

SKI BOUND LIMITED

**DIRECTORS' REPORT AND FINANCIAL
STATEMENTS FOR THE 11-MONTH PERIOD ENDED**

30 September 2007

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COMPANIES HOUSE

Registered Number : 1873956

DIRECTORS' REPORT FOR THE 11-MONTH PERIOD ENDED 30 SEPTEMBER 2007

The directors submit their report and accounts of Ski Bound Limited for the 11-month period ended 30 September 2007

On 3 September 2007, First Choice Holidays PLC (now First Choice Holidays Limited) merged with the Tourism Division of TUI AG to form TUI Travel PLC – the new ultimate parent company. During the period, the Company changed its accounting reference date from 31 October to 30 September to coincide with the accounting reference date of the other companies in the TUI Travel PLC Group of Companies.

Principal activity

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

Business Review

The Ski holiday market during 2007 faced challenging trading conditions with increased competition from the internet and low cost carriers.

The Company on a consolidated basis 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 2008 and beyond.

The directors manage risks and uncertainties of the Company in co-ordination with its fellow subsidiaries in the TUI Travel PLC Group of Companies. The directors of TUI Travel PLC 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 TUI Travel 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 ("the 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 the Sector 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-sales business

SKI BOUND LIMITED

Results for the year

The loss for the 11-month period ended 30 September 2007 amounted to £595k (2006 loss of £842k) The Directors do not recommend the payment of a dividend (2006 Nil)

Directors and their interests

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

A L John
D Mee
I S Finlay (appointed 7 June 2007)
K M Watson (appointed 15 October 2007)
B G Robinson (appointed 17 March 2008)

Other Directors who served in the year were as follows

C L Haines (resigned 15 October 2007)
M R Prior (resigned 7 June 2007)

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

Directors' insurance

The intermediate parent company First Choice Holidays Limited maintains Directors' & Officer's Liability insurance policies on behalf of the Directors of the Company for all wrongful acts up to 3 September 2007. A policy in the name of TUI Travel PLC, the new parent company, covers any wrongful acts occurring after that date.

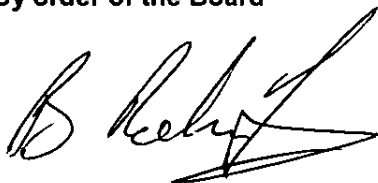
Statement as to disclosure of information to auditors

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 meetings and the appointment of auditors annually. Accordingly KPMG Audit Plc will continue in office as auditors.

By order of the Board



B G Robinson
Director
8th May 2008

SKI BOUND LIMITED

DIRECTORS' REPORT FOR THE 11-MONTH PERIOD ENDED 30 SEPTEMBER 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

SKI BOUND LIMITED

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

We have audited the financial statements of Ski Bound Limited for the 11-month period ended 30 September 2007 which comprise the profit and loss account, the balance sheet, 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 30 September 2007 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

8 May 2008

8 May 2008

SKI BOUND LIMITED

PROFIT AND LOSS ACCOUNT

For the 11-month period ended 30 September 2007

	Note	11- month period ended 30 September 2007 £'000	Year ended 31 October 2006 £'000
Turnover	1	17,591	16,589
Cost of sales		(15,875)	(14,849)
Gross profit		1,716	1,740
Administrative expenses		(2,600)	(2,735)
Operating loss and loss on ordinary activities before taxation	2	(884)	(995)
Tax credit on loss on ordinary activities	4	289	153
Loss for the period/ year	12	(595)	(842)

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 notes on pages 8 to 14 form part of these financial statements

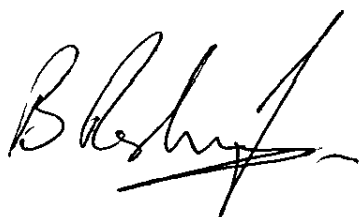
SKI BOUND LIMITED

BALANCE SHEET
At 30 September 2007

	Note	11- month period ended 30 September 2007 £'000	Year ended 31 October 2006 £'000
Fixed assets			
Tangible fixed assets	5	86	18
Investments	6	497	497
		<u>583</u>	<u>515</u>
Current assets			
Debtors	7	24,383	29,762
Investments	8	3	3
Cash at bank and in hand		3,724	-
		<u>28,110</u>	<u>29,765</u>
Creditors: amounts falling due within one year	9	(23,268)	(24,239)
Net current assets		<u>4,842</u>	<u>5,526</u>
Creditors amounts falling due after one year	10	(7,773)	(7,794)
Net liabilities		<u>(2,348)</u>	<u>(1,753)</u>
Capital and reserves			
Called up share capital	11	3,250	3,250
Profit and loss account	12	(5,598)	(5,003)
Deficit in equity shareholders' funds	13	<u>(2,348)</u>	<u>(1,753)</u>

