2006 £'000	2005 £'000
Loss on ordinary activities before tax	(995)	(3,354)
Loss on ordinary activities at the standard rate of UK Corporation tax of 30% (2005 30%)	(299)	(1,006)
Effects of		
- Expenses not deductible for tax purposes	1	185
- Adjustment to tax credit in respect of previous periods	151	521
- Transfer pricing adjustments	(2)	-
- Other short term timing differences (change in accounting policy)	(73)	-
- Depreciation for year less than capital allowances	(11)	(9)
Current tax credit for year	(233)	(309)

5 TANGIBLE FIXED ASSETS

	Motor vehicles £'000	Fixtures, fittings, equipment & skis £'000	Computer equipment £'000	Total £'000
Cost				
At 1 November 2005	31	799	38	868
Additions	7	-	8	15
Disposals	(31)	(659)	(7)	(697)
At 31 October 2006	**7**	**140**	**39**	**186**
Depreciation				
At 1 November 2006	31	795	25	851
Provided in the year	-	3	9	12
Depreciation on disposals	(31)	(659)	(5)	(695)
At 31 October 2006	**-**	**139**	**29**	**168**
Net book amounts				
At 31 October 2006	**7**	**1**	**10**	**18**
At 31 October 2005	-	4	13	17

6 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares in group undertakings £'000
Cost at 1 November 2005 and 31 October 2006	497
Net book value at 1 November 2005 and 31 October 2006	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
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

*Owned by subsidiary company

7 DEBTORS

	2006	**As restated 2005**
	£'000	**£'000**
Trade debtors	5	11
Deposits for accommodation and other services	1,859	832
Amounts owed by subsidiary undertakings	25,448	27,755
Deferred tax asset	46	119
Other debtors	65	54
VAT	60	208
Prepayments and accrued income	155	307
Group relief	2,124	2,086
	29,762	31,372

Debtors have been restated to reflect the prior year adjustment described in detail in Note 1 In addition, amounts owed by subsidiary undertakings has been restated (an increase of £2,007,000) This amount was previously shown within deferred brochure and other costs, but has been reclassified as it related to prepayments borne on behalf of another Group company

8 CURRENT ASSET INVESTMENTS

	2006	**2005**
	£'000	**£'000**
UK listed investments	3	3
Aggregate market value of the listed investments	3	3

9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	**2005**
	£'000	**£'000**
Bank overdraft	2,619	-
Trade creditors	389	425
Client money received in advance	3,982	3,270
Amounts owed to subsidiary undertakings	16,725	39,683
Deferred Tax	-	-
Accruals	17	17
Other creditors	507	438
	24, 239	43,833

10 CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR

	2006	**2005**
	£'000	**£'000**
Amounts owed to subsidiary undertakings	7,794	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 October 2006

11 CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'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

12 PROFIT AND LOSS ACCOUNT

	31 October 2006 £'000
At 1 November 2005 as previously reported	(3,990)
Prior year adjustment (note 1)	(171)
At 1 November 2005 as restated	(4,161)
Loss for the financial year	(842)
Retained loss at 31 October 2006	(5,003)

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £'000	2005 £'000
Opening shareholders' funds as previously reported	(740)	2,314
Prior year adjustment (note 1)	(171)	(171)
Opening shareholders' funds as restated	(911)	2,143
Loss for the year	(842)	(3,054)
Closing equity shareholders' funds	(1,753)	(911)

14 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 2006		
Operating leases which expire – in the 2nd - 5th years inclusive	185	248
31 October 2005		
Operating leases which expire – in the 2nd - 5th years inclusive	193	249

15 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, syndicated bank facilities of £310m and £240m, and bilateral bank credit facilities of £108m and £30m, and a bilateral term loan of €18 3m All agreements are in the name of First Choice Holidays PLC

16 DEFERRED TAX ASSET

	2006 £'000
As at 1 November 2005 - as previously reported	46
Prior year adjustment (note 1)	73
Restated balance at 1 November 2005	119
Provided in the year	(73)
As at 31October 2006	46

The net deferred tax position as at 31 October 2006 is as follows

	2006 £'000	As restated 2005 £'000
Accelerated capital allowances	46	46
Other short term timing differences	-	73
	46	119

There is no unprovided deferred taxation at either 31 October 2006 or 31 October 2005

17 ACQUISITIONS

On 10 February 2006, the business and assets of Schools Abroad Limited were acquired by the Company 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

18 RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption contained in FRS 8 It has therefore not disclosed transactions or balances with entities which form part of the Group

19 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