The notes on pages 8 to 14 form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 8th May 2008, and signed on its behalf by



B G Robinson
Director

NOTES TO THE FINANCIAL STATEMENTS

For the 11-month period ended 30 September 2007

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 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

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved for payment

Group support

At 30 September 2007, the Company had net liabilities. The financial statements have been prepared on a going concern basis. The immediate parent company, First Choice Holidays Limited, 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. 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. 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.

SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 11-month period ended 30 September 2007

2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging

	11-month period ended 30 September 2007	Year ended 31 October 2006
	£'000	£'000
Depreciation of tangible fixed assets	15	12
Operating lease rentals	73	185
Exchange differences	160	19
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Auditors' remuneration

In 2007 and 2006, auditors' remuneration was paid by another Group company. The audit fee relating to the Company was as follows

	11-month period ended 30 September 2007	Year ended 31 October 2006
	£'000	£'000
Audit of these financial statements	13	13

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 immediate parent, First Choice Holidays Limited.

3 STAFF COSTS

Staff costs (including executive directors) are as shown below

	11-month period ended 30 September 2007	Year ended 31 October 2006
	£'000	£'000
UK wages and salaries	1,188	1,115
Overseas wages and salaries	116	73
Social security costs	136	123
Pension costs	55	48
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	1,495	1,359

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

	11-month period ended 30 September 2007	Year ended 31 October 2006
Selling	20	18
Administration and operations	31	33
Overseas	9	13
	<hr/>	<hr/>
	60	64

	11-month period ended 30 September 2007	Year ended 31 October 2006
	£'000	£'000
Directors' emoluments	89	337
Pension contributions	11	20
	<hr/>	<hr/>
	100	357

The number of directors with benefits accruing under the defined contribution pension scheme was 2 (2006: 2).

SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the 11-month period ended 30 September 2007

4 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit in the 30 September 2007 accounts can be summarised as follows

i) Analysis of credit in period/year

	2007 £'000	2006 £'000
Current tax		
UK corporation tax credit on loss for the period/year	(275)	(384)
Adjustment in respect of previous periods		
- permanent	(34)	151
Total current tax credit	(309)	(233)
Deferred tax		
Origination and reversal of timing differences		
- current year UK	11	80
- effect of reduction in UK corporation tax rate from 30% to 28%	3	-
- adjustment in respect of previous periods	6	-
Total deferred tax	20	80
Tax credit on loss on ordinary activities	(289)	(153)

ii) Factors affecting tax credit for period/year

The tax credit for the period/year is higher (2006 lower) than the standard rate of corporation tax in the period (30%). The differences are explained below

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(884)	(995)
Loss on ordinary activities at the standard rate of UK Corporation tax of 30% (2006 30%)	(265)	(299)
Effects of		
- Expenses not deductible for tax purposes	1	1
- Adjustment to tax credit in respect of previous periods	(34)	151
- Transfer pricing adjustments	-	(2)
- Other short term timing differences	-	(73)
- Capital allowances for the period in excess of depreciation	(11)	(11)
Current tax credit for period/year	(309)	(233)

SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 11-month period ended 30 September 2007

5 TANGIBLE FIXED ASSETS

	Motor vehicles £'000	Fixtures, fittings, equipment & skis £'000	Computer equipment £'000	Total £'000
Cost				
At 1 November 2006	7	140	39	186
Additions	15	34	34	83
Disposals	-	-	-	-
At 30 September 2007	22	174	73	269
Depreciation				
At 1 November 2006	-	139	29	168
Provided in the period	4	2	9	15
Depreciation on disposals	-	-	-	-
At 30 September 2007	4	141	38	183
Net book amounts				
At 30 September 2007	18	33	35	86
At 31 October 2006	7	1	10	18

6 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares in group undertakings £'000
Cost at 1 November 2006 and 30 September 2007	497
Net book value at 1 November 2006 and 30 September 2007	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	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 SARL*	Italy	Hotel operator
Hotelreisen Limited	England	Holding company
Hotelreisen GMBH*	Austria	Hotel operator
Skibound Holidays Limited	England	Flight chartering
Schools Abroad Limited	England	Service activities
Ski Alpine Limited	England	Travel agency

*Owned by subsidiary company

SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 11-month period ended 30 September 2007

7 DEBTORS

	11-month period ended 30 September 2007	Year ended 31 October 2006
	£'000	£'000
Trade debtors	6	5
Deposits for accommodation and other services	1,614	1,859
Amounts owed by subsidiary undertakings	21,442	25,448
Deferred tax asset	26	46
Other debtors	15	65
VAT	117	60
Prepayments and accrued income	249	155
Group relief	914	2,124
	<u>24,383</u>	<u>29,762</u>

8 CURRENT ASSET INVESTMENTS

	2007 £'000	2006 £'000
UK listed investments	<u>3</u>	<u>3</u>
Aggregate market value of the listed investments	<u>3</u>	<u>3</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	11-month period ended 30 September 2007	Year ended 31 October 2006
	£'000	£'000
Bank overdraft	-	2,619
Trade creditors	748	389
Client money received in advance	4,036	3,982
Amounts owed to subsidiary undertakings	17,841	16,725
Accruals	390	17
Other creditors	253	507
	<u>23,268</u>	<u>24,239</u>

10 CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR

	2007 £'000	2006 £'000
Amounts owed to subsidiary undertakings	7,773	7,794

11 CALLED UP SHARE CAPITAL

	2007 £'000	2006 £'000
<i>Authorised</i>		
300,000 'A' ordinary shares of £1 each	300	300
3,700,000 ordinary shares of £1 each	<u>3,700</u>	<u>3,700</u>
	<u>4,000</u>	<u>4,000</u>
<i>Allotted, called up and fully paid</i>		
167,502 'A' ordinary shares of £1 each	168	168
3,082,501 ordinary shares of £1 each	<u>3,082</u>	<u>3,082</u>
	<u>3,250</u>	<u>3,250</u>

SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 11-month period ended 30 September 2007

12 PROFIT AND LOSS ACCOUNT

	30 September 2007 £'000
At 1 November 2006	(5,003)
Loss for the financial period	(595)
Retained loss at 30 September 2007	<u>(5,598)</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £'000	2006 £'000
Opening shareholders' funds	(1,753)	(911)
Loss for the year	(595)	(842)
Closing equity shareholders' funds	<u>(2,348)</u>	<u>(1,753)</u>

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
30 September 2007		
Operating leases which expire – in the 2 nd - 5 th years inclusive	73	208
31 October 2006		
Operating leases which expire – in the 2 nd - 5 th years inclusive	185	248

15 DEFERRED TAX ASSET

	2007 £'000
As at 1 November 2006	46
Impact of reduction in UK corporation tax rate from 30% to 28% on future periods	(3)
Provided in the period	(17)
As at 30 September 2007	<u>26</u>

The net deferred tax position as at 30 September 2007 is as follows

	2007 £'000	2006 £'000
Accelerated capital allowances	<u>26</u>	<u>46</u>

There is no unprovided deferred taxation at either 30 September 2007 or 31 October 2006

16 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

SKI BOUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **For the 11-month period ended 30 September 2007**

17 ULTIMATE PARENT UNDERTAKING

Until 3 September 2007 First Choice Holidays Limited, a company registered in England and Wales, was the ultimate parent company. With effect from 3 September 2007, the ultimate parent company is TUI AG – a company registered in Berlin and Hanover (Federal Republic of Germany).

For the 11-month period ended 30 September 2007 First Choice Holidays Limited was the parent undertaking of the largest and smallest group of which Ski Bound Limited is a member and for which consolidated financial statements are drawn up. For future accounting periods, the parent undertaking of the smallest group of which Ski Bound Limited is a member and for which consolidated financial statements are drawn up will be TUI Travel PLC, and the largest will be TUI AG.

Copies of the First Choice Holidays Limited, TUI Travel PLC and TUI AG financial statements are available from TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex, RH10 9QL.